			Underlying	Enhanced
NEW ISSUE: FULL BOOK ENTRY	**RATINGS:**	Moody's:	"Aa2"	"Aa2"
		S&P:	"AA"	"AAA"

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

OFFICIAL STATEMENT

$40,395,000 General Obligation School Building Bonds, Series 2018A
Special School District No. 1 (Minneapolis), Minnesota

Series 2018A Bonds Dated: December 5, 2018 **Principal Due**: February 1, 2020 through 2039

The $40,395,000 General Obligation School Building Bonds, Series 2018A (the "Series 2018A Bonds") are issued by the Special School District No. 1 (Minneapolis), Minnesota (the "District") pursuant to Minnesota Statutes, Chapter 475, Section 128D.11. Proceeds will be used for the purpose of funding various capital improvements and bus replacements, and to pay the costs associated with the issuance of the Series 2018A Bonds. The Series 2018A Bonds will be general obligations of the District for which its full faith and credit and unlimited taxing powers are pledged.

The Series 2018A 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, New York, New York ("DTC"). DTC will act as securities depository of the Series 2018A Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2018A Bonds purchased. Principal payable annually on February 1, beginning February 1, 2020, and interest, payable semiannually on each February 1 and August 1, beginning August 1, 2019, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to the beneficial owners of the Series 2018A Bonds as described herein.

The Series 2018A Bonds will be dated initially December 5, 2018, and will mature serially on February 1 in the following years and amounts:

Year	Amount	Interest Rate	Yield	CUSIP 603790	Year	Amount	Interest Rate	Yield	CUSIP 603790
2020	$ 2,885,000	5.00%	2.00%	MC 7	2030	$ 1,540,000	5.00%	2.99%	MN 3
2021	3,340,000	5.00%	2.10%	MD 5	2031	1,615,000	5.00%	3.05%	MP 8
2022	3,510,000	5.00%	2.18%	ME 3	2032	1,695,000	5.00%	3.12%	MQ 6
2023	3,685,000	5.00%	2.28%	MF 0	2033	1,780,000	5.00%	3.18%	MR 4
2024	3,870,000	5.00%	2.38%	MG 8	2034	1,870,000	5.00%	3.25%	MS 2
2025	2,965,000	5.00%	2.50%	MH 6	2035	615,000	5.00%	3.30%	MT 0
2026	3,110,000	5.00%	2.65%	MJ 2	2036	645,000	5.00%	3.35%	MU 7
2027	1,630,000	5.00%	2.74%	MK 9	2037	675,000	5.00%	3.39%	MV 5
2028	1,710,000	5.00%	2.83%	ML 7	2038	710,000	5.00%	3.43%	MW 3
2029	1,800,000	5.00%	2.92%	MM 5	2039	745,000	5.00%	3.46%	MX 1

The Series 2018A Bonds maturing in the years February 1, 2029 and thereafter are subject to prior redemption on February 1, 2028 or on any date thereafter at a price of par plus accrued interest to the redemption date.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM: The District will participate in the Program.

NOT BANK QUALIFIED: The Series 2018A Bonds are not designated as "Qualified Tax-Exempt Obligations."

PAYING AGENT: U.S. Bank National Association, St. Paul, Minnesota

LEGAL OPINION: Dorsey & Whitney LLP, Minneapolis, Minnesota

The date of this Official Statement is November 20, 2018.

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

pfm

Morgan Stanley& Co. LLC, has agreed to purchase the $40,395,000 General Obligation School Building Bonds, Series 2018A from the Special School District No.1 (Minneapolis), Minnesota, for an aggregate price of **$45,232,563.34**. The Series 2018A Bonds will be available for delivery on or about December 5, 2018.

Morgan Stanley & Co. LLC., an underwriter of the Series 2018A Bonds, has entered into a distribution agreement with its affiliate, 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 Series 2018A Bonds.

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			Underlying	Enhanced
NEW ISSUE: FULL BOOK ENTRY	**RATINGS:**	Moody's:	"Aa2"	"Aa2"
		S&P:	"AA"	"AAA"

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

OFFICIAL STATEMENT

$51,275,000 General Obligation Long-Term Facilities Maintenance Bonds, Series 2018B
Special School District No. 1 (Minneapolis), Minnesota

Series 2018B Bonds Dated: December 5, 2018 **Principal Due**: February 1, 2020 through 2038

The $51,275,000 General Obligation Long-Term Facilities Maintenance Bonds, Series 2018B (the "Series 2018B Bonds") are issued by the Special School District No. 1 (Minneapolis), Minnesota (the "District"), pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595. The proceeds of the Series 2018B Bonds will be used to provide funds for repair and facility projects at selected school sites throughout the District, and to pay the costs associated with the issuance of the Series 2018B Bonds. The Series 2018B Bonds will be general obligations of the District for which its full faith and credit and unlimited taxing powers are pledged.

The Series 2018B 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, New York, New York ("DTC"). DTC will act as securities depository of the Series 2018B Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2018B Bonds purchased. Principal payable annually on February 1, commencing February 1, 2020, and interest, payable semiannually on each February 1 and August 1, beginning August 1, 2019, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to the beneficial owners of the Series 2018B Bonds as described herein.

The Series 2018B Bonds will be dated initially December 5, 2018, and will mature serially on February 1 in the following years and amounts:

Year	Amount	Interest Rate	Yield	CUSIP 603790	Year	Amount	Interest Rate	Yield	CUSIP 603790
2020	$ 1,310,000	5.00%	2.00%	MY 9	2030	$ 2,755,000	5.00%	2.99%	NJ 1
2021	1,775,000	5.00%	2.10%	MZ 6	2031	2,895,000	5.00%	3.05%	NK 8
2022	1,865,000	5.00%	2.18%	NA 0	2032	3,040,000	5.00%	3.12%	NL 6
2023	1,960,000	5.00%	2.28%	NB 8	2033	3,190,000	5.00%	3.18%	NM 4
2024	2,055,000	5.00%	2.38%	NC 6	2034	3,350,000	5.00%	3.25%	NN 2
2025	2,160,000	5.00%	2.50%	ND 4	2035	3,515,000	5.00%	3.30%	NP 7
2026	2,265,000	5.00%	2.65%	NE 2	2036	3,690,000	5.00%	3.35%	NQ 5
2027	2,380,000	5.00%	2.74%	NF 9	2037	3,875,000	5.00%	3.39%	NR 3
2028	2,500,000	5.00%	2.83%	NG 7	2038	4,070,000	5.00%	3.43%	NS 1
2029	2,625,000	5.00%	2.92%	NH 5					

The Series 2018B Bonds maturing in the years February 1, 2029 and thereafter are subject to prior redemption on February 1, 2028 or on any date thereafter at a price of par plus accrued interest to the redemption date.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM: The District will participate in the Program.

NOT BANK QUALIFIED: The Series 2018B Bonds are not designated as "Qualified Tax-Exempt Obligations."

PAYING AGENT: U.S. Bank National Association, St. Paul, Minnesota

LEGAL OPINION: Dorsey & Whitney LLP, Minneapolis, Minnesota

The date of this Official Statement is November 20, 2018.

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

pfm

Morgan Stanley& Co. LLC, has agreed to purchase the $51,275,000 General Obligation Long-Term Facilities Maintenance Bonds, Series 2018B from the Special School District No.1 (Minneapolis), Minnesota, for an aggregate price of **$58,062,257.83**. The Series 2018B Bonds will be available for delivery on or about December 5, 2018.

Morgan Stanley & Co. LLC., an underwriter of the Series 2018B Bonds, has entered into a distribution agreement with its affiliate, 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 Series 2018B Bonds.

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

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

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<u>INTRODUCTION TO THE OFFICIAL STATEMENT</u>

<u>Series 2018A Bonds</u>

The following information is furnished solely to provide limited introductory information regarding $40,395,000 General Obligation School Building Bonds, Series 2018A (the "Series 2018A Bonds"), of Special School District No. 1, Minneapolis, Minnesota (the "District") and does not purport to be comprehensive. All such information is qualified in its entirety be reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer:	Special School District No. 1, Minneapolis, Minnesota.
Authority:	The Series 2018A Bonds are issued pursuant to the provisions of Minnesota Statutes, Chapter 475 and Section 128D.11.
Security:	The Series 2018A Bonds are general obligations of the District for which the full faith credit and unlimited taxing powers of the District are pledged.
Minnesota School District Credit Enhancement Program:	The District will participate in the state credit enhancement program.
Purpose:	The proceeds will be used for the purpose of funding various capital improvements, equipment, bus replacements, and to pay the costs associated with the issuance of the Series 2018A Bonds.
Principal Payable:	The Series 2018A Bonds mature on February 1 of the years 2020 through 2039.
Interest Payable:	The interest on the Series 2018A Bonds is payable on February 1 and August 1 of each year commencing August 1, 2019.
Optional Redemption:	The Series 2018A Bonds maturing in the years February 1, 2029 and thereafter are subject to prior redemption on February 1, 2028 or on any date thereafter at a price of par plus accrued interest to the redemption date.
Form:	The Series 2018A Bonds will be issued in book-entry form only.
Record Date:	The close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.
Tax Status:	The Series 2018A Bonds are generally exempt from federal and Minnesota income taxes. The Series 2018A Bonds are <u>not</u> designated as "Qualified Tax-Exempt Obligations." (see "Tax Considerations" herein).
Professional Consultants:	*Municipal Advisor:* PFM Financial Advisors LLC, Minneapolis, Minnesota *Bond Counsel*: Dorsey & Whitney LLP, Minneapolis, Minnesota *Registrar/Paying Agent:* U.S. Bank National Association, St. Paul, Minnesota

Questions regarding the Series 2018A Bonds or the Official Statement can be directed to and additional copies of the Official Statement, the District's audited financial reports and the Resolution may be obtained from PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402, (612/338-3535, 612/338-7264 fax), the District's municipal advisor.

Series 2018B Bonds

The following information is furnished solely to provide limited introductory information regarding $51,275,000 General Obligation Long-Term Facilities Maintenance Bonds, Series 2018B (the "Series 2018B Bonds"), of Special School District No. 1, Minneapolis, Minnesota (the "District"), and does not purport to be comprehensive. All such information is qualified in its entirety be reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer:	Special School District No. 1, Minneapolis, Minnesota.	
Authority:	The Series 2018B Bonds are issued pursuant to the provisions of Minnesota Statutes, Chapter 475 and Section 123B.595.	
Security:	The Series 2018B Bonds are general obligations of the District for which the full faith credit and unlimited taxing powers of the District are pledged.	
Minnesota School District Credit Enhancement Program:	The District will participate in the state credit enhancement program.	
Purpose:	The proceeds of the Series 2018B Bonds will be used to provide funds for repair and facility projects at selected school sites throughout the District, and to pay the costs associated with the issuance of the Series 2018B Bonds.	
Principal Payable:	The Series 2018B Bonds mature on February 1 of the years 2020 through 2038.	
Interest Payable:	The interest on the Series 2018B Bonds is payable on February 1 and August 1 of each year commencing August 1, 2019.	
Optional Redemption:	The Series 2018B Bonds maturing in the years February 1, 2029 and thereafter are subject to prior redemption on February 1, 2028 or on any date thereafter at a price of par plus accrued interest to the redemption date.	
Form:	The Series 2018B Bonds will be issued in book-entry form only.	
Record Date:	The close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.	
Tax Status:	The Series 2018B Bonds are generally exempt from federal and Minnesota income taxes. The Series 2018B Bonds are not designated as "Qualified Tax-Exempt Obligations." (see "Tax Considerations" herein).	
Professional Consultants:	*Municipal Advisor:*	PFM Financial Advisors LLC Minneapolis, Minnesota
	Bond Counsel:	Dorsey & Whitney LLP Minneapolis, Minnesota
	Registrar/Paying Agent:	U.S. Bank National Association St. Paul, Minnesota

Questions regarding the Series 2018B Bonds or the Official Statement can be directed to and additional copies of the Official Statement, the District's audited financial reports and the Resolution may be obtained from PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402, (612/338-3535, 612/338-7264 fax), the District's municipal advisor.

DESCRIPTION OF THE SERIES 2018A BONDS

Authorization and Purpose

The District is authorized to issue the Series 2018A Bonds pursuant to Minnesota Statutes, Chapter 475, Section 128D.11. The proceeds will be used for the purpose of funding various capital improvements, equipment, bus replacements, and to pay the costs associated with the issuance of the Series 2018A Bonds.

Security and Source of Payment

The Series 2018A Bonds are general obligations of the District. The full faith, credit and unlimited taxing power of the District are pledged to the payment of principal of and interest on such Series 2018A Bonds. The District will levy general ad valorem taxes on all taxable property in the District in an amount equal to 105% of the principal of and interest on the Series 2018A Bonds to pay principal of and interest on the Series 2018A Bonds when due.

