FINAL OFFICIAL STATEMENT DATED JANUARY 27, 2016

NEW ISSUES | **Moody's MNSDCEP Rating: Aa2**
NOT BANK QUALIFIED | **Moody's Underlying Rating: Aa3**

In the opinion of Knutson, Flynn & Deans, Professional Association, Bond Counsel, the Bonds are exempt from taxation by the State of Minnesota and its subdivisions and municipalities and the interest to be paid on said Bonds is not includable in the gross income of the recipient for United States or State of Minnesota income tax purposes (but is subject to federal alternative minimum taxes and environmental surtaxes on corporations and Minnesota taxes on banks and corporations measured by income) according to present federal and Minnesota laws, regulations, rulings, and decisions. (See "TAX EXEMPTION" herein.)

Independent School District No. 911
(Cambridge-Isanti Public Schools), Cambridge, Minnesota

$3,250,000
General Obligation School Building Refunding Bonds, Series 2016A
(the "Series 2016A Bonds")

$3,215,000
General Obligation Alternative Facilities Refunding Bonds, Series 2016C
(the "Series 2016C Bonds")

(Minnesota School District Credit Enhancement Program)

(Book Entry Only)

Dated Date: Date of Delivery

The Bonds (as defined herein) will mature and bear interest as shown on the inside front cover of this Official Statement.

The Bonds will not be subject to payment in advance of their respective stated maturity dates.

The Bonds are general obligations of the District for which the District pledges its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds of the Bonds will be used to refund certain outstanding bonds of the District (see "THE SERIES 2016A Bonds – Authority and Purpose" and "THE SERIES 2016C Bonds – Authority and Purpose" herein).

The District will not designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and the Bonds will not be subject to the alternative minimum tax for individuals.

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) U.S. Bank National Association, St. Paul, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about February 18, 2016.

Please see the "UNDERWRITING" section herein for discussion regarding the Purchaser of the Bonds.

Independent School District No. 911
(Cambridge-Isanti Public Schools), Cambridge, Minnesota

$3,250,000 General Obligation School Building Refunding Bonds, Series 2016A

The **Series 2016A Bonds** will bear interest on April 1 and October 1 of each year, commencing October 1, 2016, and will mature April 1 in the years and amounts as follows:

Maturity (April 1)	Amount	Interest Rate	Yield	CUSIP 132375
2017	$1,565,000	5.00%	0.56%	PH 3
2018	$1,685,000	5.00%	0.77%	PJ 9

$3,215,000 General Obligation Alternative Facilities Refunding Bonds, Series 2016C

The **Series 2016C Bonds** will bear interest on February 1 and August 1 of each year, commencing August 1, 2016, and will mature February 1 in the years and amounts as follows:

Maturity (February 1)	Amount	Interest Rate	Yield	CUSIP 132375
2018	$475,000	5.00%	0.74%	PK 6
2019	$495,000	5.00%	0.88%	PL 4
2020	$520,000	5.00%	1.01%	PM 2
2021	$550,000	5.00%	1.16%	PN 0
2022	$575,000	5.00%	1.30%	PP 5
2023	$600,000	5.00%	1.48%	PQ 3

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INDEPENDENT SCHOOL DISTRICT NO. 911
(CAMBRIDGE-ISANTI PUBLIC SCHOOLS), CAMBRIDGE, MINNESOTA

SCHOOL BOARD

Timothy Hitchings	Chair
Gary Hawkins	Vice Chair
Lynn Wedlund	Clerk
Heidi Sprandel	Treasurer
Jenni Caulk	Member
Kyle Johnson	Member
Darcy Winsor	Member

SUPERINTENDENT

Dr. Raymond Queener

DIRECTOR OF FINANCE AND OPERATIONS

Ms. Kris Crocker

MUNICIPAL ADVISOR

Springsted Incorporated
Saint Paul, Minnesota

BOND COUNSEL

Knutson, Flynn & Deans, Professional Association
Mendota Heights, Minnesota

The Official Statement dated January 27, 2016 is a Final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

The District designates the senior managing underwriter of the syndicate to which each series of the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each participating underwriter. By delivering an offer with respect to the purchase of the Series 2016A Bonds or the Series 2016C Bonds, the senior managing underwriter has agreed that (i) it accepts such designation and (ii) it shall enter into a contractual relationship with all participating underwriters of the Bonds for purposes of assuring the receipt by each such participating underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the District and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the District. The District is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the District that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

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OFFICIAL STATEMENT

INDEPENDENT SCHOOL DISTRICT NO. 911
(CAMBRIDGE-ISANTI PUBLIC SCHOOLS), CAMBRIDGE, MINNESOTA

$3,250,000
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2016A

$3,215,000
GENERAL OBLIGATION ALTERNATIVE FACILITIES REFUNDING BONDS, SERIES 2016C

(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to Independent School District No. 911 (Cambridge-Isanti Public Schools), Cambridge, Minnesota (the "District") and its issuance of $3,250,000 General Obligation School Building Refunding Bonds, Series 2016A (the "Series 2016A Bonds") and $3,215,000 General Obligation Alternative Facilities Refunding Bonds, Series 2016C (the "Series 2016C Bonds" and, together with the Series 2016A Bonds, the "Bonds"). The Bonds are general obligations of the District for which it pledges its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to the Award Resolutions and Continuing Disclosure Certificates (the "Certificates") to be executed on behalf of the District on or before closing, the District has and will covenant for the benefit of holders or beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The specific nature of the Certificates, as well as the information to be contained in the annual report or the notices of material events is set forth in the Certificates in substantially the forms attached hereto as Appendix II, subject to such modifications thereof or additions thereto as: (i) consistent with requirements under the Rule, (ii) required by the purchaser of the Bonds from the District and (iii) acceptable to the Chair and Clerk of the District.

To the best of its knowledge, the District has complied for the past five years in all material respects in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule. In the interest of full disclosure, the District notes the following, which is presented irrespective of materiality:

- Within the past five years, Moody's Investors Service has changed the credit ratings of certain municipal bond insurance firms, which resulted in the change of the insured ratings of certain debt issues of the District. Material event notices regarding certain insurance rating changes have not been filed; however, the information was publicly available through other sources.

A failure by the District to comply with the Certificate will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Bonds will have the sole remedy of bringing an action for specific performance). 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 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery, and will mature annually as set forth on the inside front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Series 2016A Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2016. Interest on the Series 2016C Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2016. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled "Book Entry System." U.S. Bank National Association, St. Paul, Minnesota will serve as Registrar for the Bonds, and the District will pay for registrar services.

Redemption Provisions

Thirty days' written notice of redemption shall be given to the registered owner(s) of the Bonds. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

<u>Optional Redemption</u>

The Bonds will not be subject to payment in advance of their respective stated maturity dates.

Book Entry System

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

DTC 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"). 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 its agent on the 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 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 its 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.

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

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, certificates will be printed and delivered to DTC.

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.

THE SERIES 2016A BONDS

Authority and Purpose

The Series 2016A Bonds are being issued pursuant to Minnesota Statutes, Chapter 475. The Series 2016A Bonds have been structured as a current refunding, and are being issued to achieve debt service savings. The proceeds of the Series 2016A Bonds will be used to redeem the April 1, 2017 and April 1, 2018 maturities (the "Series 2005C Refunded Maturities") of the District's General Obligation School Building Refunding Bonds, Series 2005C, dated February 1, 2005. Specifically, it is anticipated that the Series 2005C Refunded Maturities will be called and prepaid at a price of par plus accrued interest on April 1, 2016, which is within 90 days of settlement of the Series 2016A Bonds.

Sources and Uses of Funds

The composition of the Series 2016A Bonds is as follows:

Sources of Funds:	
Principal Amount	$3,250,000.00
Reoffering Premium	226,947.45
Total Sources of Funds	$3,476,947.45
Uses of Funds:	
Deposit for Refunding Purposes	$3,435,000.00
Costs of Issuance	36,909.95
Allowance for Discount Bidding	5,037.50
Total Uses of Funds	$3,476,947.45

Security and Financing

The Series 2016A Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Series 2016A Bonds when due if the District is unable to make a principal or interest payment. The District will make its first levy for the Series 2016A Bonds in 2016 for collection in 2017. Taxes previously collected will be used to make the October 1, 2016 interest payment due on the Series 2016A Bonds. Thereafter, each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the debt service due on the Series 2016A Bonds in each year.

THE SERIES 2016C BONDS

Authority and Purpose

The Series 2016C Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.59. The Series 2016C Bonds have been structured as a crossover refunding, and are being issued to achieve debt service savings. The proceeds of the Series 2016C Bonds will be used to redeem the February 1, 2018 through February 1, 2023 maturities (the "Series 2007A Refunded Maturities") of the District's General Obligation Alternative Facility Bonds, Series 2007A, dated June 15, 2007 (the "Series 2007A Bonds").

Specifically, the proceeds of the Series 2016C Bonds will be placed in an escrow account with U.S. Bank National Association in St. Paul, Minnesota (the "Escrow Agent"). The amounts on deposit with the Escrow Agent will be invested in special obligations of the United States Treasury or other obligations of the United States or of its agencies, which shall mature in such amounts and at such times as to be available to:

- pay the interest on the Series 2016C Bonds to and including February 1, 2017, the anticipated call date of the Series 2007A Bonds;
- redeem the Series 2007A Refunded Maturities on the anticipated call date of February 1, 2017 at a price of par plus accrued interest.

Verification services necessary to insure the adequacy of the escrow account to provide timely payment of the principal and interest for which the escrow account is obligated will be performed by a certified public accounting firm.

The Series 2005C Refunded Maturities and the Series 2007A Refunded Maturities are collectively referred to as the "Refunded Maturities".

Sources and Uses of Funds

The composition of the Series 2016C Bonds is as follows:

Sources of Funds:	
Principal Amount	$3,215,000.00
Reoffering Premium	540,548.80
Total Sources of Funds	$3,755,548.80
Uses of Funds:	
Deposit to Escrow Fund	$3,698,880.62
Costs of Issuance	45,257.27
Allowance for Discount Bidding	11,410.91
Total Uses of Funds	$3,755,548.80

Security and Financing

The Series 2016C Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Series 2016C Bonds when due if the District is unable to make a principal or interest payment.

The District will make its first levy for the Series 2016C Bonds in 2016 for collection in 2017. The escrow account established with the proceeds of the Series 2016C Bonds will make the interest payments due on the Series 2016C Bonds through February 1, 2017. Thereafter, each year's collection of taxes will be sufficient to pay 105% of the debt service due on the Series 2016C Bonds in each year.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

The District will participate in the Minnesota School District Credit Enhancement Program (the "Program") created by Minnesota Statutes, Section 126C.55 (the "Act"). Under the Act, if the District believes it may be unable to make a principal or interest payment on the due date, it must notify the Commissioner of Education as soon as possible, but not less than 15 working days prior to the due date, which notice is to specify certain information. After consultation with the District and paying agent, and after verification of the accuracy of the information provided, the Commissioner of Education must notify the Commissioner of Management and Budget. The Act provides that "upon receipt of this notice...the Commissioner of Management and Budget shall issue a warrant and authorize the Commissioner of Education to pay to the paying agent for this debt obligation the specific amount on or before the date due." The amounts needed for this purpose are annually appropriated to the Department of Education from the State General Fund. Payment by the State will be dependent upon the availability of sufficient appropriations for the purpose of the Program. Bond Counsel expresses no opinion as to the enforceability of the Act against the State in the absence of available appropriations.

FUTURE FINANCING

The District anticipates issuing additional general obligation refunding bonds during calendar year 2016.

LITIGATION

The District is not aware of any threatened or pending litigation affecting the validity of the Bonds or the District's ability to meet its financial obligations.

LEGALITY

The Bonds are subject to approval as to certain matters by Knutson, Flynn & Deans, Professional Association, of Mendota Heights, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. Legal opinions in substantially the forms set out in Appendix I herein will be delivered at closing.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is not includable in the "gross income" of the owners thereof for purposes of federal income taxation and is not includable in net taxable income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations and financial institutions.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended, (the "Code") and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and net taxable income for State of Minnesota tax purposes of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income and is not taken into account for purposes of calculating the alternative minimum tax that may be imposed with respect to corporations. Adjusted current earnings include income received that is otherwise exempt from taxation such as interest on the Bonds.

The Code provides that 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) shall be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Original Issue Premium

The Bonds are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium, even Bonds that were not initially offered at a premium, must, from time to time, reduce their federal and Minnesota tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Bonds acquired at a premium.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, 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.

RATINGS

Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York has assigned to each series of the Bonds (i) an underlying rating of "Aa3", and (ii) a rating of "Aa2" based on the Minnesota School District Credit Enhancement Program. The ratings reflect only the opinion of Moody's. Any explanation of the significance of the ratings may be obtained only from Moody's.

There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The District has retained Springsted Incorporated, Public Sector Advisors, of St. Paul, Minnesota ("Springsted"), as municipal advisor in connection with certain aspects of the issuance of the Bonds. In preparing this Official Statement, Springsted has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement, and Springsted has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Springsted is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards. Springsted is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTIFICATION

The District has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the District stating that the District examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

UNDERWRITING

The Series 2016A Bonds

An underwriting syndicate managed by Morgan Stanley & Co. LLC, in New York, New York with co-managers Raymond James & Associates, Inc.; Jefferies & Company, Inc.; FTN Financial Capital Markets; and City Securities (collectively, the "Purchaser") has agreed to purchase the Series 2016A Bonds for a purchase price of $3,471,909.95 (representing the principal amount of $3,250,000.00, plus a reoffering premium of $226,947.45 and less the underwriter's compensation of $5,037.50). The public offering prices of all the Series 2016A Bonds may be changed from time to time by the Purchaser.

The Series 2016C Bonds

The Purchaser has agreed to purchase the Series 2016C Bonds for a purchase price of $3,744,137.89 (representing the principal amount of $3,215,000.00, plus a reoffering premium of $540,548.80 and less the underwriter's compensation of $11,410.91). The public offering prices of all the Series 2016C Bonds may be changed from time to time by the Purchaser.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

DISTRICT PROPERTY VALUES

Trend of Values[(a)]

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio[(b)]	Economic Market Value[(c)]	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2014/15	$2,061,247,400	93.1%	$2,201,890,094	$177,411,000	$1,826,454,432	$19,286,401
2013/14	1,954,819,500	93.4	2,085,724,502	181,637,800	1,717,137,300	18,344,601
2012/13	2,043,225,200	103.8	1,970,484,821	181,558,300	1,677,677,500	18,076,049
2011/12	2,162,507,200	N/A	N/A	175,827,100	1,881,366,572	19,931,795
2010/11	2,386,742,800	N/A	N/A	N/A	2,242,253,400	23,256,986

(a) *For a description of the Minnesota property tax system, see Appendix III.*

(b) *Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, http://www.revenue.state.mn.us/propertytax/Pages/statistics-imv.aspx. Prior to 2012/13, a different methodology was used to calculate sales ratios and the economic market value cannot be derived.*

(c) *Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, http://www.revenue.state.mn.us/propertytax/Pages/statistics-imv.aspx.*

Sources: Chisago County and Isanti County, Minnesota, May 2015, except as otherwise noted.

2014/15 Net Tax Capacity: $19,415,703*

	Isanti County	Chisago County	Total
Real Estate	$18,256,227	$628,983	$18,885,210
Personal Property	520,727	9,766	530,493
Total	$18,776,954	$638,749	$19,415,703

* *Excludes mobile home valuation of $47,556 for Isanti County.*

2014/15 Adjusted Taxable Net Tax Capacity: $19,286,401

Real Estate:		
Residential Homestead	$ 9,695,637	49.9%
Commercial/Industrial, Public Utility, and Railroad	3,863,474	19.9
Agricultural	2,772,084	14.3
Non-Homestead Residential	2,013,141	10.4
Seasonal Recreational	540,874	2.8
Personal Property	530,493	2.7
2014/15 Net Tax Capacity	$19,415,703	100.0%
Less: Captured Tax Increment Tax Capacity	(129,302)	
2014/15 Adjusted Taxable Net Tax Capacity	$19,286,401	

Ten of the Largest Taxpayers in the District

Taxpayer	Type of Property	2014/15 Net Tax Capacity
Great River Energy	Utility	$ 208,694
Wal-Mart Stores Incorporated	Retail	204,444
Mills Properties, Inc.	Commercial	156,294
Centerpoint Energy	Utility	148,106
Menards Incorporated	Retail	135,232
Target Corporation	Retail	115,294
Burlington Northern Santa Fe Railway	Railroad	100,551
East Central Energy	Utility	83,896
Recycling Fulfillment Centers LLC	Commercial/Industrial	70,192
Kohl's	Retail	66,864
Total		$1,289,567*

* *Represents 6.7% of the District's total 2014/15 adjusted taxable net tax capacity.*

DISTRICT INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (15% of 2014/15 Economic Market Value)	$330,283,514
Less: Outstanding Debt Subject to Limit (Including the Bonds and Excluding the Refunded Maturities)	(57,471,487)
Legal Debt Margin as of February 18, 2016	$272,812,027

* *The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.*

NOTES: Certain types of debt are not subject to the legal debt limit. See Appendix III – Debt Limitations.

Minnesota Statutes limits the "net debt" of a school district to 15% of its actual market value. Actual market value is either the District's Estimated Market Value or Economic Market Value, whichever is higher.

General Obligation Debt Supported Solely by Taxes[(a)]

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-18-16
2-1-05	$13,435,000	School Building Refunding	4-1-2016	$ 1,565,000[(b)]
2-17-05	10,621,487	School Building CABs	2-1-2030	10,621,487
6-15-07	7,585,000	Alternative Facility	2-1-2017	515,000[(c)]
10-1-10	665,000	Capital Facilities	2-1-2021	350,000
8-1-12	26,000,000	School Building Refunding	2-1-2030	23,795,000
12-19-13	2,940,000	Alternative Facilities	2-1-2024	2,425,000
3-25-14	9,565,000	School Building	2-1-2034	9,100,000
2-18-16	3,250,000	School Building Refunding (the Series 2016A Bonds)	4-1-2018	3,250,000
2-18-16	3,215,000	Alternative Facilities Refunding (the Series 2016C Bonds)	2-1-2023	3,215,000
Total				$54,836,487

(a) *These issues are subject to the legal debt limit.*

(b) *Excludes the Series 2005C Refunded Maturities.*

(c) *Excludes the Series 2007A Refunded Maturities.*

Certificates of Participation*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-18-16
8-7-14	$2,740,000	Taxable Certificates	2-1-2030	$2,635,000

* *This issue is subject to the legal debt limit.*

Estimated Calendar Year Debt Service Payments Including the Bonds and Excluding the Refunded Maturities

	General Obligation Debt Supported Solely by Taxes		Certificates of Participation	
Year	Principal	Principal & Interest[(a)]	Principal	Principal & Interest
2016 (at 2-18)	$ 1,565,000	$ 2,331,601	(Paid)	$ 49,154
2017	5,070,000	6,403,995	$ 155,000	251,990
2018	5,235,000	6,371,673	155,000	249,084
2019	3,793,057	5,823,033	160,000	250,415
2020	3,817,160	5,828,995	165,000	250,984
2021	3,858,126	5,846,245	165,000	245,993
2022	3,807,780	5,762,169	175,000	250,334
2023	3,844,568	5,762,074	180,000	249,030
2024	3,233,488	5,124,678	185,000	247,184
2025	2,927,924	4,809,300	195,000	249,674
2026	2,970,920	4,830,325	205,000	251,369
2027	3,006,238	4,848,800	210,000	247,288
2028	3,035,260	4,854,206	215,000	242,564
2029	3,072,875	4,861,594	230,000	247,103
2030	3,114,091	4,860,825	240,000	245,820
2031	590,000	666,650		
2032	610,000	665,650		
2033	635,000	668,863		
2034	650,000	661,375		
Total	$54,836,487[(b)]	$80,982,051	$2,635,000[(c)]	$3,527,986