Sources and Uses of Bonds

Table 1 below presents the estimated sources and uses of funds for the Series 2018A Bonds.

Table 1
Sources and Uses of Funds of the Series 2018A Bonds

Sources of Funds	
Par Amount	$ 40,395,000.00
Premium	4,930,453.70
Total Sources of Funds	$ 45,325,453.70
Uses of Funds	
Deposit to Project Fund	$ 45,100,000.00
Cost of Issuance/ Underwriter's Discount	222,890.36
Contingency	2,563.34
Total Uses of Funds	$ 45,325,453.70

Interest Computation

Interest on the Series 2018A Bonds will be payable semi-annually, on February 1 and August 1 of each year, commencing August 1, 2019. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth of the immediately preceding month.

Redemption Provisions

Optional Redemption

The Series 2018A Bonds maturing in the years February 1, 2029 and thereafter are subject to prior redemption on February 1, 2028 or on any date thereafter at a price of par plus accrued interest to the redemption date.

DESCRIPTION OF THE SERIES 2018B BONDS

Authorization and Purpose

The District is authorized to issue the Series 2018B Bonds pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595. The proceeds of the Series 2018B Bonds will be used to provide funds for repair and facility projects at selected school sites throughout the District, and to pay the costs associated with the issuance of the Series 2018B Bonds.

Security and Source of Payment

The Series 2018B Bonds are general obligations of the District. The full faith, credit and unlimited taxing power of the District are pledged to the payment of principal of and interest on such Series 2018B Bonds. The District will levy general ad valorem taxes on all taxable property in the District in an amount equal to 105% of the principal of and interest on the Series 2018B Bonds to pay principal of and interest on the Series 2018B Bonds when due.

Sources and Uses of Bonds

Table 2 below presents the estimated sources and uses of funds for the Series 2018B Bonds.

Table 2
Sources and Uses of Funds of the Series 2018B Bonds

Sources of Funds	
Par Amount	$ 51,275,000.00
Premium	6,884,013.70
Total Sources of Funds	$ 58,159,013.70
Uses of Funds	
Deposit to Project Fund	$ 57,900,000.00
Cost of Issuance/ Underwriter's Discount	256,755.87
Contingency	2,257.83
Total Uses of Funds	$ 58,159,013.70

Interest Computation

Interest on the Series 2018B Bonds will be payable semi-annually, on February 1 and August 1 of each year, commencing August 1, 2019. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth of the immediately preceding month.

Redemption Provisions

Optional Redemption

The Series 2018B Bonds maturing in the years February 1, 2029 and thereafter are subject to prior redemption on February 1, 2028 or on any date thereafter at a price of par plus accrued interest to the redemption date.

DESCRIPTION OF THE OBLIGATIONS

Minnesota Credit Enhancement Program

The District will participate in the Minnesota Credit Enhancement Program for the Obligations.

Under the Resolution, the District will obligate itself to be bound by the provisions of Minnesota Statutes Section 126C.55, which provides for payment by the State of Minnesota in circumstances of potential defaults under school district obligations (herein referred to as 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 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 specified 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."

The Act was not apparently intended to create indebtedness of the State of Minnesota. Payment by the State will be dependent upon the availability of sufficient appropriations for the purpose by the Legislature. Bond Counsel expresses no opinion as to the enforceability of the Act against the State in the absence of available appropriations.

Book-Entry Only System

The information contained in the following paragraphs of this subsection "Book-Entry-Only ISSUANCE" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE." The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "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 (the "Indirect Participants"). DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

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.

Continuing Disclosure

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the District shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders of the Obligations to provide the District's Audited Financial Statements and other financial information and operating data beginning with the Fiscal Year ending on June 30, 2019, but in any event not later than March 31, 2019, and by March 31 (the "Reporting Date") of each year thereafter, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events are set forth in the Form of Continuing Disclosure Undertaking (the "Certificate") to be executed and delivered by the District at the time the Obligations are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C.

For the fiscal years 2013 through 2017, the District filed its Operating and Financial Data by the Reporting Date, and for the fiscal years 2014 and 2017 also filed its audited financial statements by the Reporting Date. However, for the fiscal years 2013, 2015, and 2016 the District filed its audited financial statements after the Reporting Date since the audited financial statements were not completed by the Reporting Date. For the fiscal years 2012 and 2013, and 2015 and 2016 each filing of its Operating and Financial Data, included a statement that the audited financial statements were not yet available, and would be filed as soon as they were completed.

A failure by the District to comply with the Undertakings will not constitute an event of default on the Obligations (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

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THE DISTRICT

Special School District No. 1 is an independent political subdivision of the State coterminous with the city of Minneapolis. For the 2018-19 school year, 35,774 students are enrolled in the District's schools in its PreK-12 programs. The District currently manages over 8 million square feet at 75 sites including 8 high schools, 7 middle schools, 44 elementary and K-8 schools, 7 other academic sites, and 7 locations for alternative school programs. In order to meet the educational needs of as many students as possible, the school system offers a variety of educational programs through a system of magnet and community schools. Parents can elect to enroll their children in one of these schools in their area. High school students with particular skills or interests can attend classes at magnet schools throughout the District each of which offers specialized courses while meeting the graduation standards of the state and district.

In addition to regular K-12 education, the District offers the following special programs: classes for gifted and talented students, classes for students with limited English proficiency, and latchkey programs. Special education for the handicapped is provided in hospitals and residential settings for those unable to remain in a regular school program. A special emphasis is placed on maintaining handicapped children in regular classes and special assistance is given classroom teachers in meeting learning or adjustment problems of the students. Community education programs are also provided. In addition to classes, the community education program provides health services, a legal aid clinic, a childcare program, and senior services.

Organization and Administration

The school board is a policy-making body responsible for selecting the superintendent and overseeing the District's budget, curriculum, personnel and facilities. The school board is granted authority to carry out these duties by the State of Minnesota and the Minnesota Legislature, and appoints the Superintendent of Schools. Among other responsibilities of the position, the Superintendent makes recommendations to the Board concerning policy matters and gives direction to the administration on the long-range planning for the entire school system.

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

BOARD OF EDUCATION

Name	Position	Expiration of Current Term
Nelson Inz	*Chair*	January 2019
Siad Ali	*Vice Chair*	January 2019
Kim Ellison	*Clerk*	January 2021
Rebecca Gagnon	*Director*	January 2019
Jenny Arneson	*Treasurer*	January 2019
Ira Jourdain	*Director*	January 2021
KerryJo Felder	*Director*	January 2021
Bob Walser	*Director*	January 2021
Don Samuels	*Director*	January 2019

ADMINISTRATION

Name	Position
Ed Graff	*Superintendent of Schools*
Ibrahima Diop	*Chief Financial Officer*
Tariro Chapinduka	*Executive Director, Finance*
Tammy Fredrickson	*Director of Budgets*

Enrollment

Table 3 shows the enrollment in the District's schools in the last four school years and the current school year.

Table 3
District Fall Enrollment by Category

	Grades			
	Pre-K and K[1]	1-6	7-12	Total
2018/2019	4,667	16,181	14,847	35,695
2017/2018	4,722	16,884	14,925	36,531
2016/2017	4,722	17,231	14,645	36,598
2015/2016	5,035	17,891	13,847	36,773
2014/2015	5,134	17,707	13,513	36,354

Source: The District.

Retirement Plans

Teachers Retirement Association

All teachers employed by the District are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated and Basic Plan members are required to contribute 7.50% and 11.00% respectively, of their annual covered salary. Employer contribution rates are 11.14% (effective 7/1/18 increased to 11.35%) of covered payroll for Coordinated Plan members and 15.14% of covered payroll for Basic Plan members. Contributions to TRA for the year ended June 30, 2017, was $354,961,140.

Public Employees' Retirement Association

All full-time and certain part-time employees of the District are covered by a defined benefit pension plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. Minnesota Statutes Chapter 353 sets the rates for the employee and employer contributions. GERF members belong to either the Coordinated Plan or the Basic Plan. Basic and Coordinated Plan members are required to contribute 9.10% and 6.50% respectively, of their annual covered salary in 2013. Employer contribution rates are 11.78% of covered payroll for Basic Plan PERF members and 7.50% of covered payroll for Coordinated Plan members. The District's contributions for the year ended June 30, 2017 was $15,958,421.

Minneapolis Employees Retirement Fund

Certain non-certificate personnel participate in the defined benefit pension plan administered by the Minneapolis Employees Retirement Fund (MERF), which is a cost-sharing multiple-employer retirement plan. Minnesota Statutes Chapter 422A sets the rates for employer and employee contributions. In fiscal year 2015, plan members were required to contribute 9.25% and 0.5% of their total compensation for retirement benefits and survivor benefits, respectively. The District and the State of Minnesota are required to contribute the remaining amounts necessary to apply benefits when due, plus amounts to cover administrative costs. The District's contributions to the Minneapolis Employees Retirement Fund for the years ended June 30, 2015, 2014, and 2013 were $36,579, $796,132, and $806,289, respectively. Employer match is 9.75%.

Based on pension legislation passed in fiscal year 2010, as of July 1, 2010, all of MERF's administrative responsibilities were transferred to a MERF Division of PERA. The District, as the employer, matches the plan member contribution of 9.75% and pays an additional 2.68% of total salary now and into the future. In addition, the District makes a supplemental contribution. For fiscal year 2011 and annually thereafter until June 30, 2020, the District will contribute $731,125. Per Minnesota Statute 353.50, Subdivision 7, the District was required to pay a net pension liability of $519,199,734 for its participation in the TRA, GERF, and MERF plans described above.

Other Postemployment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") issued GASB 45, which address how state and local governments are required to account for and report their costs and obligations related to other post employment benefits ("OPEB"), defined to include post retirement healthcare benefits. GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension establishes financial reporting standards designed to measure, recognize and display OPEB costs. OPEB costs would become measurable on an accrual basis of accounting, and contribution rates (actuarially determined) would be prescribed for funding such costs. The provisions of GASB 45 do not require governments to fund their OPEB plans. In accordance with the requirements of GASB 45, the District's financial statements must comply with these provisions no later than the fiscal year ending June 30, 2008.

The District offers coverage under its group health and dental plans to retired employees and their dependents provided the employee is eligible to receive a retirement benefit for his/her employment with the District. The collective bargaining agreement determines the amount the District and the employee will pay. All agreements cap the District's contribution at the age the employee is eligible for MEDICARE (age 65).

The District has obtained an actuarial valuation of its OPEB liability. As of July 1, 2015, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was $46,486,188. For further information see the District's June 30, 2017, Comprehensive Annual Financial Report, contained as Appendix A of this Official Statement.

The District has established an irrevocable trust account for the purpose of meeting its obligations to fund benefits for its employees. The intention of the trust is to provide for the funding of non-pension post-employment benefits (OPEB) for employees who meet the age and service requirements outlined in the various contracts and employment plans entered into by the Board with its employees. The main investment objective of the trust is to achieve long-term growth of trust assets by maximizing long-term rate of return and minimizing risk of loss to fulfill the current and long-term OPEB obligations of the District.

The District recognized a net OPEB obligation of $22,706,432 in its statement of net position for the fiscal year ended June 30, 2017.

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ECONOMIC AND DEMOGRAPHIC

Population

Table 4 lists the population of the City of Minneapolis and the seven-county metropolitan statistical area for the last six decennial censuses, and the most recent estimate available published by the Metropolitan Council in July 2018.

Table 4
Population

Year	City of Minneapolis	Seven-County Metropolitan Statistical Area[1]
2017 (Estimate)	423,990	3,075,563
2010	382,578	2,849,567
2000	382,618	2,642,056
1990	368,383	2,288,721
1980	370,951	1,985,705
1970	434,400	1,874,380
1960	482,872	1,525,292

(1) The Metropolitan Statistical Area is defined as the seven county area consisting of Hennepin, Anoka, Carver, Dakota, Ramsey, Scott and Washington Counties.

Source: United States Census Bureau, www.census.gov.
Metropolitan Council, www.metrocouncil.org.

Labor Force and Unemployment Statistics

Table 5 lists the annual average labor force and unemployment rate for the city of Minneapolis as compared to the unemployment rate for the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area and the State of Minnesota for the years 2013 through 2017, and August 2018 only. Information in this table has not been seasonally adjusted.

Table 5
Labor Force and Unemployment Statistics

	City of Minneapolis		Metropolitan Statistical Area	State of Minnesota
	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2018[1]	243,006	2.5%	2.5%	2.5%
2017	237,367	3.2%	3.3%	3.5%
2016	232,240	3.4%	3.6%	3.8%
2015	232,315	3.3%	3.4%	3.7%
2014	228,247	3.8%	3.9%	4.1%
2013	217,602	4.9%	4.8%	5.1%

(1) As of August, 2018.

Source: Minnesota Department of Employment and Economic Development, www.positivelyminnesota.com.