(a) *Includes debt service on the Series 2016A Bonds and the Series 2016C Bonds based on the interest rates shown on the inside cover of this Official Statement, and excludes the Refunded Maturities.*

(b) *67.8% of this debt will be retired within ten years.*

(c) *66.0% of this debt will be retired within ten years.*

Overlapping Debt

Taxing Unit[(a)]	2014/15 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 2-18-16[(b)]	Debt Applicable to Tax Capacity of District Percent	Debt Applicable to Tax Capacity of District Amount
Isanti County	$26,085,541	$ 5,300,000	71.5%	$ 3,789,500
Chisago County	42,889,591	41,090,000[(c)]	1.5	616,350
City of Cambridge	5,532,680	16,880,000[(d)]	100.0	16,880,000
City of Isanti	2,618,387	6,325,000	100.0	6,325,000
Fish Lake Township	1,634,235	80,000	39.1	31,280
North Branch Township	1,378,325	245,000	32.8	80,360
Total				$27,722,490

(a) *Only those units with outstanding general obligation debt are shown here.*

(b) *Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.*

(c) *Includes lease revenue bonds issued by the Chisago County Housing and Redevelopment Authority (the "HRA") and paid from lease payments made by the County to the HRA.*

(d) *Includes lease revenue bonds issued by the Economic Development Authority of the City of Cambridge, Minnesota (the "Cambridge EDA"), but payable from lease payments made by the City of Cambridge pursuant to a lease agreement between the Cambridge EDA and the City of Cambridge.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2014/15 Estimated Market Value ($2,061,247,400)	2.66%	4.01%
Per Capita - (28,340 - Current District Estimate)	$1,935	$2,913

* *Excludes certificates of participation.*

DISTRICT TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a District Resident in the City of Cambridge

	2010/11	2011/12	2012/13	2013/14	2014/15 Total	2014/15 For Debt Only
Isanti County	48.650%	57.850%	60.807%	67.285%	66.996%	3.725%
City of Cambridge	72.220	80.690	87.403	92.053	89.819	13.495
ISD No. 911 (Cambridge-Isanti)*	33.770	39.480	39.883	41.765	48.149	32.807
Green Lake Improvement District	0.610	6.480	-0-	6.283	5.402	-0-
Total	155.250%	184.500%	188.093%	207.386%	210.366%	50.027%

* *Independent School District No. 911 (Cambridge-Isanti) has a 2014/15 market value tax rate of 0.14657% spread across the market value of property in support of an excess operating levy.*

NOTE: Taxes are determined by multiplying the net tax capacity by the tax capacity rate, plus multiplying the referendum market value by the market value rate. This table does not include the market value based rates. See Appendix III.

Tax Levies and Collections

Levy/Collect	Net Levy*	Collected During Collection Year Amount	Collected During Collection Year Percent	Collected and/or Abated As of 5-15-15 Amount	Collected and/or Abated As of 5-15-15 Percent
2014/15	$11,628,850	(Not Yet Available)			
2013/14	9,320,165	$9,116,480	97.8%	$9,218,187	98.9%
2012/13	7,816,066	7,739,868	99.0	7,763,799	99.3
2011/12	8,205,265	7,963,060	97.0	8,094,920	98.7
2010/11	7,782,315	7,516,988	96.6	7,692,959	98.9

* *The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.*

FUNDS ON HAND
As of November 30, 2015

Fund	Cash and Investments
General	$ 8,665,202
Food Service	864,363
Community Service	445,303
Debt Service	6,823,408
Internal Service	1,040,371
Building Construction	(75,017)
Total	$17,763,630

INVESTMENTS

The District has an adopted investment policy No. 705 that permits the District to invest its funds in accordance with Minnesota Statutes, Sections 118A.04 and 118A.05. The District invests the majority of its funds with the Minnesota School District Liquid Asset Fund (MSDLAF). As of November 30, 2015, the District's Liquid Class of the MSDLAF portfolio had net assets $11,982,887.

The MSDLAF was established in 1984 under Minnesota laws to permit school districts to pool their investment funds to obtain the highest possible yield and maintain the preservation of capital and liquidity. Investments are made in instruments permitted by Minnesota law. In addition, it is the MSDLAF's policy regarding commercial paper to permit investing only in "A1"-"P1" commercial paper, although State statutes allow for a lower rating. The Liquid Class, made up of only permitted investments, is 100% liquid at all times and allows for unlimited check writing services.

GENERAL INFORMATION CONCERNING THE DISTRICT

The District is located in Isanti and Chisago Counties in Minnesota. The District administrative offices are located in the City of Cambridge, the county seat of Isanti County, which is approximately 45 miles north of the Minneapolis/St. Paul metropolitan area. The District encompasses an area of approximately 252 square miles (161,280 acres) and includes the cities of Cambridge and Isanti and all or part of 13 townships. The District's current population is estimated to be 28,340.

School Board and Administration

The District's governing and policy-setting body is the School Board, comprised of seven members, all of whom are elected at large to serve overlapping four-year terms of office. Elections are held every two years on the first Tuesday of November of the even numbered year. The current Board Members are as follows:

		Expiration of Term First Monday in January
Timothy Hitchings	Chair	2019
Gary Hawkins	Vice Chair	2017
Lynn Wedlund	Clerk	2019
Heidi Sprandel	Treasurer	2017
Jenni Caulk	Member	2019
Kyle Johnson	Member	2019
Darcy Winsor	Member	2017

The administration of policy as set by the Board is under the direction of the Superintendent, Dr. Raymond Queener. Dr. Queener has served as Superintendent for the District since July 2013, having previously served as the Assistant Superintendent for Business and Administrative Services for the Stillwater Area Public Schools. Ms. Kris Crocker is the District’s Director of Finance and Operations.

Enrollment

Following is the trend of enrollments for the past five years:

School	Grades		Total
Year	K-6	7-12	Enrollment
2015/16	2,575	2,239	4,814
2014/15	2,630	2,178	4,808
2013/14	2,754	2,285	5,039
2012/13	2,724	2,301	5,025
2011/12	2,680	2,336	5,016

Employment

Following is the District's employment trend for the past five years:

School Year	Certified Employees	Uncertified Employees	Total Employees
2015/16	400	519	919
2014/15	383	457	840
2013/14	385	430	815
2012/13	399	429	828
2011/12	368	435	803

Labor Contracts

Pursuant to State law, all school districts in the State negotiate teacher contracts every two years. The status of labor contracts in the District is as follows:

Bargaining Unit	No. of Employees	Expiration Date of Current Contract
Teachers	391	June 30, 2015*
Principals	9	June 30, 2015*
Secretaries	40	June 30, 2015*
Instructional Assistants	210	June 30, 2015*
Custodians	42	June 30, 2015*
Food Service	46	June 30, 2015*
Subtotal	738	
Non-unionized employees	181	
Total employees	919	

* *In negotiations.*

Physical Plant

The District operates nine educational buildings. Seven of the facilities are currently owned by the District: two primary schools (grades PreK-2), two intermediate schools (grades 3-5), two middle schools (grades 6-8) and a senior high school (grades 9-12).

Building	Original Construction/ Additions	Maximum Capacity
Cambridge Primary (PreK-2)	1960, 1967, 1989, 1994, 2014	930
Isanti Primary (PreK-2)	1956, 1960, 1966, 1969, 1989, 2014	687
Cambridge Intermediate (3-5)	1936, 1954, 1957, 1961, 1974, 1976, 1995, 2014	612
Isanti Intermediate (3-5)	2006	850
Cambridge Middle (6-8)	2006	875
Isanti Middle (6-8)	1976, 1994, 2006	887
Cambridge-Isanti High (9-12)	1967, 1969, 1974,1998	1,500
Adult Enrichment Center	2012	N/A
Education Center	1955, 1981	N/A

Student Transportation

The District owns and operates its own bus fleet and transports approximately 86% of its students daily.

Budget Summary

Fund	June 30, 2015 Actual Fund Balance	2015-16 Projected Revenues and Transfers In	2015-16 Projected Expenditures and Transfers Out	June 30, 2016 Projected Fund Balance
General	$10,433,888	$50,137,000	$50,400,000	$10,170,888
Food Service	787,729	2,284,000	2,354,000	717,729
Community Service	120,644	1,865,000	1,813,000	172,644
Building Construction	2,795,018	0	0	2,795,018
Debt Service	944,037	6,332,000	6,593,000	683,037
Trust	82,379	0	0	82,379
Total All Funds	$15,163,695	$60,618,000	$61,160,000	$14,621,695

Major General Fund Revenue Sources

Revenue	2011	2012	2013	2014	2015
State Sources	$34,716,168	$36,402,819	$37,437,186	$39,345,612	$40,858,535
Property Taxes	2,128,896	1,839,218	1,885,800	1,114,169	3,344,896
Federal Sources	1,675,616	1,829,865	1,338,690	1,082,421	1,144,477
Other	1,607,160	1,919,652	1,666,095	1,725,455	2,035,484
Earnings on Investments	250,000	63,412	23,624	5,888	5,587

Sources: District's Annual Financial Statements.

Nonpublic and Post-Secondary Education

Post-secondary education is available at the Cambridge Community College Center, a satellite center of Anoka-Ramsey Community College, with the main campus located 40 miles south of the City of Cambridge. In addition, St. Cloud State University is located 50 miles west of Cambridge and there are many colleges and universities in the Twin Cities metropolitan area located approximately 50-70 miles south of the District. Technical colleges are available in the City of Pine City (30 miles north), the City of St. Cloud, and the Minneapolis/St. Paul metropolitan area.

Non-public schools located within the District include:

School	Location	Grades	2014/15* Enrollment
Cavalry Baptist Academy	City of Cambridge	K-8	8
Cambridge Christian School	City of Cambridge	K-12	153
St. Scholastica Parochial School	City of Cambridge	K-12	44

Source: Minnesota Department of Education, www.education.state.mn.us

* *2015/16 enrollment figures are not yet available.*

Employee Pensions

All teachers employed by the District are covered by the Teachers Retirement Association ("TRA"). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The contribution requirements of plan members and the District are established and may be amended by State Statute.