Major Employers

Table 6 lists the largest employers in the city of Minneapolis.

Table 6
Top 10 Employers

Employer	Products/Services	Approximate Employees
University of Minnesota	Colleges, Universities, & Professional Schools	20,000
Allina Health	General Medical & Surgical Hospitals	20,000
Target Corporation	Other General Merchandise Stores	8,300
Hennepin Health Care Systems (HCMC)	General Medical & Surgical Hospitals	7,100
Wells Fargo Bank Minnesota	Commercial Banking	7,000
Hennepin County	Other General Government Support	6,600
Ameriprise Financial Services	Misc. Financial Investment Activities	4,900
U.S. Bancorp	Commercial Banking	4,700
Xcel Energy Inc.	Energy Sector	2,400
City of Minneapolis	Government	2,100

Source: City of Minneapolis Comprehensive Annual Financial Report, December 31, 2017.

Metropolitan Area Business and Industry

A number of companies having their corporate headquarters in the metropolitan area are listed on *Fortune* magazine's lists of the nation's largest corporations. Table 7 shows these companies and their positions on the "*Fortune*" list for 2017.

Table 7
Metropolitan Area Companies on the *Fortune* List of
Largest Industrial Corporations for 2017

Company	Revenues ($Billion)	Rank	Industry Grouping
United Healthcare Group	$ 201.159	5	Health Care Insurance & Managed Care
Target	71.879	39	General Merchandisers
Best Buy	42.151	72	Specialty Retailers
CHS	31.935	96	Wholesalers, Food & Grocery
3M	31.657	97	Miscellaneous
U.S. Bancorp	23.996	122	Commercial Banks
Supervalu	16.009	180	Food and Drug Stores
General Mills	15.620	182	Food: Consumer Products
C.H. Robinson Worldwide	14.869	193	Transportation and Logistics
Ecolab	13.838	215	Chemicals
Land O'Lakes	13.740	216	Food: Consumer Products
Ameriprise Financial	12.075	252	Diversified Financials
Xcel Energy	11.404	266	Utilities: Gas & Electric
Hormel Foods	9.168	323	Food: Consumer Products
Thrivent Financial for Lutherans	8.528	343	Insurance Life & Health (Mutual)
Mosaic	7.409	382	Chemicals
Securian Financial Group	6.067	462	Diversified Financials
Patterson	5.593	490	Wholesalers: Health Care
Polaris Industries	5.505	496	Transportation Equipment

Source: Fortune, 2018. http://money.cnn.com/magazines/fortune/fortune500/.

Income Statistics

Table 8 lists below lists the distribution of household income for the city of Minneapolis, and the median household income and per capita income for the city of Minneapolis, Minneapolis-St. Paul-Bloomington, MN WI MSA, and the state of Minnesota for 2017.

Table 8
Income Statistics

	City of Minneapolis		Minneapolis – St. Paul-Bloomington, MN WI MSA	State of Minnesota
Less than $14,999	22,014	12.5%		
$15,000 to $34,999	30,878	17.5%		
$35,000 to $74,999	51,473	29.2%		
$75,000 to $149,999	45,142	25.6%		
$150,000 or more	26,909	15.2%		
Total Households	176,416	100.0%		
Median Household Income	$ 60,789		$ 76,856	$ 68,388
Per Capita Income	$ 38,131		$ 39,686	$ 36,156

Source: U.S. Census Bureau, 2017 Selected Economic Characteristics.

Development Projects

Table 9 lists the largest development projects permitted in Minneapolis in the fourth quarter of 2017. The dollar amounts only reflect projected construction costs for permits issued that quarter.

Table 9
Development Projects in Fourth Quarter of 2017

Project Description	Estimated Construction Cost
New 184 unit apartment	$ 38,188,700
Convert office to 183 room high-rise hotel	30,500,000
Mozaic East – office with underground parking	28,893,000
New 111 unit apartment	20,098,168
Hiawatha Collegiate High School addition	16,463,244
New 123 unit apartment	13,000,000
New Spero Academy	10,176,000
Minnesota Twin Stadium remodel of club space	9,957,740
Apartment building renovation	8,700,000
New 6 story, 75 unit apartment	8,265,378
Footing and Foundation	6,098,919
Finishes/upgrades courtyard area	5,807,933
NorthLoop parking with commercial space	5,601,850

Source: Fourth Quarter of 2017, Minneapolis Trends Report by Minneapolis Community Planning and Economic Development www.ci.minneapolis.mn.us.

Higher Education

The University of Minnesota's Twin Cities campus is located primarily in Minneapolis and had a spring 2018 enrollment of 48,120. The University operates campuses in the Twin Cities, Duluth, Morris, Crookston, and Rochester, Minnesota, total enrollment for all campuses for spring 2018 was 62,399. In addition to the University of Minnesota, a number of other four-year and two-year colleges and universities are located in the city of Minneapolis.

FINANCIAL SUMMARY

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

Economic Market Value (2017/18)	$ 51,909,981,035
Estimated Market Value (2017/18)	$ 47,947,932,200
Taxable Market Value (2017/18)	$ 46,774,230,040
Net Tax Capacity (2017/18)	$ 533,535,674
General Obligation Long-Term Debt of the District (Includes the Series 2018A and Series 2018B Bonds)	$ 526,690,000
Full-Term Certificates of Participation	$ 237,205,000
Annual Appropriation Certificates of Participation	$ 32,685,000
Overlapping General Obligation Debt	$ 451,767,088
Population (2018 Estimate)	422,326
Area	58.72 Square Miles

Debt Ratios:

	Amount	Per Capita (422,326)	% of Economic Market Value
General Obligation Debt	$ 526,690,000	$ 1,247	1.01%
Full-Term Certificates of Participation	237,205,000	562	0.46%
Annual Appropriation Certificates of Participation	32,685,000	77	0.06%
Overlapping Debt	451,767,088	1,070	0.87%
Total	$ 1,248,347,088	$ 2,956	2.40%

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INDEBTEDNESS

General Obligation Long-Term Debt

Table 10 below, and Table 11 on the following page, summarize the District's general obligation long-term debt outstanding as of the issuance of the Obligations.

Table 10
General Obligation Debt by Issue

Date of Issue	Purpose	Original Amount	Interest Rate Range	Final Maturity	Principal Outstanding
12/15/09	School Building Taxable QSCBs, Series 2009C	$ 17,200,000	1.15%	12/15/25	$ 17,200,000
12/28/10	School Building, Series 2010D	7,750,000	4.00%	02/01/21	1,230,000
12/28/10	School Building Taxable QSCBs, Series 2010E	19,785,000	5.125%	12/15/25	19,785,000
07/26/11	School Building Refunding, Series 2011B	10,525,000	3.00% - 4.00%	02/01/20	3,220,000
12/01/11	School Building, Series 2011C	40,805,000	3.00% - 4.00%	02/01/27	8,255,000
12/01/11	School Building Taxable QSCBs, Series 2011D	4,260,000	3.80%	12/15/25	4,260,000
12/18/12	School Building, Series 2012A	21,220,000	2.00% - 3.00%	02/01/33	14,815,000
12/18/12	Alternative Facility, Series 2012B	18,550,000	2.00% - 3.00%	02/01/33	14,410,000
12/18/12	Refunding, Series 2012D	9,285,000	3.00% - 4.00%	02/01/22	4,570,000
12/18/12	Refunding, Taxable Series 2012E	16,530,000	2.00%	02/01/22	8,610,000
12/04/13	School Building, Series 2013A	20,525,000	3.00% - 4.00%	02/01/29	14,445,000
12/04/13	Alternative Facility, Series 2013B	38,090,000	4.00% - 5.00%	02/01/34	33,060,000
12/23/14	School Building, Series 2014A	21,840,000	2.00% - 3.00%	02/01/30	16,545,000
12/23/14	Alternative Facility, Series 2014B	45,270,000	3.00% - 4.00%	02/01/30	38,230,000
12/23/14	Refunding, Series 2014C	11,300,000	2.00% - 5.00%	02/01/23	7,555,000
12/29/15	School Building, Series 2015A	21,275,000	3.00% - 4.00%	02/01/31	17,740,000
12/29/15	Alternative Facility, Series 2015B	34,755,000	3.00% - 4.00%	02/01/31	31,270,000
12/29/15	Refunding, Series 2015C	10,830,000	5.00%	02/01/24	8,555,000
12/22/16	School Building, Series 2016A	41,905,000	5.00%	02/01/37	40,190,000
12/22/16	Long-Term Facilities Maintenance, Series 2016B	51,910,000	5.00%	02/01/35	50,615,000
12/06/17	School Building, Series 2017A	28,895,000	4.00% - 5.00%	02/01/33	28,895,000
12/06/17	Long-Term Facilities Maintenance, Series 2017B	51,565,000	4.00% - 5.00%	02/01/38	51,565,000
12/05/18	School Building, Series 2018A	40,395,000	5.00%	02/01/38	40,395,000
12/05/18	Long-Term Facilities Maintenance, Series 2018B	51,275,000	5.00%	02/01/39	51,275,000
Total					$ 526,690,000
				Sinking Fund Deposits	(23,940,127)
				Outstanding Debt Reduced by Sinking Fund Deposits	$ 502,749,873

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Table 11
General Obligation Debt
Annual Maturity Schedule

Fiscal Year Ending June 30	Outstanding Debt Principal[1]	Outstanding Debt Interest[2]	Series 2018A Bonds Principal	Series 2018A Bonds Interest	Series 2018B Bonds Principal	Series 2018B Bonds Interest	Total Debt Service
2019	$ 33,348,109	$ 8,722,446	$ --	$ --	$ --	$ --	$ 42,070,555
2020	34,628,109	16,203,692	2,885,000	2,333,933	1,310,000	2,962,556	60,323,290
2021	33,688,109	14,857,092	3,340,000	1,875,500	1,775,000	2,498,250	58,033,951
2022	33,283,109	13,572,692	3,510,000	1,708,500	1,865,000	2,409,500	56,348,801
2023	29,808,109	12,283,142	3,685,000	1,533,000	1,960,000	2,316,250	51,585,501
2024	27,133,109	11,106,392	3,870,000	1,348,750	2,055,000	2,218,250	47,731,501
2025	25,903,109	10,101,180	2,965,000	1,155,250	2,160,000	2,115,500	44,400,039
2026	25,853,110	9,162,755	3,110,000	1,007,000	2,265,000	2,007,500	43,405,364
2027	23,835,000	6,878,994	1,630,000	851,500	2,380,000	1,894,250	37,469,744
2028	22,080,000	5,956,781	1,710,000	770,000	2,500,000	1,775,250	34,792,031
2029	22,335,000	5,088,350	1,800,000	684,500	2,625,000	1,650,250	34,183,100
2030	21,825,000	4,200,850	1,540,000	594,500	2,755,000	1,519,000	32,434,350
2031	18,285,000	3,340,038	1,615,000	517,500	2,895,000	1,381,250	28,033,788
2032	14,770,000	2,584,188	1,695,000	436,750	3,040,000	1,236,500	23,762,438
2033	14,040,000	1,952,188	1,780,000	352,000	3,190,000	1,084,500	22,398,688
2034	10,850,000	1,359,438	1,870,000	263,000	3,350,000	925,000	18,617,438
2035	8,380,000	866,950	615,000	169,500	3,515,000	757,500	14,303,950
2036	4,180,000	473,900	645,000	138,750	3,690,000	581,750	9,709,400
2037	4,260,000	290,850	675,000	106,500	3,875,000	397,250	9,604,600
2038	2,595,000	103,800	710,000	72,750	4,070,000	203,500	7,755,050
2039	--	--	745,000	37,250	--	--	782,250
Total	$ 411,079,873	$ 129,105,717	$ 40,395,000	$ 15,956,433	$ 51,275,000	$ 29,933,805	$ 677,745,829

(1) The principal payment for the 2009 GO School Building Bonds (QSCBs) principal of $17,200,000 is due on December 15, 2026, for the 2010 GO School Building Bonds (QSCBs) principal of $19,785,000 is due December 15, 2025 and of the 2011 GO School Building (QSCBs) principal is due on December 15, 2025. This table includes sinking fund deposits already made or to be made for such bonds.

(2) For the 2010 GO School Building Bonds (Taxable QSCBs) and 2011 GO School Building Bonds (Taxable QSCBs), the interest amount does not reflect IRS subsidy payments.

Full Term Certificates of Participation

Table 12 lists the District's Full Term Certificates of Participation and Table 13 shows the annual maturity schedule for such obligations as of the issuance of the Obligations. All of the issues listed in the table below are included in the Minnesota School District credit-enhancement program and none of them is subject to annual appropriation.

Table 12
Full Term Certificates of Participation

Date of Issue	Issue	Original Amount	Interest Rate Range	Final Maturity	Principal Outstanding
07/26/11	Certificates of Participation	$ 31,255,000	4.00% - 5.00%	02/01/20	$ 5,660,000
12/01/11	Certificates of Participation	19,705,000	2.50% - 3.20%	02/01/23	9,735,000
12/04/13	Certificates of Participation	41,125,000	5.00%	02/01/21	13,255,000
12/23/14	Certificates of Participation	125,570,000	4.00% - 5.00%	02/01/30	108,560,000
12/29/15	Certificates of Participation	44,475,000	3.00%	02/01/31	39,725,000
12/28/16	Certificates of Participation	22,025,000	5.00%	02/01/31	21,705,000
12/06/17	Certificates of Participation	36,565,000	4.00% - 5.00%	02/01/31	38,565,000
Total					$ 237,205,000

Table 13
Full Term Certificates of Participation
Annual Maturity Schedule

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 24,660,000	$ 5,221,185	$ 29,881,185
2020	20,240,000	9,296,870	29,536,870
2021	18,105,000	8,375,070	26,480,070
2022	16,100,000	7,562,820	23,662,820
2023	16,800,000	6,853,520	23,653,520
2024	15,425,000	6,107,800	21,532,800
2025	16,085,000	5,442,450	21,527,450
2026	16,830,000	4,698,900	21,528,900
2027	17,605,000	3,920,000	21,525,000
2028	18,420,000	3,104,150	21,524,150
2029	19,280,000	2,249,550	21,529,550
2030	20,035,000	1,494,500	21,529,500
2031	8,790,000	709,350	9,499,350
2032	5,395,000	374,100	5,769,100
2033	3,435,000	137,400	3,572,400
Total	$ 237,205,000	$ 65,547,665	$ 302,752,665

Annual Appropriation Certificates of Participation

The District constructed a new administrative headquarters facility with the proceeds of annual appropriation certificates of participation. Table 14 and Table 15 below describe the District's Annual Appropriation Certificates of Participation as of November 1, 2018.

Table 14
Annual Appropriation Certificates of Participation by Issue

Date of Issue	Issue	Original Amount	Interest Rate Range	Final Maturity	Principal Outstanding
12/28/10	Certificates of Participation (RZEDBs)	$ 12,990,000	6.50%	04/01/36	$ 12,990,000
12/28/10	Certificates of Participation (BABs)	28,235,000	4.85% - 6.50%	04/01/30	19,695,000
Total					$ 32,685,000

Table 15
Annual Appropriation Certificates of Participation
Annual Maturity Schedule

Fiscal Year Ending June 30	Principal	Interest[1]	Total
2019	$ 1,345,000	$ 2,022,128	$ 3,367,128
2020	1,385,000	1,953,533	3,338,533
2021	1,425,000	1,879,435	3,304,435
2022	1,465,000	1,801,060	3,266,060
2023	1,535,000	1,720,485	3,255,485
2024	1,605,000	1,634,525	3,239,525
2025	1,660,000	1,538,225	3,198,225
2026	1,720,000	1,438,625	3,158,625
2027	1,785,000	1,335,425	3,120,425
2028	1,850,000	1,219,400	3,069,400
2029	1,920,000	1,099,150	3,019,150
2030	2,000,000	974,350	2,974,350
2031	1,975,000	844,350	2,819,350
2032	2,050,000	715,975	2,765,975
2033	2,120,000	582,725	2,702,725
2034	2,200,000	444,925	2,644,925
2035	2,280,000	301,925	2,581,925
2036	2,365,000	153,725	2,518,725
Total	$ 32,685,000	$ 21,659,966	$ 54,344,966

(1) Represents gross interest payments which are not net of the interest subsidy on the Certificates to be paid by the Federal Government.

General Obligation Short-Term Debt

The District does not currently have any General Obligation Tax or Aid Anticipation Certificates of Indebtedness outstanding.

Future Financing

The District does not anticipate that it will issue additional general obligation bonds or certificates of participation within the next three months.

Overlapping Debt

Listed below are taxing jurisdictions in Hennepin County which overlap the District. Table 16 sets forth the general obligation debt as of December 31, 2017, unless otherwise noted, for each of these jurisdictions and the amount of that debt allocable to the District.

Table 16
Overlapping Debt

Entity	Net General Obligation Bonded Debt Outstanding	Percent of Debt Applicable to the District	Outstanding Debt Chargeable to Property in the District
City of Minneapolis	$ 119,920,000[(1)]	100.00%	$ 119,920,000
Hennepin County	1,110,735,000[(2)]	29.02%	322,335,297
Metropolitan Council	12,606,580[(3)]	13.43%	1,693,064
Hennepin County Regional Railroad Authority	26,942,546	29.02%	7,818,088
Total			$ 451,767,088

(1) General obligation bonds outstanding as of December 31, 2017, excluding general obligation enterprise fund bonds, non-property tax supported bonds, and internal service fund bonds.
(2) Debt as of November 1, 2018. Excludes general obligation debt payable from revenues other than tax levies.
(3) General obligation debt excluding general obligation debt supported by wastewater revenues and grant anticipation notes. Debt as of December 31, 2017.

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PROPERTY VALUATIONS AND TAXES

Assessed Valuations/Tax Capacity and Estimated Market Valuations

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

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

Net Tax Capacity ("NTC") is the value upon which taxes are levied and collected. The NTC is computed by applying the class rate percentages specific to each type of property classification against the TMV. Class rate percentages vary depending on the type of property. The following table shows the class rates for selected property types for taxes payable in 2017.

Table 17
Property Class Rates

Type of Property	Pay 2017 Class Rates
Residential Homestead	
First $500,000 Taxable Market Value	1.00%
Over $500,000 Taxable Market Value	1.25%
Commercial/Industrial	
First $150,000 Taxable Market Value	1.50%
Over $150,000 Taxable Market Value	2.00%
Non-Homestead Market Rate Apartments	1.25%

Neither the net tax capacity nor the market value may accurately represent what a property's actual market value would be in the marketplace. By dividing the taxable market value used for tax purposes by the State Equalization Aid Review Committee's ("EARC") Sales Ratio for any particular year, an Economic Market Value can be calculated which approximates actual market value. Sales ratios represent the relationship between the market value used for tax purposes and actual selling prices which were obtained in real estate transactions within a governmental unit in any particular year. The 2017 Sales Ratio for the District is 92.29%.

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Table 18 below presents the Economic Market Value, Estimated Market Value, Taxable Market Value and Net Tax Capacity of taxable property within the District for assessment year 2017/collection year 2018.

Table 18
Property Values in the District 2017/18

	Economic Market Value[(1)]	Estimated Market Value	Taxable Market Value	Net Tax Capacity
Real Estate	$ 51,388,441,435	$ 47,426,392,600	$ 46,253,375,485	$ 591,237,190
Personal Property	521,539,600	521,539,600	520,854,555	9,974,664
Less: Contribution to Area-Wide Tax Base[(2)]	--	--	--	(70,076,963)
Plus: Distribution from Area-Wide Tax Base[(3)]	--	--	--	54,851,682
Less: Increment Value of Tax Increment Areas[(4)]	--	--	--	(52,450,899)
Total	$ 51,909,981,035	$ 47,947,932,200	$ 46,774,230,040	$ 533,535,674

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

(2) Under the "fiscal disparity" law applicable to all municipalities in the seven-county metropolitan area, 40% of the excess of the current assessed value of commercial and industrial property in Minneapolis, over the 1971/72 assessed value of such property, is to be regarded as part of the "area-wide tax base". Minneapolis is coterminous with the Minneapolis School District.

(3) A part of the area-wide tax base contributed to by all municipalities in the metropolitan area is attributed back to Minneapolis, inversely proportionate to the assessed value per capita of all taxable property within its corporate limits in relation to the assessed values per capita of taxable property within all of the other municipalities.

(4) The incremental assessed value of properties located in tax increment project areas, in the years after their redevelopment, is segregated from the assessed value upon which tax rates are computed and levied for school purposes. The same rates, however, are levied upon the incremental value to pay the project costs. After payment of this cost in full, the incremental value is added to the tax base for school and other general governmental purposes.

Table 19 below presents the Economic Market Value, Estimated Market Value, Taxable Market Value and the Tax Capacity for the five prior years.

Table 19
Trend of Property Values

Assessment Year	Economic Market Value[(1)]	Sales Ratio	Estimated Market Value	Taxable Market Value	Adjusted Tax Capacity[(2)]
2016	$ 47,202,909,480	93.3%	$ 44,067,523,400	$ 42,812,588,043	$ 493,479,516
2015	42,963,789,289	93.7%	40,296,679,900	38,952,721,161	454,641,259
2014	39,218,445,719	93.1%	36,544,531,600	35,136,247,648	412,414,762
2013	35,496,307,017	93.5%	33,236,865,300	31,706,298,572	374,174,247
2012	33,292,589,994	97.8%	32,569,114,445	31,019,695,820	373,715,553

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

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

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Property Tax Levies and Collections

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

Penalties on unpaid taxes occur as follows: On May 16, unpaid property taxes (first one-half) are penalized at a rate of 3% on property classified as homestead and 7% on property classified as non-homestead. Thereafter, an additional 1% is charged on the 16th day of each month up to and including September 16 for both homestead and non-homestead property. On September 16 unpaid property taxes (second one-half) are penalized at a rate of 4% for both homestead and non-homestead property. Thereafter, an additional 2% on homestead property and 4% on non-homestead property is charged on the 16th day of each month up to and including December 16. An additional 2% penalty is charged on the first business day in January following the year in which the taxes were due. Interest is charged based on variable rates per annum, on the full amount of the taxes, penalties, and costs unpaid. Personal property tax not paid when due is penalized at a rate of 8%. Table 20 shows the District's tax levies and collections for collection years 2013 through 2017, and the gross and net levies for the current collection year.

Table 20
Tax Collections in the District

			Collected First Year		Collected as of 01/01/18	
Collection Year	Gross Levy	Net Levy	Amount	% of Net Levy	Amount	% of Net Levy
2018	$ 202,423,264	In Process of Collection				
2017	190,927,820	$ 190,927,820	$ 188,562,348	98.76%	$ 187,630,079	98.27%
2016	185,753,275	185,323,228	183,604,977	99.07%	183,722,076	99.14%
2015	178,608,459	178,032,034	176,717,054	99.26%	176,436,890	99.10%
2014	171,897,147	171,462,552	169,518,655	98.87%	170,863,935	99.65%
2013	172,360,250	171,934,221	169,900,538	98.82%	171,184,582	99.56%

Source: Hennepin County Taxpayer Services Department.

Tax Rates

Table 21 shows the tax rates for the District and its overlapping jurisdictions for the collection years 2014 through 2018.

Table 21
Tax Rates

	2018	2017	2016	2015	2014
Special School District No. 1	22.450%	20.580%	21.342%	22.362%	25.819%
City of Minneapolis	47.929%	49.049%	62.437%	66.333%	71.804%
Hennepin County	42.768%	44.047%	45.330%	46.245%	49.542%
Other(1)	5.812%	5.954%	5.929%	5.996%	6.392%
Total	118.959%	119.630%	135.038%	140.936%	153.557%

(1) Other includes Metro Mosquito, Metro Council, Metro Transit, Park Museum and HCRRA and Hennepin County HRA.

Source: Hennepin County Taxpayer Services Department.

Principal Taxpayers

A list of the fifteen largest taxpaying parcels in the District with the highest net tax capacities on the 2017 assessment year is presented in Table 22 below.

Table 22
Principal Taxpayers

Taxpayer	2017/18 Net Tax Capacity	Percentage of Total Net Tax Capacity[1]
BRI 1855 IDS Center LLC	$ 5,489,450	1.03%
NWC Limited Partnership	5,082,250	0.95%
Minneapolis 225 Holdings LLC	4,891,850	0.92%
33 City Center Holding LLC	4,329,850	0.81%
US Bank Corp RE Tax Department	3,889,850	0.73%
Wells Reit – 800 Nicollet	3,615,450	0.68%
Hilton Hotels Corp.	3,069,250	0.58%
South Sixth Office LLC	2,908,050	0.55%
BAM 701 LLC	2,820,050	0.53%
Northern States Power Co.	2,772,062	0.52%
Target Corporation T-0517	2,752,900	0.52%
KBS Capital Advisors LLC	2,445,516	0.46%
Riversource Life Insurance	2,307,250	0.43%
Union Investment Real Estate	2,097,050	0.39%
Wells Fargo Bank	2,059,250	0.39%
Total	$ 50,530,078	9.47%

(1) Based on the 2017/2018 Total Net Tax Capacity of $533,535,674. The total Net Tax Capacity includes real and personal property and is not adjusted for tax increment financing.

Source: Hennepin County Taxpayer Services Department.