All non-teachers full-time and certain part-time employees of the District are covered by defined benefit plans administered by the Public Employees' Retirement Association ("PERA"). PERA administers the General Employees Retirement Fund ("GERF"), which is a cost-sharing, multiple-employer retirement plan. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The District provides the employer's share of these plans. The contribution requirements of plan members and the District are established by and may be amended by State Statute. The District is current in its contributions to GERF.

The District's contributions for the past five years are as follows:

	TRA	GERF
2015	$1,849,908	$757,066
2014	1,635,146	667,242
2013	1,447,761	635,802
2012	1,303,338	616,029
2011	1,164,042	580,584

Both TRA and PERA are managed by the State of Minnesota; the District, therefore, has no responsibility for the administration of either program.

For more information regarding the liability of the District with respect to its employees, please reference Note 6, Defined Benefit Pension Plans – State-wide, of the District's Financial Statements for the fiscal year ended June 30, 2015, an excerpt of which is included as Appendix IV of this Official Statement.

GASB 68

At June 30, 2015, the District adopted Government Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, establishing new accounting and financial reporting requirements for governments that provide their employees with pensions. Under the new standard, cost-sharing governments that participate in a multi-employer plan must report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. Because the District presents comparative financial statements, the pronouncements require the restatement of the District's June 30, 2014 net position of its governmental activities. Please reference "Note 1, Summary of Significant Accounting Policies" of the District's Annual Financial Statements for fiscal year ended June 30, 2015, an excerpt of which is included as Appendix IV of this Official Statement.

The District's proportionate shares of the GERF and TRA pension costs as of the measurement date of June 30 2014 were 0.1752% and 0.5050%, respectively. The District's net pension liability, pension expense, and pension-related deferred inflows and outflows of resources for its cost-sharing plans for the fiscal year ended June 30, 2015 are as follows:

	GERF	TRA	Total
Net Pension Liability	$(8,230,018)	$(23,270,036)	$(31,500,054)
Deferred Outflows of Resources	1,731,556	4,452,431	6,183,987
Deferred Inflows of Resources	(2,223,744)	(7,315,864)	(9,539,608)

For more information regarding GASB 68 with respect to the District, please reference "Note 8, Defined Benefit Pension Plans" of the District's Financial Statements for fiscal year ended June 30, 2015, an excerpt of which is included as Appendix IV of this Official Statement.

Additional and detailed information about GERF's net position is available in a separately-issued PERA financial report, which may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026. Additional and detailed information about TRA's net position is available in a separately-issued TRA financial report, which may be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Sources: District's Annual Financial Statements.

Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), which addresses how state and local governments must account for and report their obligations related to post-employment healthcare and other non-pension benefits (referred to as Other Post Employment Benefits or "OPEB").

The District provides post-employment benefits to eligible employees through the District's OPEB plan. Benefits are based on contractual agreements with employee groups, and eligibility is based on years of service and/or minimum age requirements. As of June 30, 2015, there are 555 active participants and 53 retired participants. Required contributions are funded on a pay-as-you-go basis, with any additional amounts to pre-fund benefits determined annually by the District.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed 30 years. Components of the District's annual OPEB cost, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan for the fiscal year ended June 30, 2015 are as follows:

Annual required contribution	$280,509
Interest on net OPEB obligation	6,613
Adjustment to annual required contribution	(9,911)
Annual OPEB cost (expense)	$277,211
Contributions made	(295,355)
Increase (decrease) in net OPEB obligation	$(18,144)
Net OPEB obligation – beginning of year	146,957
Net OPEB obligation – end of year	$128,813

Funded status of the District's OPEB as reported in the actuarial reports received to date:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	UAAL as a percentage of Annual Covered Payroll
July 1, 2013	- 0 -	$2,360,498	$2,360,498	8.9%
July 1, 2011	- 0 -	2,592,618	2,592,618	11.3
July 1, 2009	- 0 -	3,483,526	3,483,526	15.0

Required contributions as reported in the actuarial reports received to date:

Fiscal Year Ended	OPEB Cost	Employer Contributions	% of Annual OPEB Cost Contributed	OPEB Obligation
June 30, 2015	$277,211	$295,355	106.5%	$128,813
June 30, 2014	270,371	302,388	111.8	146,957
June 30, 2013	272,114	292,297	107.4	178,974
June 30, 2012	266,657	264,277	99.1	199,157
June 30, 2011	358,412	440,661	122.9	(30,144)

For more information regarding the District's OPEB plan, please reference "Note 8, Other Post-employment Benefits (OPEB) Plan" of the District's Financial Statements for fiscal year ended June 30, 2015, an excerpt of which is included as Appendix IV of this Official Statement.

Sources: District's Annual Financial Statements.

AREA ECONOMY

Labor Force Data

	Annual Average				November
	2011	2012	2013	2014	2015
Labor Force:					
Chisago County	28,964	28,645	28,599	28,735	28,933
Isanti County	20,560	20,400	20,252	20,336	20,378
State of Minnesota	2,944,331	2,954,948	2,965,675	2,974,102	3,009,360
Unemployment Rate:					
Chisago County	7.6%	6.6%	5.6%	4.6%	3.3%
Isanti County	8.3	6.9	6.0	5.0	3.2
State of Minnesota	6.5	5.6	4.9	4.1	3.0

Source: Minnesota Department of Employment and Economic Development, http://www.positivelyminnesota.com. 2015 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

Chisago County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2014/15	$604,125	$1,263,788	$56,308
2013/14	557,976	1,223,875	55,610
2012/13	409,415	983,553	44,954
2011/12	447,212	1,132,588	48,936
2010/11	447,379	1,032,950	48,927

Isanti County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2014/15	$485,842	$838,315	$49,764
2013/14	513,447	774,438	46,758
2012/13	488,898	737,150	43,580
2011/12	543,688	748,393	45,659
2010/11	544,004	785,695	45,851

The 2014/15 Median Household EBI for the State of Minnesota was $50,560. The 2014/15 Median Household EBI for the United States was $45,448.

Source: Claritas, Inc.

Major Employers

The area's economy rests on agricultural pursuits, industry and health care and easy access to the Minneapolis/St. Paul metropolitan area from State Highway 65. Some of the larger employers located within the District are shown below:

Employer	Product/Service	Number of of Employees
Independent School District No. 911 (Cambridge-Isanti Public Schools)	Education	919
Cambridge Medical Center	Hospital and Medical Clinic	900
GracePointe Crossing	Long-Term Health Care	450
Walmart	Retail	350
Isanti County	Government	285
Menards Incorporated	Retail	200
TEAM Industries	Custom Machine Shop	200
Arrow Tank and Engineering	Metal Tanks	186
Minnesota Extended Treatment Options	State Hospital	160
East Central Energy	Electric Co-op	158
Cambridge Metals and Plastics	Metal Fabricating	150
Target Corporation	Retail	150
Anoka Ramsey Community College	Community College	116
Cub Foods	Retail Grocer	110

Source: This does not purport to be a comprehensive list and is based on a January 2016 telephone survey of individual employers.

Financial Institutions*

The following full service banks are located in the District:

	Deposits As of 9-30-15
Peoples Bank of Commerce (Cambridge)	$249,104,000
Community Pride Bank (Isanti)	84,876,000
Landmark Community Bank, N.A. (Isanti)	71,942,000
Cambridge State Bank (Cambridge)	57,263,000
Total	$463,185,000

In addition, branches of Wells Fargo Bank, National Association; Affinity Plus Credit Union; and Minnco Credit Union are located in the City of Cambridge and serve District residents.

* *This does not purport to be a comprehensive list.*

Source: Federal Deposit Insurance Corporation, http://www2.fdic.gov/idasp/main.asp.

Health Care Services

The following is a summary of inpatient health care facilities located within the District:

Facility	Location	No. of Beds
Gracepointe Cross Gables West	City of Cambridge	108
Cambridge Medical Center	City of Cambridge	101
Cambridge Medical Center Dellwood	City of Cambridge	11
Gracepointe Cross Gables East	City of Cambridge	90
Living Well Central	City of Cambridge	6

Source: Minnesota Department of Health, http://www.health.state.mn.us/.

PROPOSED FORMS OF LEGAL OPINIONS

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

$3,250,000
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2016A
INDEPENDENT SCHOOL DISTRICT NO. 911
(CAMBRIDGE-ISANTI PUBLIC SCHOOLS)
ISANTI AND CHISAGO COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 911 (Cambridge-Isanti Public Schools), Isanti and Chisago Counties, Minnesota (the "District"), of its General Obligation School Building Refunding Bonds, Series 2016A (the "Bonds"), in the aggregate principal amount of $3,250,000, bearing a date of original issue of February 18, 2016. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

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

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

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

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

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

DATED at Mendota Heights, Minnesota, this 18th day of February, 2016.

KNUTSON, FLYNN & DEANS
Professional Association

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

$3,215,000
GENERAL OBLIGATION ALTERNATIVE FACILITIES REFUNDING BONDS, SERIES 2016C
INDEPENDENT SCHOOL DISTRICT NO. 911
(CAMBRIDGE-ISANTI PUBLIC SCHOOLS)
ISANTI AND CHISAGO COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 911 (Cambridge-Isanti Public Schools), Isanti and Chisago Counties, Minnesota (the "District"), of its General Obligation Alternative Facilities Refunding Bonds, Series 2016C (the "Bonds"), in the aggregate principal amount of $3,215,000, bearing a date of original issue of February 18, 2016. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

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

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

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

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

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

DATED at Mendota Heights, Minnesota, this 18th day of February, 2016.

KNUTSON, FLYNN & DEANS
Professional Association

CONTINUING DISCLOSURE CERTIFICATES

The Series 2016A Bonds

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 911 (Cambridge-Isanti Public Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Refunding Bonds, Series 2016A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on January 21, 2016 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

(a) The District shall provide, or shall cause the Dissemination Agent to provide, as soon as available, but not later than June 30, 2016, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report and shall be submitted if and when available. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly relating to the following: "District Property Values", "District Indebtedness" and "District Tax Rates, Levies and Collections."