Levy Referendum

On November 6, 2018, the District will hold a two-question, $30 million referendum, (i) to increase the current operating referendum levy, and (ii) to establish a capital projects (technology levy). Referendum funds will be used for operating and technology expenditures of the District.

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FINANCIAL INFORMATION

Financial Statements

The District's financial statements are audited by an independent auditor (the "Auditor"). Copies of the District's audited financial statements for the years ended June 30, 2015 through 2017, and the 2018 and 2019 budgets are available upon request from PFM Financial Advisors LLC, the District's municipal advisor. See Appendix A for the District's audited financial statements for fiscal year ended June 30, 2017.

General Fund Budgets

The table below presents the District's adopted budgets for the General Fund for the 2017/2018 and 2018/2019 fiscal years.

Table 23
General Fund Budgets

	2017/18 Adopted Budget	2018/19 Adopted Budget
Revenues		
Local	$ 137,616,174	$ 132,799,431
State Aid	412,520,151	418,903,874
Federal	40,500,000	40,666,639
Other	--	12,000,000
Total Revenues	$ 590,636,325	$ 604,369,944
Expenditures		
Administration	$ 15,826,806	$ 14,791,764
Support Services	25,409,847	24,024,180
Regular Education	283,388,130	287,755,543
Vocational Education	4,042,962	4,365,895
Special Education	120,292,368	120,139,868
Instructional Support	46,145,856	42,386,863
Pupil Support	69,511,868	67,976,709
Sites Buildings	33,939,341	35,621,153
Fiscal & Other Fixed Cost	8,596,810	7,908,882
Total Expenditures	$ 607,152,201	$ 604,970,857

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Results of Operations

Statements of revenues and expenditures of the General Fund of the District have been compiled from the District's financial reports. They have been organized in such a manner as to facilitate year-to-year comparisons. Table 24 presents a statement of revenues and expenditures of the District's General Fund for the fiscal years ended June 30, 2015 through 2017, and preliminary, unaudited actual information for 2018.

Table 24
General Fund Revenues and Expenditures and Changes in Fund Balance
(Years Ended June 30)

Revenues	2018[1]	2017	2016	2015
Local Sources				
Property Taxes		$ 117,942,219	$ 116,602,944	$ 106,397,151
Interest Income		1,221,560	454,430	266,711
Other Local		16,749,613	17,838,028	19,817,519
State Sources		402,839,217	410,256,617	399,944,459
Federal Sources		43,013,918	40,075,526	38,310,414
Sales and Other Conversions of Assets		--	--	--
Total Revenues	$ 593,538,798	$ 581,768,826	$ 585,227,545	$ 564,736,254
Expenditures				
Current				
District and School Administration		$ 17,834,736	$ 17,687,848	$ 16,070,932
District Support Services		19,613,778	18,772,996	28,140,125
Regular Instruction		279,209,325	281,183,312	261,018,680
Vocational Instruction		4,018,952	3,824,712	3,906,467
Special Education Instruction		118,988,717	120,631,699	115,090,317
Instructional Support Services		61,076,185	53,888,807	45,674,033
Pupil Support Services		66,342,086	65,090,663	63,500,540
Sites, Buildings and Equipment		35,852,999	34,369,886	34,311,403
Fiscal and Other Fixed Costs		559,310	585,971	567,196
Community Education and Services		58,786	--	--
Capital Outlay		2,824,954	10,348,822	7,613,457
Other		--	--	--
Total Expenditures	$ 599,504,286	$ 605,929,828	$ 606,384,716	$ 575,893,150
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (5,965,488)	$ (24,161,002)	$ (21,157,171)	$ (11,156,896)
Other Financing Sources (Uses)				
Proceeds from Sale of Equipment		$ --	$ 8,310	$ 1,500
Bond Proceeds		6,440,000	5,920,000	3,843,000
Bond Premium (Discount)		3,300,000	--	--
Transfers In (Out)		--	16,000,000	--
Total Other Financing Sources (Uses)		$ 9,740,000	$ 21,928,310	$ 3,844,500
Net Change in Fund Balance		$ (14,421,002)	771,139	$ (7,312,396)
Fund Balance, Beginning		80,717,365	79,946,226	87,258,622
Fund Balance, Ending		$ 66,286,363	$ 80,717,365	$ 79,946,226

(1) Unaudited actual information.

Source: District financial statements for the fiscal years ended June 30, 2015 through 2017, and preliminary, unaudited information for 2018.

MUNICIPAL ADVISOR

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

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

RATINGS

Moody's Investors Service ("Moody's") and S&P Global Ratings have assigned underlying ratings of "Aa2" and "AA", respectively. Moody's and S&P have also assigned enhanced ratings of "Aa2" and "AAA", respectively, based on the District's participation in the Minnesota School District Credit Enhancement Program. The ratings reflect only the views of these rating agencies. For an explanation of the ratings as described by those rating agencies please contact the rating agencies. These bond ratings are subject to change or withdrawal by the rating agencies at any time. Therefore, after the date hereof investors should not assume that such ratings are still in effect. A revision or withdrawal of the ratings may have an adverse effect on the market price and marketability of the Obligations.

TAX CONSIDERATIONS

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

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

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

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

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

Tax-Exempt Interest

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

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

Market Discount

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

Bond Premium

The Series 2018A and Series 2018B Bonds are being issued at a premium to the principal amount payable at maturity. A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium 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 income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

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

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. The Bonds are not "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

LITIGATION

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

CERTIFICATION

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

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Obligations are subject to the opinion of Dorsey & Whitney LLP, of Minneapolis, Minnesota, as to validity and tax exemption. Dorsey & Whitney, LLP has not participated in the preparation of this Official Statement and expresses no opinion as to its accuracy, completeness or sufficiency.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Chief Financial Officer has been duly authorized by the District.

SPECIAL SCHOOL DISTRICT NO. 1
MINNEAPOLIS, MINNESOTA

By: /s/ Ibrahima Diop
Chief Financial Officer

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APPENDIX A

The District's Audited Financial Report for the Fiscal Year Ended June 30, 2017

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Minneapolis Public Schools
Special School District No. 1
Minneapolis, Minnesota

Financial Statements

June 30, 2017

bergan KDV
CPAS | ADVISORS

Minneapolis Public Schools
Special School District No. 1
Minneapolis, Minnesota

Minneapolis Public Schools
Special School District No. 1
Minneapolis, Minnesota

Minneapolis Public Schools
Special School District No. 1
Board of Education and Administration
Year Ended June 30, 2017

Board of Education	Position	Term Expires
Rebecca Gagnon	Chair	2019
Kim Ellison	Vice Chair	2021
Bob Walser	Clerk	2021
Jenny Arneson	Treasurer	2019
Siad Ali	Director	2019
KerryJo Felder	Director	2021
Nelson Inz	Director	2019
Ira Jourdain	Director	2021
Don Samuels	Director	2019
Gabriel Spinks	Student Representative	2018
Administration		
Ed Graff	Superintendent	
Ibrahima Diop	Chief Financial Officer	
Tariro Chapinduka	Director - Financial Systems	
District Offices	Special School District No. 1 Minneapolis Public Schools 1250 West Broadway Avenue Minneapolis, MN 55411 (612) 668-0000	

Independent Auditor's Report

To the School Board
Minneapolis Public Schools
Special School District No. 1
Minneapolis, 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 , Special School District No. 1, Minneapolis, Minnesota, as of and for the year ended June 30, 2017, and the related notes to 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 basic financial statements.

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

BerganKDV, Ltd.
bergankdv.com

Opinions
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of , Special School District No. 1, Minneapolis, Minnesota, as of June 30, 2017, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund, the Food Service Special Revenue Fund, and the Community Service Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 74

As discussed in Note 9 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. 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, which follows this report letter, and the Required Supplementary Information 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 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 Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The accompanying supplementary information identified in the Table of Contents is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

BerganKDV Ltd.

Minneapolis, Minnesota
November 30, 2017

Minneapolis Public Schools
Special School District No. 1
Management's Discussion and Analysis

This section of the District's annual financial report presents a discussion and analysis of the District's financial performance during fiscal year ended June 30, 2017. Please read it in conjunction with the financial statements that immediately follow this section.

The MD&A is an element of required supplementary information specified in the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Total combined fund balance of all the District's governmental funds increased $44.9 million, from the prior year. This net increase was due primarily to lack of capital outlay expenditures for building constructions over proceeds from bond issuances offset by an increase in current expenditures for Elementary and Secondary Regular Instruction over revenue. Total governmental fund revenues were $710.6 million, essentially flat over the prior year of $709.8 million. Although revenue from property taxes and federal sources increase from prior year, the increase was offset by a decrease in revenue from state sources of about $8 million or 2%. Property taxes increased by $7 million or 4.2% primarily due to increase in debt service levy. Federal revenue increase by $4 million dollar primarily due to increase in Title II and special education expenditures

- Total governmental funds expenditures were $800 million, down $78 million, or 8.8% from the prior year. This decrease is primarily related to a decrease of $71 million related to building construction and a decrease of $10.5 million related to debt payments. Total current expenditures increased by 2% or $11.7 million. Specifically, current expenditures by program increased in the following programs: District Support Services by $0.8 million or 4%, Vocational Education Instruction by $0.2 million or 5%, Instructional Support Services by $7.1 million or 13%, Sites and Building by $3.3 million or 5%, Pupil Support Services by $1.3 million or 2%, Food Service by $0.6 million or 3%, and Community Education by $2.4 million or 9%. Additionally, current expenditures decreased in the following programs: Administration by $0.3 million or 2%, Elementary and Secondary Instructional by 2 million or 1%, and Special Education Instruction by $1.6 million or 1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditor's Report, required supplementary information, including the MD&A, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

- **Proprietary funds statements** *offer short-term and long-term financial information about the District's self-insured risk management activities.*

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

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

Government-Wide Statements

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The District may establish other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has three kinds of funds:

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

- **Proprietary Fund - Internal Service Fund** – Used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for self-insurance of worker's compensation, property and liability, as well as accumulating and recording the liability for accrued compensated absences (severance and vacation) and health insurance benefits for eligible employees upon retirement.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was negative $685 million on June 30, 2017. This was a change of 86% from the prior year (see Table A-1).

Table A-1
The District's Net Position

	Primary Government Governmental Activities 2017	Primary Government Governmental Activities 2016	Percentage Change
Current and other assets	$ 578,446,875	$ 523,255,668	10.55%
Capital assets	646,314,036	640,670,286	0.88%
Total assets	1,224,760,911	1,163,925,954	5.23%
Deferred outflows of resources	1,595,377,321	193,147,077	725.99%
Total assets and deferred outflows of resources	2,820,138,232	1,357,073,031	107.81%
Current liabilities	132,079,282	139,609,856	-5.39%
Long-term liabilities	3,161,255,408	1,330,276,033	137.64%
Total liabilities	3,293,334,690	1,469,885,889	124.05%
Deferred inflows of resources	212,253,297	255,860,018	-17.04%
Net position			
Net investment in capital assets	149,160,083	163,600,431	-8.83%
Restricted	35,723,782	34,335,606	4.04%
Unrestricted	(870,333,620)	(538,616,538)	-61.59%
Total net position	$ (685,449,755)	$ (340,680,501)	-101.20%

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts.

Total net position decreased by approximately $317 million, due to increases in pension related expenses due to changes in actuarially related assumptions described in the Notes to the Requires Supplementary Information. As presented in the table above, net investment in capital assets experienced a decrease of $14.4 million over the prior year, while restricted net position increased by $15.4 million and unrestricted net position decreased by approximately $317.7 million.

The District's increase in current and other assets is due to increase in cash and investments as a result of unspent bond proceeds for building construction. The District's increase in total liabilities is due to salaries, and compensated absences payable, bonds payable and net pension liability. Pension related liability increased by approximately $1.8 billion from prior year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's *government-wide* total revenues were approximately $736 million for the year ended June 30, 2017. Property taxes and unrestricted state aid accounted for 73% of total revenue for the year. An additional 2% came from other general revenues, and the remaining 25 % from program revenues (Table A-2).