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated this 18th day of February, 2016

INDEPENDENT SCHOOL DISTRICT NO. 911
(CAMBRIDGE-ISANTI PUBLIC SCHOOLS)
ISANTI AND CHISAGO COUNTIES
STATE OF MINNESOTA

By: ___________________________________
Chair

And: __________________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

The Series 2016C Bonds

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 911 (Cambridge-Isanti Public Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation Alternative Facilities Refunding Bonds, Series 2016C (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on January 21, 2016 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

(a) The District shall provide, or shall cause the Dissemination Agent to provide, as soon as available, but not later than June 30, 2016, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report and shall be submitted if and when available. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly relating to the following: "District Property Values", "District Indebtedness" and "District Tax Rates, Levies and Collections."

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

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

Dated the 18th day of February, 2016.

INDEPENDENT SCHOOL DISTRICT NO. 911
(CAMBRIDGE-ISANTI PUBLIC SCHOOLS)
ISANTI AND CHISAGO COUNTIES, MINNESOTA

By: ______________________________________
Chair

And: ______________________________________
Clerk

(Signature page to Continuing Disclosure Certificate)

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to $413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the District's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Chapter 273, Minnesota Statutes)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.

4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.
6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against the municipality.

Levies for General Obligation Debt
(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS

Property Type	Local Tax Payable 2012-2014	Local Tax Payable 2015	Local Tax Payable 2016
Residential Homestead (1a)			
Up to $500,000	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%
Residential Non-homestead			
Single Unit (4bb1)			
Up to $500,000	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%
1-3 unit and undeveloped land (4b1)	1.25%	1.25%	1.25%
Market Rate Apartments			
Regular (4a)	1.25%	1.25%	1.25%
Low-Income (4d)	0.75%		
Up to $100,000		0.75%	
Over $100,000		0.25%	
Up to $106,000			0.75%
Over $106,000			0.25%
Commercial/Industrial/Public Utility (3a)			
Up to $150,000	1.50%[a]	1.50%[a]	1.50%[a]
Over $150,000	2.00%[a]	2.00%[a]	2.00%[a]
Electric Generation Machinery	2.00%	2.00%	2.00%
Commercial Seasonal Residential			
Homestead Resorts (1c)			
Up to $600,000	0.55%	0.50%	0.50%
$600,000 - $2,300,000	1.00%	1.00%	1.00%
Over $2,300,000	1.25%[a]	1.25%[a]	1.25%[a]
Seasonal Resorts (4c)			
Up to $500,000	1.00%[a]	1.00%[a]	1.00%[a]
Over $500,000	1.25%[a]	1.25%[a]	1.25%[a]
Non-Commercial (4c12)			
Up to $500,000	1.00%[a][b]	1.00%[a][b]	1.00%[a][b]
Over $500,000	1.25%[a][b]	1.25%[a][b]	1.25%[a][b]
Disabled Homestead (1b)			
Up to $50,000	0.45%	0.45%	0.45%
Agricultural Land & Buildings			
Homestead (2a)			
Up to $500,000	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%
Remainder of Farm			
Up to $2,140,000[c]	0.50%[b]	0.50%[b]	0.50%[b]
Over $2,140,000[c]	1.00%[b]	1.00%[b]	1.00%[b]
Non-homestead (2b)	1.00%[b]	1.00%[b]	1.00%[b]

[a] *State tax is applicable to these classifications.*

[b] *Exempt from referendum market value based taxes.*

[c] *Legislative increases, payable 2016. Historical valuations are: Payable 2015 - $1,900,000; Payable 2014 - $1,500,000; Payable 2013 - $1,290,000; and Payable 2012 - $1,210,000.*

NOTE: For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First $76,000 – 0.40%; $76,000 to $500,000 – 1.00%; and over $500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in St. Paul are exempt under this provision).

EXCERPT OF 2015 ANNUAL FINANCIAL STATEMENTS

Data on the following pages was extracted from the District's Annual Financial Statements for fiscal year ended June 30, 2015. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 911
Cambridge, 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. 911 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

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

Prior Year Comparative Information

We have previously audited the District's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 16, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 22, 2015

INDEPENDENT SCHOOL DISTRICT NO. 911

Statement of Net Position
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	Governmental Activities	
	2015	2014
Assets		
Cash and temporary investments	$ 22,067,164	$ 30,831,100
Receivables		
Current taxes	5,866,950	4,609,961
Delinquent taxes	258,663	256,607
Accounts and interest	18,067	25,165
Due from other governmental units	5,083,269	4,618,340
Inventory	87,717	92,388
Prepaid items	127,769	407,705
Restricted assets – temporarily restricted		
Cash and investments for debt service	–	26,304,588
Capital assets, net of accumulated depreciation		
Not depreciated	5,735,924	5,744,405
Depreciated, net of accumulated depreciation	73,355,620	65,944,858
Total capital assets, net of accumulated depreciation	79,091,544	71,689,263
Total assets	112,601,143	138,835,117
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	6,183,987	–
Total assets and deferred outflows of resources	$ 118,785,130	$ 138,835,117
Liabilities		
Salaries payable	$ 1,849,099	$ 1,697,695
Accounts and contracts payable	4,415,581	4,611,655
Accrued interest payable	723,889	1,117,869
Due to other governmental units	225,515	1,389,765
Unearned revenue	66,315	64,829
Long-term liabilities		
Due within one year	5,489,923	30,436,761
Due in more than one year	97,288,487	67,646,878
Total long-term liabilities	102,778,410	98,083,639
Total liabilities	110,058,809	106,965,452
Deferred inflows of resources		
Property taxes levied for subsequent year	11,533,833	9,132,237
Pension plan deferments – PERA and TRA	9,539,608	–
Total deferred inflows of resources	21,073,441	9,132,237
Net position		
Net investment in capital assets	11,483,202	11,826,141
Restricted for		
Capital asset acquisition	1,628,734	2,035,431
Debt service	394,419	–
Food service	771,522	694,049
Community service	121,839	193,877
Other purposes (state funding restrictions)	2,209,949	3,133,168
Unrestricted	(28,956,785)	4,854,762
Total net position	(12,347,120)	22,737,428
Total liabilities, deferred inflows of resources, and net position	$ 118,785,130	$ 138,835,117

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 911

Statement of Activities
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015				2014
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,302,173	$ –	$ 3,121	$ (2,299,052)	$ (2,228,425)
District support services	1,608,709	39,321	–	(1,569,388)	(875,380)
Elementary and secondary regular instruction	21,069,878	906,470	722,510	(19,440,898)	(18,434,066)
Vocational education instruction	1,018,878	–	59,175	(959,703)	(869,400)
Special education instruction	7,849,899	–	4,639,492	(3,210,407)	(2,404,350)
Instructional support services	3,193,916	–	4,416	(3,189,500)	(3,012,967)
Pupil support services	4,411,648	–	75,379	(4,336,269)	(4,238,590)
Sites and buildings	6,983,206	1,676	155,612	(6,825,918)	(5,044,952)
Fiscal and other fixed cost programs	222,829	–	–	(222,829)	(211,516)
Food service	2,197,231	968,672	1,309,886	81,327	26,122
Community service	1,873,701	1,034,452	360,410	(478,839)	(382,719)
Unallocated depreciation	1,808,367	–	–	(1,808,367)	(1,814,662)
Interest and fiscal charges	2,921,842	–	–	(2,921,842)	(3,348,169)
Total governmental activities	$ 57,462,277	$ 2,950,591	$ 7,330,001	(47,181,685)	(42,839,074)
	General revenues				
	Taxes				
	Property taxes, levied for general purposes			3,355,298	1,101,775
	Property taxes, levied for community service			310,316	166,056
	Property taxes, levied for debt service			5,908,056	5,809,264
	General grants and aids			37,205,834	35,312,928
	Other general revenues			743,778	659,752
	Investment earnings			55,699	124,604
	Total general revenues			47,578,981	43,174,379
	Change in net position			397,296	335,305
	Net position – beginning, as previously reported			22,737,428	22,402,123
	Change in accounting principle			(35,481,844)	–
	Net position – beginning, as restated			(12,744,416)	22,402,123
	Net position – ending			$ (12,347,120)	$ 22,737,428

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 911

Balance Sheet
Governmental Funds
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	General Fund	Capital Projects – Building Construction	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2015	Total Governmental Funds 2014
Assets						
Cash and temporary investments	$ 12,206,800	$ 4,400,967	$ 4,090,748	$ 1,264,002	$ 21,962,517	$ 30,773,112
Cash and investments held by trustee	–	–	–	–	–	26,304,588
Receivables						
Current taxes	2,551,945	–	3,165,426	149,579	5,866,950	4,609,961
Delinquent taxes	72,173	–	176,255	10,235	258,663	256,607
Accounts and interest	17,967	–	–	100	18,067	25,165
Due from other governmental units	4,994,546	–	34,040	54,683	5,083,269	4,618,340
Inventory	66,124	–	–	21,593	87,717	92,388
Prepaid items	127,769	–	–	–	127,769	407,705
Total assets	$ 20,037,324	$ 4,400,967	$ 7,466,469	$ 1,500,192	$ 33,404,952	$ 67,087,866
Liabilities						
Salaries payable	$ 1,795,698	$ –	$ –	$ 53,401	$ 1,849,099	$ 1,697,695
Accounts and contracts payable	2,600,349	1,605,949	–	187,015	4,393,313	4,594,429
Due to other governmental units	225,515	–	–	–	225,515	1,389,765
Unearned revenue	25,000	–	–	41,315	66,315	64,829
Total liabilities	4,646,562	1,605,949	–	281,731	6,534,242	7,746,718
Deferred inflows of resources						
Unavailable revenue – delinquent taxes	71,157	–	174,271	10,130	255,558	250,854
Property taxes levied for subsequent year	4,885,716	–	6,348,161	299,956	11,533,833	9,132,237
Total deferred inflows of resources	4,956,873	–	6,522,432	310,086	11,789,391	9,383,091
Fund balances (deficit)						
Nonspendable	193,893	–	–	21,593	215,486	500,093
Restricted	3,810,285	2,795,018	944,037	1,096,318	8,645,658	44,096,835
Assigned	625,454	–	–	–	625,454	1,910,194
Unassigned	5,804,257	–	–	(209,536)	5,594,721	3,450,935
Total fund balances	10,433,889	2,795,018	944,037	908,375	15,081,319	49,958,057
Total liabilities, deferred inflows of resources, and fund balances	$ 20,037,324	$ 4,400,967	$ 7,466,469	$ 1,500,192	$ 33,404,952	$ 67,087,866

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 911

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Total fund balances – governmental funds	$ 15,081,319	$ 49,958,057
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	130,471,207	119,203,459
Accumulated depreciation	(51,379,663)	(47,514,196)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds	(75,080,000)	(104,985,000)
Certificates of participation	(2,740,000)	–
(Premium) discount on bonds	7,445,038	7,888,672
Capital leases payable	–	(23,386)
Compensated absences	(319,923)	(318,375)
Net pension liability – PERA	(8,230,018)	–
Net pension liability – TRA	(23,270,036)	–
Severance benefits	(454,658)	(498,593)
Net OPEB obligations	(128,813)	(146,957)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(723,889)	(1,117,869)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	82,379	40,762
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	6,183,987	–
Deferred inflows – PERA and TRA pension plans	(9,539,608)	–
Deferred inflows – delinquent taxes receivable	255,558	250,854
Total net position – governmental activities	$ (12,347,120)	$ 22,737,428

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 911

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	General Fund	Capital Projects – Building Construction	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2015	Total Governmental Funds 2014
Revenue						
Local sources						
Property taxes	$ 3,344,896	$ –	$ 5,912,563	$ 311,507	$ 9,568,966	$ 7,112,384
Investment earnings	5,587	27,363	22,135	614	55,699	124,604
Other	2,035,484	–	–	2,032,225	4,067,709	4,078,989
State sources	40,858,535	–	340,124	575,731	41,774,390	40,084,110
Federal sources	1,144,477	–	–	1,172,220	2,316,697	2,282,016
Total revenue	47,388,979	27,363	6,274,822	4,092,297	57,783,461	53,682,103
Expenditures						
Current						
Administration	2,340,939	–	–	–	2,340,939	2,249,549
District support services	1,694,804	–	–	–	1,694,804	941,938
Elementary and secondary regular instruction	21,300,823	–	–	–	21,300,823	20,088,506
Vocational education instruction	1,034,272	–	–	–	1,034,272	947,339
Special education instruction	7,996,294	–	–	–	7,996,294	7,101,106
Instructional support services	3,277,670	–	–	–	3,277,670	3,026,039
Pupil support services	4,801,515	–	–	–	4,801,515	4,406,453
Sites and buildings	5,411,264	–	–	–	5,411,264	5,040,166
Fiscal and other fixed cost programs	222,829	–	–	–	222,829	211,516
Food service	–	–	–	2,172,249	2,172,249	2,173,028
Community service	–	–	–	1,864,333	1,864,333	1,985,137
Capital outlay	–	10,433,586	–	50,169	10,483,755	2,751,459
Debt service						
Principal	23,386	–	4,360,000	–	4,383,386	3,882,404
Interest and fiscal charges	84	–	2,872,104	–	2,872,188	2,694,753
Total expenditures	48,103,880	10,433,586	7,232,104	4,086,751	69,856,321	57,499,393
Excess (deficiency) of revenue over expenditures	(714,901)	(10,406,223)	(957,282)	5,546	(12,072,860)	(3,817,290)
Other financing sources (uses)						
Debt issued	–	2,740,000	–	–	2,740,000	12,505,000
Premium on debt issued	–	–	–	–	–	524,910
Sale of capital assets	810	–	–	312	1,122	3,022
Payment to refunded bond escrow agent	–	–	(25,545,000)	–	(25,545,000)	–
Total other financing sources (uses)	810	2,740,000	(25,545,000)	312	(22,803,878)	13,032,932
Net change in fund balances	(714,091)	(7,666,223)	(26,502,282)	5,858	(34,876,738)	9,215,642
Fund balances						
Beginning of year	11,147,980	10,461,241	27,446,319	902,517	49,958,057	40,742,415
End of year	$ 10,433,889	$ 2,795,018	$ 944,037	$ 908,375	$ 15,081,319	$ 49,958,057

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 911

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Total net change in fund balances – governmental funds	$ (34,876,738)	$ 9,215,642
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	11,453,607	4,501,291
Depreciation expense	(4,039,290)	(3,714,620)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(12,036)	(15,475)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(2,740,000)	(12,505,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	29,905,000	3,860,000
Capital lease payable	23,386	22,404
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	393,980	(62,843)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(443,634)	(1,115,483)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences	(1,548)	(18,018)
Net pension liability – PERA	1,308,000	–
Net pension liability – TRA	4,954,154	–
Severance benefits	43,935	129,917
Other post-employment benefits	18,144	32,017
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	41,617	40,762
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	3,903,623	–
Deferred inflows – PERA and TRA pension plans	(9,539,608)	–
Deferred inflows – delinquent taxes receivable	4,704	(35,289)
Change in net position – governmental activities	$ 397,296	$ 335,305

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 911

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2015

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 3,149,517	$ 3,149,517	$ 3,344,896	$ 195,379
Investment earnings	20,000	20,000	5,587	(14,413)
Other	1,545,175	1,545,175	2,035,484	490,309
State sources	40,749,826	40,749,826	40,858,535	108,709
Federal sources	1,275,188	1,275,188	1,144,477	(130,711)
Total revenue	46,739,706	46,739,706	47,388,979	649,273
Expenditures				
Current				
Administration	2,517,138	2,517,138	2,340,939	(176,199)
District support services	1,789,319	1,789,319	1,694,804	(94,515)
Elementary and secondary regular instruction	21,716,302	21,716,302	21,300,823	(415,479)
Vocational education instruction	1,001,190	1,001,190	1,034,272	33,082
Special education instruction	7,580,136	7,580,136	7,996,294	416,158
Instructional support services	3,039,780	3,039,780	3,277,670	237,890
Pupil support services	4,631,197	4,631,197	4,801,515	170,318
Sites and buildings	5,846,248	5,846,248	5,411,264	(434,984)
Fiscal and other fixed cost programs	170,800	170,800	222,829	52,029
Debt service				
Principal	–	–	23,386	23,386
Interest and fiscal charges	26,500	26,500	84	(26,416)
Total expenditures	48,318,610	48,318,610	48,103,880	(214,730)
Excess (deficiency) of revenue over expenditures	(1,578,904)	(1,578,904)	(714,901)	864,003
Other financing sources				
Sale of capital assets	500	500	810	310
Net change in fund balances	$ (1,578,404)	$ (1,578,404)	(714,091)	$ 864,313
Fund balances				
Beginning of year			11,147,980	
End of year			$ 10,433,889	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 911

Statement of Net Position
Internal Service Fund
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Assets		
Current assets		
Cash and temporary investments	$ 104,647	$ 57,988
Liabilities		
Current liabilities		
Accounts and contracts payable	22,268	17,226
Net position		
Unrestricted	$ 82,379	$ 40,762

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 911

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Operating revenue		
Charges for services		
Contributions from governmental funds	$ 381,798	$ 291,836
Operating expenses		
Dental benefit claims	340,181	251,074
Change in net position	41,617	40,762
Net position		
Beginning of year	40,762	–
End of year	$ 82,379	$ 40,762

See notes to basic financial statements

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Contributions from governmental funds	$ 381,798	$ 291,836
Payment for dental claims	(335,139)	(233,848)
Net cash flows from operating activities	46,659	57,988
Cash and cash equivalents		
Beginning of year	57,988	–
End of year	$ 104,647	$ 57,988
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 41,617	$ 40,762
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	5,042	17,226
Net cash flows from operating activities	$ 46,659	$ 57,988

See notes to basic financial statements

Statement of Fiduciary Net Position
Agency Funds
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Assets		
Cash and temporary investments (deficit)	$ (1,122,005)	$ (2,421,875)
Receivables		
Accounts and interest	309,534	307,341
Due from other governmental units	3,786,374	4,734,204
Prepaid items	–	89,918
Total assets	$ 2,973,903	$ 2,709,588
Liabilities		
Salaries payable	$ 330,368	$ 311,321
Accounts and contracts payable	942,980	746,193
Due to other governmental units	1,700,555	1,652,074
Total liabilities	$ 2,973,903	$ 2,709,588

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 911 (the District) was formed and operates pursuant to applicable Minnesota laws. The District is governed by a seven-member School Board elected by the voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board can elect to either control or not control extracurricular activities. The District's School Board has elected to exercise control over extracurricular activities. Therefore, the transactions of the extracurricular student activity accounts are included in the District's General Fund.

C. Government-Wide Financial Statement Presentation

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "unallocated depreciation." Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements, and aggregated information for the remaining nonmajor governmental funds is reported in a single column. Governmental funds 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 funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Internal service funds are presented in the proprietary fund financial statements. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. An Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The principal operating revenue of the District's Internal Service Fund is charges to other district funds for service. Operating expenses for the Internal Service Fund include the cost of providing services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency funds are presented in the fiduciary fund financial statements. Agency funds are custodial in nature and have no measurement focus, but utilize the accrual basis of accounting. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Description of Funds

The funds used by the District are established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or capital levies.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is primarily used to account for the District's child nutrition program.

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

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund is used to account for dental insurance benefits offered by the District to its employees as a self-insured plan.

Fiduciary Funds

Agency Funds – Agency funds are established to account for cash and other assets held by the District as the agent for others. These funds are used to account for the transactions of the East Central Minnesota Educational Cable Cooperative, the Rum River Special Education Cooperative, and the Oak Land Vocational Cooperative.

E. Budgetary Information

The School Board generally adopts an annual budget for all governmental funds, prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures for 2015 exceeded budget by $55,934 and $4,133,586 in the Community Service Special Revenue Fund and Capital Projects – Building Construction Fund, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

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

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less, and investments in 2a7-like external investment pools, are also reported at amortized cost. Other investments are reported at fair value. Investment income is accrued at the balance sheet date.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $269,422 of the property tax levy collectible in 2015 as revenue to the District in fiscal year 2014–2015. The remaining portion of the taxes collectible in 2015 is recorded as a deferred inflow of resources (property taxes levied for the subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of $1,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives 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 or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements and 5 to 20 years for furniture, equipment, and vehicles. Land and construction in progress are not depreciated.