Table A-2
Change in Net Position

	Primary Government Governmental Activities for the Fiscal Year Ended June 30,		
Revenues	2017	2016	Percentage Change
Program revenues			
Charges for services	$ 17,204,739	$ 17,691,880	-2.75%
Operating grants and contributions	156,341,813	155,997,379	0.22%
Capital grants and contributions	10,733,375	11,000,000	-2.42%
General revenues			
Property taxes	185,955,797	178,793,844	4.01%
State formula aid	353,255,021	336,893,500	4.86%
Other	12,611,235	11,146,058	13.15%
Total revenues	736,101,980	711,522,661	3.45%
Expenses			
District and school administration	$ 29,036,288	$ 17,878,755	62.41%
District support services	22,972,094	23,434,369	-1.97%
Regular instruction	494,078,827	299,342,502	65.05%
Vocational instruction	6,788,131	4,165,122	62.98%
Special education instruction	185,485,643	122,654,412	51.23%
Instructional support services	90,336,077	54,061,851	67.10%
Pupil support services	87,780,289	66,689,766	31.62%
Sites, buildings, and equipment	82,267,082	57,484,050	43.11%
Fiscal and other fixed cost programs	559,310	585,971	-4.55%
Food service	23,606,809	21,911,207	7.74%
Community education and services	36,961,573	26,915,641	37.32%
Interest and fiscal charges on long-term debt	20,999,111	16,485,498	27.38%
Total expenses	1,080,871,234	711,609,144	51.89%
Change in net position	(344,769,254)	(86,483)	-398555.52%
Net position - beginning	(340,680,501)	(340,594,018)	
Net position - ending	$ (685,449,755)	$ (340,680,501)	-101.20%

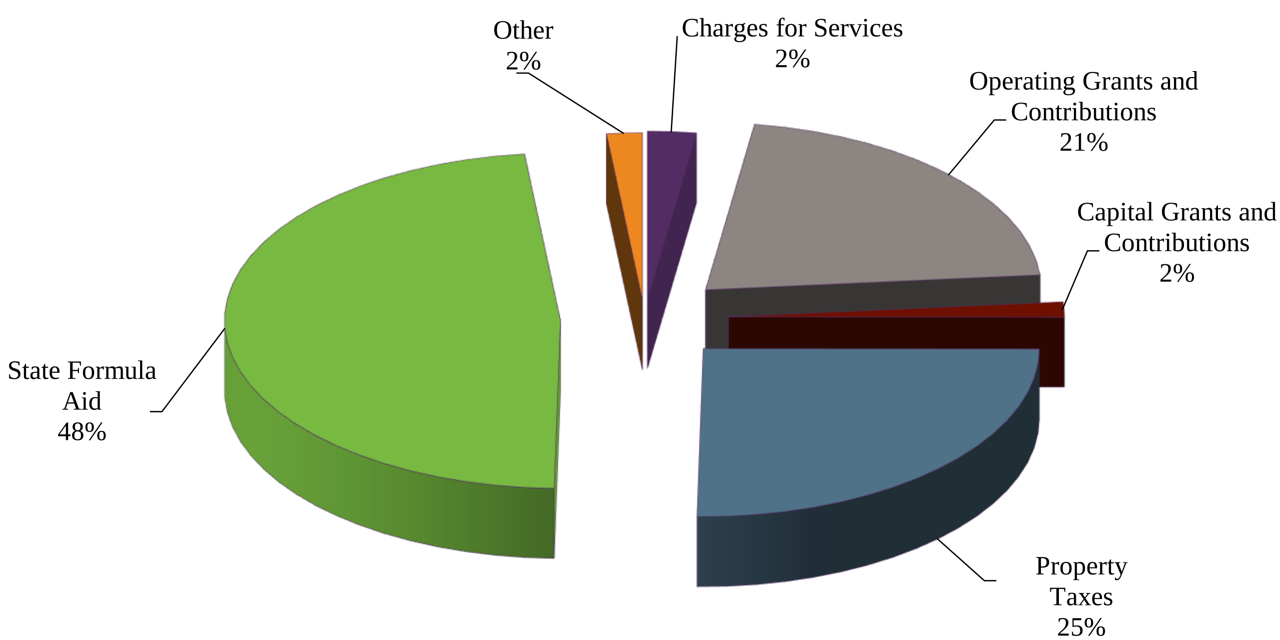
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Total cost of all programs and services was $1.1 billion in fiscal 2017. District expenses were primarily related to educating and caring for students (79%). The District's Community and Nutritional Service programs accounted for 5% of expenses while facility maintenance totaled 8% and fiscal/other fixed cost expenses totaled 2%. District and School Administration and District Support Services accounted for 5% of total expenses during fiscal 2017. (see Figure A-2 on next page).

The cost of all *governmental* activities this year was $1.1 billion.

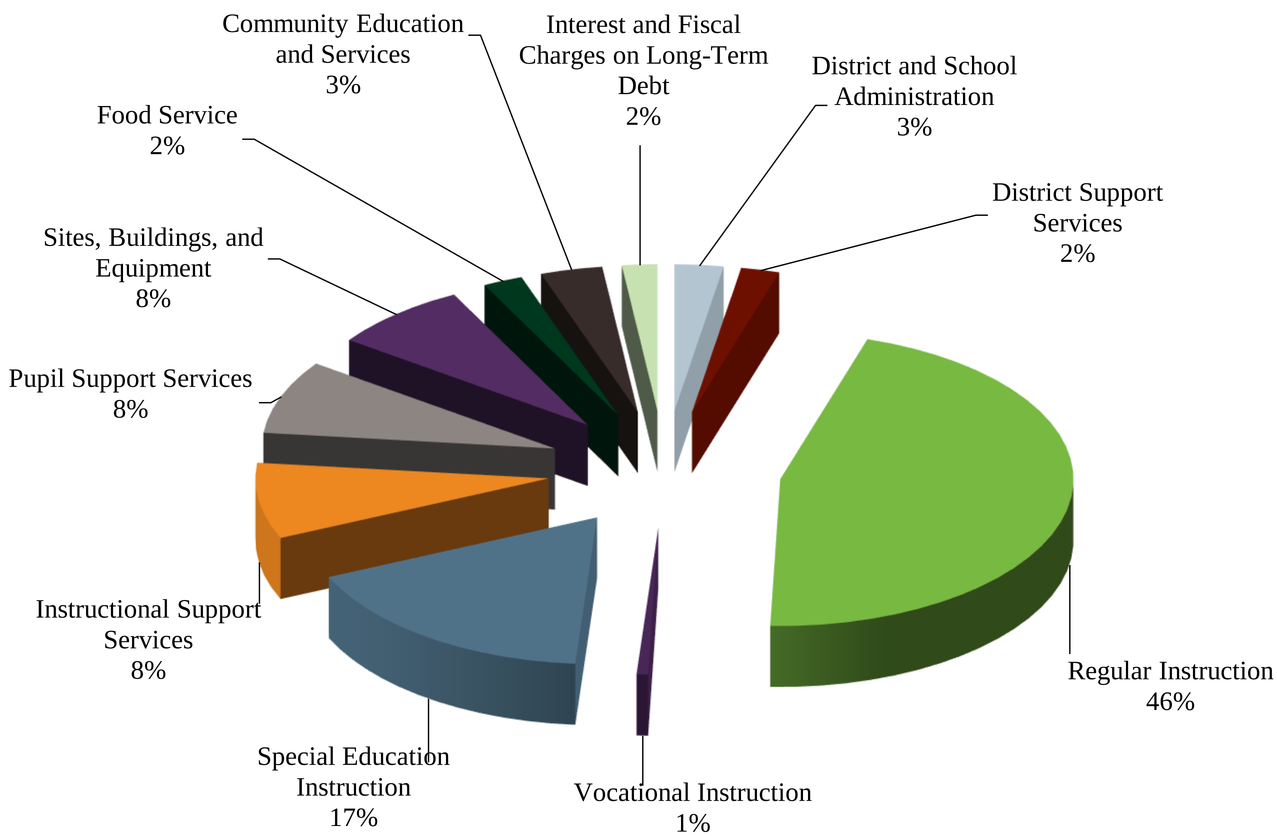
- Some of the cost was paid by the users of the District's programs (Table A-2 previous page, Charges for Services, $17.2 million).
- The federal and state governments subsidized certain programs with grants and contributions (Table A-2, Operating and Capital Grants and Contributions, $167.1 million).
- Most of the District's costs were paid for with local property taxes of $186.0 million, unrestricted state aid of $353.2 million, and other general revenues of $12.6 million.

Figure A-1
Sources of Revenue
Fiscal Year 2017



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-2
Expenses
Fiscal Year 2017



Governmental funds include not only funds received for the general operation of the District but also include resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance general operation resources, (Figure A-2) shown on the previous page, therefore, the District does not include Special Revenue Funds (Food & Community Services) as a component of the general operation of the District, since the District cannot take funds from these restricted areas and use the funds to enhance instruction-related programs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Table A-3
Primary Government Cost and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2017	2016	Change	2017	2016	Change
Administration	$ 29,036,288	$ 17,878,755	62.41%	$ 26,782,186	$ 15,613,125	71.54%
District support services	22,972,094	23,434,369	-1.97%	22,946,660	23,231,289	-1.23%
Elementary and secondary						
Regular instruction	494,078,827	299,342,502	65.05%	453,780,861	261,744,572	73.37%
Vocational education instruction	6,788,131	4,165,122	62.98%	6,202,898	3,526,338	75.90%
Special education instruction	185,485,643	122,654,412	51.23%	110,033,354	46,471,961	136.77%
Instructional support services	90,336,077	54,061,851	67.10%	86,634,414	50,301,656	72.23%
Pupil support services	87,780,289	66,689,766	31.62%	83,837,963	63,261,934	32.53%
Sites and buildings	82,267,082	57,484,050	43.11%	79,892,755	54,658,823	46.17%
Fiscal and other fixed cost programs	559,310	585,971	-4.55%	(1,184,570)	(565,590)	109.44%
Food service	23,606,809	21,911,207	7.74%	1,084,235	(520,171)	-308.44%
Community education and services	36,961,573	26,915,641	37.32%	16,314,815	3,710,450	339.70%
Interest and fiscal charges						
On long-term debt/depreciation	20,999,111	16,485,498	27.38%	10,265,736	5,485,498	87.14%
Total	$ 1,080,871,234	$ 711,609,144	51.89%	$ 896,591,307	$ 526,919,885	70.16%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of $305 million, or a $45 million increase over last year. The increase is primarily attributable to unspent bond proceeds for building constructions.

The District's governmental funds reported total expenditures of $800 million and total revenues of $711 million. Based on these results, fund balance would have decreased by $89 million. The District also reported an increase in fund balance of $134 million as a result of new bond issues including bond premiums of $18.7 million during the year. These other sources of financing along with the increase in expenditures over revenues resulted in an overall increase to the *combined* fund balance of $45 million from the prior year.

ENROLLMENT

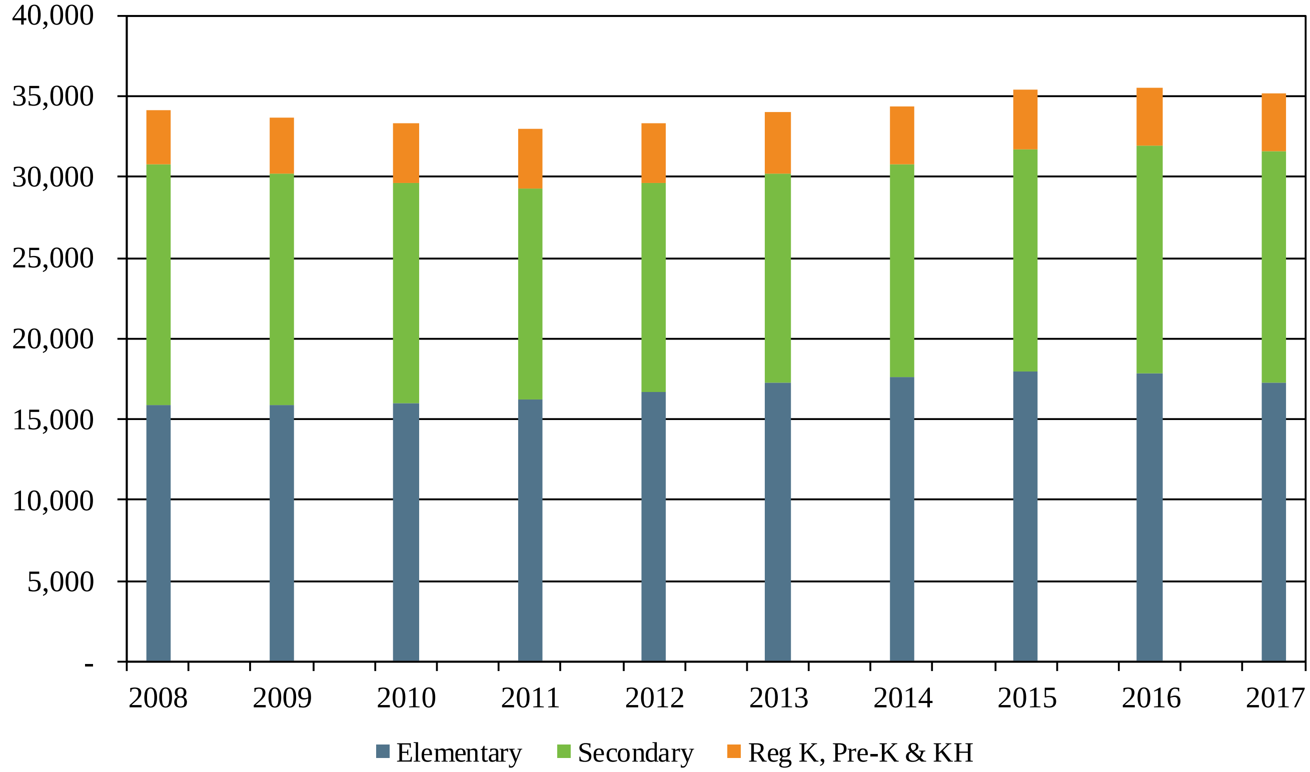
Enrollment is a critical factor in determining revenue. The following chart shows that the number of students has increased over each of the past four years. There was a slight decrease in enrollment over the last year of -0.92%.