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

L. Long-Term Obligations

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

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

M. Compensated Absences

Eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in the governmental fund statements only to the extent they have been used or otherwise matured prior to year-end. Unused vacation is accrued as it is earned in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. State-Wide Pension Plans

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

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

O. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance benefit is calculated by converting a portion of unused accumulated sick leave subject to certain limitations. No individual can receive severance benefits in excess of one year's salary. Severance benefits are required to be paid out within 30 days following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For all other employees, severance benefits are paid out directly to the employee.

Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance benefit due an individual will be reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

Severance pay based on convertible sick leave is accrued in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements as the liability matures due to employee retirement.

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

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which qualify for reporting in this category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available.

The third item, deferred inflows of resources related to pensions, is reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

Q. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters. The District carries commercial insurance for workers' compensation coverage. 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 2015.

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

   The District makes premium payments that include both employer and employee contributions to the Internal Service Fund on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Beginning on October 1, 2015, the District will be self-insured for health benefits.

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

	Balance Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance End of Year
2014	$ -	$ 251,074	$ 233,848	$ 17,226
2015	$ 17,226	$ 340,181	$ 335,139	$ 22,268

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

S. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Within the fund balance policy approved by the School Board, the District's Director of Finance and Operations is authorized to establish assignments of fund balance.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Use of Estimates

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

U. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

V. Change in Accounting Principle

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30, 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by $35,481,844. This change reflects the District's proportionate share of the net pension liabilities ($37,762,208 decrease in net position) and related deferred outflows of resources ($2,280,364 increase in net position) for the PERA and TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	1,816,363
Investments		19,128,796
Total	$	20,945,159

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

Statement of Net Position		
Cash and temporary investments	$	22,067,164
Statement of Fiduciary Net Position – agency funds		(1,122,005)
Total	$	20,945,159

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and non-negotiable certificates of deposit. The following is considered the most significant risk associated with deposits:

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

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

The District's deposits were carried at $1,816,363 at year-end. The bank balance of $2,141,993 was fully insured or covered by collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk Rating	Credit Risk Agency	Interest Risk – Maturity Duration	Total
U.S. agency securities	AA	S&P	Less than 1 year	$ 1,001,218
Minnesota School District Liquid Asset Fund	AAA	S&P	Not Applicable	18,127,578
Total investments				$ 19,128,796

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Minnesota School District Liquid Asset Fund is an external investment pool regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The District's investment in this fund is measured at the net position value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk. At June 30, 2015, 5.2 percent of the District's investment portfolio was in U.S. agency securities issued by the Federal Home Loan Bank.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 3,298,986	$ –	$ –	$ –	$ 3,298,986
Construction in progress	2,445,419	9,808,191	–	(9,816,672)	2,436,938
Total capital assets, not depreciated	5,744,405	9,808,191	–	(9,816,672)	5,735,924
Capital assets, depreciated					
Buildings and improvements	97,558,934	6,040	–	9,816,672	107,381,646
Furniture and equipment	8,949,601	590,141	–	–	9,539,742
Pupil transportation vehicles	6,950,519	1,049,235	(185,859)	–	7,813,895
Total capital assets, depreciated	113,459,054	1,645,416	(185,859)	9,816,672	124,735,283
Less accumulated depreciation for					
Buildings and improvements	(37,023,047)	(2,763,636)	–	–	(39,786,683)
Furniture and equipment	(6,098,989)	(600,643)	–	–	(6,699,632)
Pupil transportation vehicles	(4,392,160)	(675,011)	173,823	–	(4,893,348)
Total accumulated depreciation	(47,514,196)	(4,039,290)	173,823	–	(51,379,663)
Net capital assets, depreciated	65,944,858	(2,393,874)	(12,036)	9,816,672	73,355,620
Total capital assets, net	$ 71,689,263	$ 7,414,317	$ (12,036)	$ –	$ 79,091,544

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

Administration	$ 1,821
District support services	123,227
Elementary and secondary regular instruction	221,516
Vocational education instruction	5,058
Special education instruction	8,944
Instructional support services	50,449
Pupil support services	727,690
Sites and buildings	1,079,520
Community service	12,698
Unallocated depreciation	1,808,367
Total depreciation expense	$ 4,039,290

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2005B School Building Bonds	02/17/2005	4.49–5.22%	$ 26,935,000	02/01/2030	$ 26,935,000
2005C Refunding Bonds	02/01/2005	3.00–5.00%	$ 13,435,000	02/01/2018	5,000,000
2007A Alternative Facilities Bonds	06/15/2007	3.88–5.25%	$ 7,585,000	02/01/2023	4,570,000
2010A Capital Facilities Bonds	10/21/2010	2.00–3.00%	$ 665,000	02/01/2021	410,000
2012A School Building Refunding Bonds	08/01/2012	3.00%	$ 26,000,000	02/01/2030	26,000,000
2013A Alternative Facilities Bonds	12/19/2013	2.00–3.50%	$ 2,940,000	02/01/2034	2,690,000
2014A School Building Bonds	03/25/2014	2.35–3.00%	$ 9,565,000	02/01/2024	9,475,000
Total general obligation bonds					$ 75,080,000

These bonds were issued to finance acquisition and/or construction of capital facilities and equipment, or to finance (refund) prior bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of the remaining obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

With the exception of the Series 2005B bonds, all general obligation bonds are serial bonds which require semiannual payments of principal and/or interest from the date the bonds are issued. The Series 2005B School Building Bonds are capital appreciation bonds which are issued at a discount and accrete to their face value at maturity. Interest expense is recognized through the annual amortization of the discount. All debt service payments are reported as principal payments.

In August 2012, the District issued $26,000,000 of School Building Refunding Bonds, Series 2012A. The proceeds of this issue and interest earned thereon were used to refund, in advance of their stated maturities, the 2016 through 2030 maturities of the 2005A School Building Bonds on their February 1, 2015 call date. This "crossover refunding" reduced the District's total future debt service payments by $2,493,301 and resulted in present value savings of $1,986,018.

B. Certificates of Participation

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2014B Certificates of Participation	08/07/2014	1.15–4.85%	$ 2,740,000	02/01/2030	$ 2,740,000

In August 2014, the District sold $2,740,000 of certificates of participation under Minnesota Statute § 123B.51 to finance classroom additions to two of the District's primary school facilities. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

C. Capital Lease

In July 2012, the District entered into a capital lease agreement for the purchase of equipment (reported in furniture and equipment) with a value of $67,494. The lease required annual principal and interest payments of $23,470 through July 2014, had an interest rate of 4.30 percent, and included an option to purchase the equipment for $1 at the end of the lease term. The lease was repaid through the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including compensated absences, pensions, severance benefits, and other post-employment benefits (OPEB). The details of these various benefits are discussed elsewhere in these notes. Such benefits are generally paid from the General Fund and special revenue funds.

E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest
2016	$ 4,965,000	$ 1,622,051	$ 105,000	$ 147,614
2017	5,170,000	1,431,114	155,000	98,308
2018	5,380,000	1,231,476	155,000	95,673
2019	4,890,000	1,028,233	160,000	92,495
2020	4,985,000	942,120	165,000	88,335
2021–2025	24,305,000	3,360,063	900,000	358,669
2026–2030	22,900,000	1,533,738	1,100,000	159,506
2031–2034	2,485,000	221,025	–	–
	$ 75,080,000	$ 11,369,820	$ 2,740,000	$ 1,040,600

F. Changes in Long-Term Liabilities

	June 30, 2014	Change in Accounting Principle*	Additions	Retirements	June 30, 2015	Due Within One Year
General obligation bonds	$ 104,985,000	$ –	$ –	$ 29,905,000	$ 75,080,000	$ 4,965,000
Certificates of participation	–	–	2,740,000	–	2,740,000	105,000
Plus premium (discount)	(7,888,672)	–	–	443,634	(7,445,038)	–
Total bonds and certificates of participation payable	97,096,328	–	2,740,000	30,348,634	70,374,962	5,070,000
Capital leases payable	23,386	–	–	23,386	–	–
Compensated absences	318,375	–	185,416	183,868	319,923	319,923
Net pension liability – PERA	–	9,538,018	607,978	1,915,978	8,230,018	–
Net pension liability – TRA	–	28,224,190	1,444,235	6,398,389	23,270,036	–
Severance benefits	498,593	–	122,005	165,940	454,658	100,000
Net OPEB obligation	146,957	–	277,211	295,355	128,813	–
	$ 98,083,639	$ 37,762,208	$ 5,376,845	$ 39,331,550	$ 102,778,410	$ 5,489,923

*Adjustment is part of the change in accounting principle described earlier in these notes.