Table A-4
Student Enrollment (Average Daily Membership)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Reg K, Pre-K & KH	3,409	3,469	3,708	3,656	3,728	3,789	3,582	3,682	3,587	3,516
Elementary	15,832	15,939	15,982	16,236	16,725	17,218	17,643	17,964	17,866	17,319
Secondary	14,896	14,256	13,671	13,087	12,878	12,985	13,086	13,740	14,019	14,311
Total students for aid	34,137	33,664	33,361	32,979	33,331	33,992	34,311	35,386	35,472	35,146
Percentage change	-4.74%	-1.39%	-0.90%	-1.15%	1.07%	1.98%	0.94%	3.13%	0.24%	-0.92%

ENROLLMENT (CONTINUED)

Figure A-3
Student Enrollment
(Average Daily Membership)



GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12. Special Education serves students from birth to 21. The General Fund also includes pupil transportation activities and capital outlay projects.
The following schedule presents a summary of General Fund Revenue.

Table A-5
General Fund Revenues

	Year Ended June 30, 2017	Year Ended June 30, 2016	Increase (Decrease	Percentage Change
Local sources				
Property taxes	$ 117,942,218	$ 116,602,944	$ 1,339,274	1.15%
Earnings on investments	1,221,560	454,430	767,130	168.81%
Other	16,749,613	17,838,028	(1,088,415)	-6.10%
State sources	402,839,217	410,256,617	(7,417,400)	-1.81%
Federal sources	43,016,218	40,075,526	2,940,692	7.34%
Total	$ 581,768,826	$ 585,227,545	$ (3,458,719)	-0.59%

General Fund revenue decreased by $3.5 million or 0.6%, from the previous year.

Revenue decreased in fiscal year 2017 due to decrease in student enrollment and revenue adjustments by MDE based on final ADM numbers from FY 2015. The decrease was offset by an increase in per pupil formula allowance and increase in property tax levy.

General Fund Revenue is received in three major categories. In summary, the three categories are:

1. State Education Finance Appropriations
   A. General Education Aid – The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.

   B. Categorical Aids – Categorical revenue formulas are used to meet costs of that program (i.e., special education) or promote certain types of programs (i.e., career and technical aid).

2. State Paid Property Tax Levies Credits
   The largest share of the levy is from voter-approved levies: the excess operating referendum, which is also enrollment driven. Property tax credits reduce the amount of property taxes paid. To make up for this reduction, the state pays the difference between what was levied in property taxes and what is actually received in property taxes to school districts and other taxing districts.

GENERAL FUND (CONTINUED)

3. Federal Sources
   The largest source of federal funding are those received under the "No Child Left Behind" reform initiative that was passed in January 2002. The law is actually the reauthorization of the 1965 Elementary and Secondary Education Act and is the United States Federal Government's largest assistance program for schools.

The following schedule presents a summary of General Fund Expenditures.

Table A-6
General Fund Expenditures

	Year Ended June 30, 2017	Year Ended June 30, 2016	Increase (Decrease)	Percentage Change
Salaries	$ 378,367,752	$ 372,393,141	$ 5,974,611	1.60%
Employee benefits	130,707,285	135,232,007	(4,524,722)	-3.35%
Purchased services	69,502,676	70,430,404	(927,728)	-1.32%
Supplies and materials	19,667,669	15,563,198	4,104,471	26.37%
Capital expenditures	2,824,954	10,348,822	(7,523,868)	-72.70%
Other expenditures	4,859,492	2,417,144	2,442,348	101.04%
Total	$ 605,929,828	$ 606,384,716	$ (454,888)	-0.08%

Total General Fund expenditures decreased by $0.5 million or 0.08% from the previous year.

General Fund salaries and benefits increased $1.4 million combined for the year.

DEBT SERVICE FUND

The Debt Service Fund had excess expenditures over revenues of $2.5 million, ending with a fund balance of $25.9 million.

OTHER MAJOR FUNDS

Revenues exceeded expenditures by about $0.5 million in the Food Service Fund and resulted in an increase to fund balance bringing the total fund balance to $2.9 million. In the Community Service Fund, revenues exceeded expenditures by about $1.3 million, resulting in an ending fund balance of about $8.7 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017, the District had invested approximately $646 million (net of accumulated depreciation) in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year totaled approximately $32.6 million.

Table A-7

Capital Assets (Net of Depreciation)

	2017	2016	Percentage Change
Land and construction in progress	$ 110,566,162	$ 181,156,351	-38.97%
Other capital assets	535,747,874	459,513,935	16.59%
Total	$ 646,314,036	$ 640,670,286	0.88%

GENERAL FUND BUDGETARY HIGHLIGHTS

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for the General, Food Service, Community Service, Debt Service, and Capital Projects funds. All annual unencumbered appropriations lapse at fiscal year-end.

In accordance with state statute, the Board of Education adopts the various fund budgets by June 30 of the preceding fiscal year. Over the course of the fiscal year, the Board adopts amendments to the budgets for reinstating prior-year unspent school and department budgets, and increases in appropriations for significant unbudgeted costs.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The general education program is the method by which school districts receive the majority of their financial support. The basic general education formula allowance for Minnesota school districts increased slightly in fiscal year 2017 to $6,067 per pupil or 2% from the prior year. With significant union contracts, mandatory compliance cost, uncertain political environment and growing demand on limited resources continue to present challenges in funding education for Minnesota schools.

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

During fiscal year 2015, the District's Board of Directors approved a new strategic plan. The plan is called "Acceleration 2020" and it includes six goals. The new strategic plan is bold, ambitious and seeks to address the disparity gap that exists in Minneapolis Public Schools. The plan also includes ambitious performance targets known as the "5-8-10 Plan". Specifically, this plan calls for the following:

- 5 percent annual increase in the number of students proficient in reading and math.
- 8 percent annual increase of students meeting or exceeding standards in reading and math for our lowest performing students.
- 10 percent annual increase in the four-year graduation rate.

These targets have been set to reignite a sense of urgency in the system and ensure that everyone is operating with a growth mindset. As we achieve the performance targets set in the 5-8-10 plan, we expect to eliminate the achievement gap by the year 2020.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. Additional details can be requested by mail at the following address:

Minneapolis Public Schools
Finance Department
1250 West Broadway Avenue
Minneapolis, Minnesota 55411
Or visit our website at http://www.mpls.k12.mn.us

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BASIC FINANCIAL STATEMENTS

Minneapolis Public Schools
Special School District No. 1
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and investments	$ 396,057,827
Cash and investments held by trustee	18,036,748
Receivables	
Property taxes	98,702,876
Other governments	60,584,165
Other	3,741,883
Prepaid items	374,921
Inventory	948,455
Capital assets	
Land and construction in progress	110,566,162
Other capital asset, net of depreciation	535,747,874
Total assets	1,224,760,911
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,595,377,321
Total assets and deferred outflows of resources	$ 2,820,138,232
Liabilities	
Salaries and compensated absences payable	$ 35,707,219
Accounts and contracts payable	22,302,633
Accrued interest	10,717,496
Due to other governmental units	219,037
Unearned revenue	1,303,606
Long-term liabilities	
Portion due within one year	61,829,291
Portion due in more than one year	3,161,255,408
Total liabilities	3,293,334,690
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	166,710,881
Deferred inflows related to pensions	45,459,075
Deferred charge on refunding	83,341
Total deferred inflows of resources	212,253,297
Net Position	
Net investment in capital assets	149,160,083
Restricted for	
General Fund state-mandated reserves	19,894
Debt service	15,931,669
Capital projects	19,772,219
Unrestricted	(870,333,620)
Total net position	(685,449,755)
Total liabilities, deferred inflows of resources, and net position	$ 2,820,138,232

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Total Governmental Activities
Governmental activities					
Administration	$ 29,036,288	$ -	$ 2,254,102	$ -	$ (26,782,186)
District support services	22,972,094	-	25,434	-	(22,946,660)
Elementary and secondary regular instruction	494,078,827	1,038,200	39,259,766	-	(453,780,861)
Vocational education instruction	6,788,131	-	585,233	-	(6,202,898)
Special education instruction	185,485,643	3,405,917	72,046,372	-	(110,033,354)
Instructional support services	90,336,077	91,447	3,610,216	-	(86,634,414)
Pupil support services	87,780,289	55,250	3,887,076	-	(83,837,963)
Sites and buildings	82,267,082	2,374,327	-	-	(79,892,755)
Fiscal and other fixed cost programs	559,310	-	1,743,880	-	1,184,570
Food service	23,606,809	2,048,694	20,473,880	-	(1,084,235)
Community education and services	36,961,573	8,190,904	12,455,854	-	(16,314,815)
Interest and fiscal charges on long-term debt	20,999,111	-	-	10,733,375	(10,265,736)
Total governmental activities	$ 1,080,871,234	$ 17,204,739	$ 156,341,813	$ 10,733,375	(896,591,307)

General revenues	
Taxes	
Property taxes, levied for general purposes	117,353,242
Property taxes, levied for community service	5,676,054
Property taxes, levied for debt service	62,926,501
State aid not restricted to specific purposes	353,255,021
Earnings on investments	1,421,895
Gain on sale of capital assets	7,141
Miscellaneous	11,182,199
Total general revenues	551,822,053
Change in net position	(344,769,254)
Net position - beginning	(340,680,501)
Net position - ending	$ (685,449,755)

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Balance Sheet - Governmental Funds
June 30, 2017

	Major Funds					
	General	Food Service	Community Service	Capital Project-Building Construction	Debt Service	Total Governmental Funds
Assets						
Cash and investments	$ 85,619,508	$ 1,939,704	$ 11,242,777	$ 212,804,228	$ 39,533,140	$ 351,139,357
Cash and investments held by trustee	-	-	-	418,135	17,618,613	18,036,748
Receivables						
Current property taxes receivable	60,530,469	-	2,702,022	-	33,350,694	96,583,185
Delinquent property taxes receivable	1,355,986	-	61,866	-	701,839	2,119,691
Due from Minnesota Department of Education	40,468,116	38,088	1,276,437	-	1,100,536	42,883,177
Due from Federal Government through Minnesota Department of Education	12,886,582	1,072,285	484,454	-	-	14,443,321
Due from Federal Government received directly	1,147,021	-	-	-	-	1,147,021
Due from other governmental units	1,956,957	-	12,498	-	141,191	2,110,646
Other receivables	3,331,896	3,907	122,159	195,131	-	3,653,093
Prepaid items	52,765	-	-	-	-	52,765
Inventory	75,910	872,545	-	-	-	948,455
Total assets	$ 207,425,210	$ 3,926,529	$ 15,902,213	$ 213,417,494	$ 92,446,013	$ 533,117,459
Liabilities						
Salaries and compensated absences payable	$ 26,843,158	$ 70,878	$ 359,774	$ 298,303	$ -	$ 27,572,113
Payroll deductions and employer contributions payable	8,135,106	-	-	-	-	8,135,106
Accounts and contracts payable	8,567,741	822,943	726,076	12,056,513	-	22,173,273
Due to other governmental units	218,026	1,011	-	-	-	219,037
Unearned revenue	425,544	158,882	719,180	-	-	1,303,606
Total liabilities	44,189,575	1,053,714	1,805,030	12,354,816	-	59,403,135
Deferred Inflows of Resources						
Property taxes levied for subsequent year's expenditures	95,583,286	-	5,330,747	-	65,796,848	166,710,881
Unavailable revenue - delinquent property taxes	1,355,986	-	61,866	-	701,839	2,119,691
Total deferred inflows of resources	96,939,272	-	5,392,613	-	66,498,687	168,830,572
Fund Balances						
Nonspendable						
Prepaid items	52,765	-	-	-	-	52,765
Inventory	75,910	872,545	-	-	-	948,455
Restricted for						
Long-term facilities maintenance	-	-	-	83,826,727	-	83,826,727
Contracted alternative programs	19,894	-	-	-	-	19,894
Community education programs	-	-	5,549,459	-	-	5,549,459
Early childhood and family educations programs	-	-	1,051,105	-	-	1,051,105
School readiness	-	-	614,311	-	-	614,311
Adult basic education	-	-	1,278,467	-	-	1,278,467
QSCB/QZAB	-	-	-	-	17,641,582	17,641,582
Building construction	-	-	-	117,235,951	-	117,235,951
Other purposes	3,300,000	2,000,270	211,228	-	8,305,744	13,817,242
Assigned	21,455,251	-	-	-	-	21,455,251
Unassigned	41,392,543	-	-	-	-	41,392,543
Total fund balances	66,296,363	2,872,815	8,704,570	201,062,678	25,947,326	304,883,752
Total liabilities, deferred inflows of resources, and fund balances	$ 207,425,210	$ 3,926,529	$ 15,902,213	$ 213,417,494	$ 92,446,013	$ 533,117,459