NOTE 5 – FUND BALANCES

A. Classifications

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. Any such restrictions which have an accumulated deficit at June 30 are reported in unassigned fund balance in accordance with accounting principles generally accepted in the United States of America. However, a description of these deficit balance restrictions is included herein since the District has specific authority to use future resources for such deficits. At June 30, 2015, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 66,124	$ –	$ –	$ 21,593	$ 87,717
Prepaid items	127,769	–	–	–	127,769
Total nonspendable	193,893	–	–	21,593	215,486
Restricted					
Staff development	15,545	–	–	–	15,545
Deferred maintenance	871,015	–	–	–	871,015
Operating capital	729,321	–	–	–	729,321
Learning and development	506,586	–	–	–	506,586
Gifted and talented	11,777	–	–	–	11,777
Teacher development and evaluation	37,765	–	–	–	37,765
Basic skills	1,264,184	–	–	–	1,264,184
Safe schools	374,092	–	–	–	374,092
Capital projects	–	2,795,018	–	–	2,795,018
Debt service	–	–	944,037	–	944,037
Food service	–	–	–	766,137	766,137
Early childhood family education programs	–	–	–	87,299	87,299
School readiness	–	–	–	53,385	53,385
Adult basic education	–	–	–	10,864	10,864
Community service	–	–	–	178,633	178,633
Total restricted	3,810,285	2,795,018	944,037	1,096,318	8,645,658
Assigned					
Separation/retirement benefits	69,720	–	–	–	69,720
Student activities	292,734	–	–	–	292,734
Subsequent year's budget	263,000	–	–	–	263,000
Total assigned	625,454	–	–	–	625,454
Unassigned					
Health and safety restricted account deficit	(849,460)	–	–	–	(849,460)
Community education programs restricted account deficit	–	–	–	(209,536)	(209,536)
Unassigned	6,653,717	–	–	–	6,653,717
Total unassigned	5,804,257	–	–	(209,536)	5,594,721
Total	$ 10,433,889	$ 2,795,018	$ 944,037	$ 908,375	$ 15,081,319

NOTE 5 – FUND BALANCES (CONTINUED)

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unrestricted General Fund balance of 12.5 percent of the annual budget. At June 30, 2015, the unrestricted General Fund balance (excluding restricted fund balance account deficits) was equal to 13.8 percent of fiscal 2015 budgeted expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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 Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Teachers' Retirement Association (TRA)

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

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

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

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

Tier I Benefits

Step Rate Formula	Percentage per Year
Basic Plan	
First 10 years	2.2 percent
All years after	2.7 percent
Coordinated Plan	
First 10 years if service years are prior to July 1, 2006	1.2 percent
First 10 years if service years are July 1, 2006 or after	1.4 percent
All other years of service if service years are prior to July 1, 2006	1.7 percent
All other years of service if service years are July 1, 2006 or after	1.9 percent

With these provisions:

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

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $757,066. The District's contributions were equal to the required contributions for each year as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2014		2015	
	Employee	Employer	Employee	Employer
Basic Plan	10.5%	11.0%	11.0%	11.5%
Coordinated Plan	7.0%	7.0%	7.5%	7.5%

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2015, were $1,849,908. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, the District reported a liability of $8,230,018 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2014, the District's proportion was 0.1752 percent.

For the year ended June 30, 2015, the District recognized pension expense of $607,978 for its proportionate share of the GERF's pension expense.

At June 30, 2015, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 126,305	$ –
Changes in actuarial assumptions	848,185	–
Differences between projected and actual investment earnings	–	2,223,744
District's contributions to the GERF subsequent to the measurement date	757,066	–
Total	$ 1,731,556	$ 2,223,744

A total of $757,066 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (231,106)
2017	$ (231,106)
2018	$ (231,106)
2019	$ (555,936)

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of $23,270,036 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5050 percent at the end of the measurement period and 0.4920 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$ 23,270,036
State's proportionate share of the net pension liability associated with the District	$ 1,636,937

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2015, the District recognized pension expense of $1,372,827. It also recognized $71,408 as pension expense for the support provided by direct aid.

At June 30, 2015, 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	$ 1,985,564	$ –
Difference between projected and actual investment earnings	–	7,315,864
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	616,959	–
District's contributions to the TRA subsequent to the measurement date	1,849,908	–
Total	$ 4,452,431	$ 7,315,864

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

A total of $1,849,908 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (1,285,642)
2017	$ (1,285,642)
2018	$ (1,285,642)
2019	$ (1,285,642)
2020	$ 429,227

E. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active member payroll growth	3.50% per year	3.75% based on years of service
Investment rate of return	7.90%	8.25%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

The following changes in actuarial assumptions for the GERF occurred in 2014: as of July 1, 2013, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2046. As of July 1, 2014, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2031.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERF and 8.25 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent for the GERF and 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on those assumptions, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 13,267,122	$ 8,230,018	$ 4,085,668
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	$ 38,457,401	$ 23,270,036	$ 10,609,025

H. Pension Plan Fiduciary Net Position

Detailed information about the GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

Detailed information about the TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at the TRA website at www.MinnesotaTRA.org; by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-2088; or by calling (651) 296-2409 or (800) 657-3669.

NOTE 7 – FLEXIBLE BENEFIT PLAN

The District has established the Independent School District No. 911 Flexible Spending Plan (the Plan). The Plan is a "cafeteria plan" under § 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependant care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

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

The Plan is set up through Educators Benefit Consultants, LLC and is administered by the District. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant. Payments of insurance premiums are made by the District directly to the designated insurance companies. The Plan is included in the financial statements of the General Fund.

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the District's OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. As of July 1, 2013, the plan had 555 active participants and 53 retired participants. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

Post-Employment Insurance Benefits – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of eligible employee groups, the District pays for all or part of the retirees' premiums for medical insurance from the time of retirement until the employee reaches the age of Medicare eligibility. The District covers from 80 to 100 percent of an eligible retiree's single premium cost, as specified by their contract. For teachers, only eligible individuals retiring prior to July 1, 2011 receive a district medical insurance contribution, which is frozen at 80 percent of the monthly single premium cost in their first year of retirement. The District's total medical insurance contribution for retired teachers is capped at $65,000 annually. If the total district contribution for retired teachers, calculated at the contracted monthly benefit amount, exceeds the $65,000 annual limitation in a given year, each retiree receives a prorated benefit. Retirees not eligible for district-paid premium benefits must pay the full district premium rate for their coverage.

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. There are no invested plan assets accumulated for payment of future benefits.

C. Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

ARC	$ 280,509
Interest on net OPEB obligation	6,613
Adjustment to ARC	(9,911)
Annual OPEB cost (expense)	277,211
Contributions made	(295,355)
Increase (decrease) in net OPEB obligation	(18,144)
Net OPEB obligation – beginning of year	146,957
Net OPEB obligation – end of year	$ 128,813

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 272,114	$ 292,297	107.4%	$ 178,974
June 30, 2014	$ 270,371	$ 302,388	111.8%	$ 146,957
June 30, 2015	$ 277,211	$ 295,355	106.5%	$ 128,813

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were both $2,360,498, as the plan is not funded. The covered payroll (annual payroll of active employees covered by the plan) was $26,387,976, and the ratio of the UAAL to the covered payroll was 8.9 percent.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent. All rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2013 for the various amortization layers ranged from 24 to 30 years.

NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS

The District is a member of several cooperative entities organized to provide various services to their member districts. The governing body of each of these organizations is comprised of an equal number of representatives from each of their respective member districts. Therefore, none of the individual member districts appoint a voting majority to any of these organizations' governing bodies. Further, the member districts do not have any obligation for, or residual interest in, the respective organizations.

A. Central Minnesota Educational Research and Development Council (the Council)

The Council is a consortium of Minnesota school districts that provides data processing services and support to its member districts. During the 2015 fiscal year, the District paid the Council $19,134 for services provided.

B. East Central Minnesota Educational Cable Cooperative (ECMECC)

ECMECC is a cooperative that provides cable television access for educational programming to 12 member school districts and 1 technical college. During the 2015 fiscal year, the District paid $40,601 for its share of ECMECC's expenditures. The District serves as fiscal agent for ECMECC, for which it received $41,363 during 2015.

NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

C. Rum River Special Education Cooperative (Rum River)

Rum River is a cooperative that provides special educational low incidence services to students from its seven member districts. Each member district passes through state aid due to Rum River based on state funding formulas for staff hired by Rum River. In addition, each member district pays a share of Rum River's excess operating costs proportionate to the District's share of the general education of students in Rum River's attendance area. During 2015, the District paid $479,467 for its share of such costs. The District serves as fiscal agent for Rum River, for which it received $304,777 during fiscal 2015.

D. Oak Land Vocational Cooperative (Oak Land)

Oak Land is a cooperative that provides vocational instruction to students from its three member districts. Funding for Oak Land works similarly to Rum River (as described above). During 2015, the District paid $51,210 for its share of Oak Land's excess expenditures. The District serves as fiscal agent for Oak Land, for which it received $54,557 during 2015. Oak Land's Governing Board has passed a resolution calling for the dissolution of the cooperative at the end of the 2015–2016 fiscal year.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

The District is committed to a number of contracts awarded for various construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2015 was approximately $1.7 million.

B. Federal and State Revenues

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.

C. Legal Claims

The District has the usual and customary types of legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. The District's management believes that the District will not incur any material liabilities to these claims, and none have been accrued at year-end.

INDEPENDENT SCHOOL DISTRICT NO. 911

Defined Benefit Pension Plans
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
GERF/TRA Retirement Funds
June 30, 2015

Public Employees Retirement Association

	2014
District's proportion of the net pension liability (asset)	0.1752%
District's proportionate share of the net pension liability (asset)	$ 8,230,018
District's covered-employee payroll	$ 9,205,016
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.41%
Plan fiduciary net position as a percentage of the total pension liability	78.70%

Teachers Retirement Association

	2014
District's proportion of the net pension liability (asset)	0.5050%
District's proportionate share of the net pension liability (asset) (a)	$ 23,270,036
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	1,636,937
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	$ 24,906,973
District's covered-employee payroll	$ 23,052,003
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.95%
Plan fiduciary net position as a percentage of the total pension liability	81.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 911

Defined Benefit Pension Plans
Schedule of District Contributions
GERF/TRA Retirement Funds
June 30, 2015

Public Employees Retirement Association

	2015
Statutorily required contribution	$ 757,066
Contributions in relation to the statutorily required contributions	757,066
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 10,241,642
Contributions as a percentage of covered-employee payroll	7.39%

Teachers Retirement Association

	2015
Statutorily required contribution	$ 1,849,908
Contributions in relation to the statutorily required contributions	1,849,908
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 24,456,918
Contributions as a percentage of covered-employee payroll	7.56%

Note: The District implemented GASB Statement No. 68 in fiscal 2015. This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 911

Required Supplementary Information
June 30, 2015

Other Post-Employment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2009	$ 3,483,526	$ –	$ 3,483,526	– %	$ 23,166,248	15.0 %
July 1, 2011	$ 2,592,618	$ –	$ 2,592,618	– %	$ 22,856,722	11.3 %
July 1, 2013	$ 2,360,498	$ –	$ 2,360,498	– %	$ 26,387,976	8.9 %