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds	$ 304,883,752
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Land	35,446,301
Construction in progress	75,119,861
Buildings and improvements, net of accumulated depreciation	524,962,434
Equipment, net of accumulated depreciation	10,785,440
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(382,585,000)
Unamortized bond premiums and discounts	(54,506,071)
Certificate of participation payable	(255,225,000)
Net other post employment benefit obligation	(22,706,432)
Net pension liability	(2,462,565,809)
Deferred charge on refunding	(83,341)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows related to pensions	1,595,377,321
Deferred inflows related to pensions	(45,459,075)
Governmental funds do not report a liability for accrued interest on bonds and certificates of participation until due and payable.	(10,717,496)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	2,119,691
Internal service funds are used by management to charge the cost of workers compensation and general liability insurance to individual funds, as well as severance benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position is:	(296,331)
Total net position - governmental activities	$ (685,449,755)

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017

	Major Funds					
	General	Food Service	Community Service	Capital Project-Building Construction	Debt Service	Total Governmental Funds
Revenues						
Local sources						
Property taxes	$ 117,942,218	$ -	$ 5,699,513	$ -	$ 63,206,375	$ 186,848,106
Earnings on investments	1,221,560	-	-	888,491	(655,367)	1,454,684
Other	16,749,613	2,115,873	9,294,763	227,348	-	28,387,597
Revenue from state sources	402,839,217	800,128	12,913,883	-	10,970,315	427,523,543
Revenue from federal sources	43,016,218	19,673,753	1,917,627	-	1,743,880	66,351,478
Total revenues	581,768,826	22,589,754	29,825,786	1,115,839	75,265,203	710,565,408
Expenditures						
Current						
Administration	17,384,736	-	-	-	-	17,384,736
District support services	19,613,778	-	-	-	-	19,613,778
Elementary and secondary regular instruction	279,209,325	-	-	-	-	279,209,325
Vocational education instruction	4,018,952	-	-	-	-	4,018,952
Special education instruction	118,988,717	-	-	-	-	118,988,717
Instructional support services	61,076,185	-	-	-	-	61,076,185
Pupil support services	66,342,086	-	-	-	-	66,342,086
Sites and buildings	35,852,999	-	-	34,978,797	-	70,831,796
Fiscal and other fixed cost programs	559,310	-	-	-	-	559,310
Food service	-	21,955,089	-	-	-	21,955,089
Community education and services	58,786	-	28,411,636	-	-	28,470,422
Capital Outlay						
Administration	81,812	-	-	-	-	81,812
District support services	53,044	-	-	-	-	53,044
Elementary and secondary regular instruction	327,279	-	-	-	-	327,279
Vocational education instruction	117,428	-	-	-	-	117,428
Instructional support services	43,529	-	-	-	-	43,529
Pupil support services	138,247		-	-	-	138,247
Sites and buildings	2,063,615	-	-	29,874,753	-	31,938,368
Food service	-	122,396	-	-	-	122,396
Community education and services	-	-	142,580	-	-	142,580
Debt Service						
Principal	-	-	-	-	54,410,000	54,410,000
Interest and fiscal charges	-	-	-	1,021,450	23,344,089	24,365,539
Total expenditures	605,929,828	22,077,485	28,554,216	65,875,000	77,754,089	800,190,618
Excess of revenues over (under) expenditures	(24,161,002)	512,269	1,271,570	(64,759,161)	(2,488,886)	(89,625,210)
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	14,250	-	14,250
Bond issuance	6,440,000	245,000	-	109,149,871	5,129	115,840,000
Bond premium	-	-	-	18,670,496	-	18,670,496
Transfers in	3,300,000	-	-	-	-	3,300,000
Transfers out	-	-	-	(3,300,000)	-	(3,300,000)
Total other financing sources (uses)	9,740,000	245,000	-	124,534,617	5,129	134,524,746
Net change in fund balances	(14,421,002)	757,269	1,271,570	59,775,456	(2,483,757)	44,899,536
Fund Balances						
Beginning of year	80,717,365	2,115,546	7,433,000	141,287,222	28,431,083	259,984,216
End of year	$ 66,296,363	$ 2,872,815	$ 8,704,570	$ 201,062,678	$ 25,947,326	$ 304,883,752

Minneapolis Public Schools
Special School District No. 1
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - total governmental funds	$ 44,899,536
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital Asset Additions	38,290,013
Net book value of disposed assets	(7,109)
Depreciation expense	(32,639,154)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premium when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activites, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
General obligation bond proceeds	(41,905,000)
Long-term facility maintenance proceeds	(51,910,000)
Certificates of participation proceeds	(22,025,000)
Bond premium	(18,670,496)
Repayment of certificates of participation payable	26,170,000
Repayment of bond principal	28,240,000
Change in accrued interest expense	(1,746,397)
Amortization of bond premiums and discounts	5,291,412
Amortization of deferred charge on refunding	(178,587)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue (loss) of the internal service funds is reported with governmental activities.	11,793,150
Net post employement benefit obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(6,013,889)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
Pension expense	(323,465,424)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(892,309)
Change in net position - governmental activities	$ (344,769,254)

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local sources				
Local property taxes	$ 114,424,468	$ 114,424,468	$ 117,942,218	$ 3,517,750
Earnings on investments	-	-	1,221,560	1,221,560
Other local and county revenues	26,500,000	21,234,655	16,748,958	(4,485,697)
Revenue from state sources	404,530,998	404,856,343	402,839,217	(2,017,126)
Revenue from federal sources	40,500,000	40,500,000	43,016,218	2,516,218
Sales and other conversion of assets	-	-	655	655
Total revenues	585,955,466	581,015,466	581,768,826	753,360
Expenditures				
Current				
Administration	16,527,212	16,908,779	17,384,736	475,957
District support services	15,615,145	16,722,970	19,613,778	2,890,808
Elementary and secondary regular instruction	273,131,522	280,485,355	279,209,325	(1,276,030)
Vocational education instruction	3,521,738	3,899,829	4,018,952	119,123
Special education instruction	112,766,048	116,982,739	118,988,717	2,005,978
Instructional support services	56,035,879	58,849,815	61,076,185	2,226,370
Pupil support services	64,140,401	67,387,222	66,342,086	(1,045,136)
Sites and buildings	35,170,788	35,205,693	35,852,999	647,306
Fiscal and other fixed cost programs	605,947	605,947	559,310	(46,637)
Community education and services	-	218,120	58,786	(159,334)
Capital Outlay				
Administration	5,904	904	81,812	80,908
District support services	5,672,117	-	53,044	53,044
Elementary and secondary regular instruction	572,582	359,492	327,279	(32,213)
Vocational education instruction	-	114,506	117,428	2,922
Special education instruction	-	1,505	-	(1,505)
Instructional support services	27,997	23,804	43,529	19,725
Pupil support services	1,515,700	-	138,247	138,247
Sites and buildings	646,486	1,188,786	2,063,615	874,829
Total expenditures	585,955,466	598,955,466	605,929,828	6,974,362
Excess of revenues under expenditures	-	(17,940,000)	(24,161,002)	(6,221,002)
Other Financing Sources				
Bond issuance	-	4,940,000	6,440,000	1,500,000
Transfers in	-	3,300,000	3,300,000	-
Total other financing sources	-	8,240,000	9,740,000	1,500,000
Net change in fund balance	$ -	$ (9,700,000)	(14,421,002)	$ (4,721,002)
Fund Balance				
Beginning of year			80,717,365	
End of year			$ 66,296,363	

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Special Revenue Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 20,000	$ 20,000	$ 67,179	$ 47,179
Revenue from state sources	845,811	845,811	800,128	(45,683)
Revenue from federal sources	18,367,405	18,367,405	19,673,753	1,306,348
Sales and other conversion of assets	2,229,956	2,229,956	2,048,694	(181,262)
Total revenues	21,463,172	21,463,172	22,589,754	1,126,582
Expenditures				
Current				
Food service	21,294,578	21,450,778	21,955,089	504,311
Capital outlay				
Food service	256,200	100,000	122,396	22,396
Total expenditures	21,550,778	21,550,778	22,077,485	526,707
Excess of revenues over (under) expenditures	(87,606)	(87,606)	512,269	599,875
Other Financing Sources				
Bond issuance	-	-	245,000	245,000
Net change in fund balance	$ (87,606)	$ (87,606)	757,269	$ 844,875
Fund Balance				
Beginning of year			2,115,546	
End of year			$ 2,872,815	

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Special Revenue Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local sources				
Local property taxes	$ 5,464,527	$ 5,464,527	$ 5,699,513	$ 234,986
Other local and county revenues	9,185,487	9,185,487	9,294,763	109,276
Revenue from state sources	12,549,465	14,141,441	12,913,883	(1,227,558)
Revenue from federal sources	1,736,567	1,736,567	1,917,627	181,060
Total revenues	28,936,046	30,528,022	29,825,786	(702,236)
Expenditures				
Current				
Community education and services	29,412,144	31,194,742	28,411,636	(2,783,106)
Capital outlay				
Community education and services	347,300	156,678	142,580	(14,098)
Total expenditures	29,759,444	31,351,420	28,554,216	(2,797,204)
Excess of revenues over (under) expenditures	$ (823,398)	$ (823,398)	1,271,570	$ 2,094,968
Fund Balance				
Beginning of year			7,433,000	
End of year			$ 8,704,570	

See notes to financial statements.

Minneapolis Public Schools
Special District No. 1
Statement of Net Position - Proprietary Fund
Internal Service Fund
June 30, 2017

Assets	
Current assets	
Cash and cash equivalents	$ 44,918,470
Accounts receivable	88,790
Prepaid items	322,156
Total assets	$ 45,329,416
Liabilities	
Current liabilities	
Accounts payable	$ 129,360
Accrued severance	3,043,746
Loss and loss adjustment reserves	
Workers' compensation	3,312,165
Incurred but not reported reserves	
Accrued health insurance benefits	3,548,380
Total current liabilities	10,033,651
Noncurrent liabilities	
Loss and loss adjustment reserves	
Workers' compensation	3,864,190
Incurred but not reported reserves	
Workers' compensation	3,864,190
Property/casualty	470,000
Accrued severance	27,393,716
Total noncurrent liabilities	35,592,096
Total liabilities	$ 45,625,747
Net Position	
Unrestricted	$ (296,331)

Minneapolis Public Schools
Special District No. 1
Statement of Revenues, Expenses, and Change in Fund
Net Position - Proprietary Fund
Internal Service Fund
Year Ended June 30, 2017

Operating Revenue	
Local sources - charges for services	$ 43,860,327
Operating Expenses	
Loss and loss adjustments	213,100
Claims administration	4,033,395
Workers compensation and other benefits	5,108,890
Self-Insured Medical Benefits	20,764,275
Severance	2,034,226
Total operating expenses	32,153,886
Operating income	11,706,441
Nonoperating Revenue	
Insurance recoveries	119,498
Loss on investments	(32,789)
Total nonoperating revenue	86,709
Change in net position	11,793,150
Net Position	
Beginning of year	(12,089,481)
End of year	$ (296,331)

See notes to financial statements.

Minneapolis Public Schools
Special District No. 1
Statement of Cash Flows - Proprietary Fund
Internal Service Fund
June 30, 2017

Cash Flows - Operating Activities	
Receipts from premiums	$ 44,661,422
Claims administration	(4,036,410)
Claims paid	(23,011,666)
Severance Benefits paid	(2,487,068)
Net cash flows - operating activities	15,126,278
Cash flows - Noncapital Financing Activities	
Insurance proceeds	119,498
Cash Flows - Investing Activities	
Investment loss	(32,789)
Net change in cash and cash equivalents	15,212,987
Cash and Cash Equivalents	
Beginning of year	29,705,483
End of year	$ 44,918,470
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ 11,706,441
Adjustments to reconcile operating income to net cash flows - operating activities	
Accounts payable	(1,154,529)
Prepaid insurance	(255,521)
Accounts receivable	801,095
Loss and loss adjustment reserves	933,254
Accrued health insurance benefits	3,548,380
Accrued compensated absences	(452,842)
Net adjustments	3,419,837
Net cash flows - operating activities	$ 15,126,278

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Statement of Fiduciary Net Position
June 30, 2017

	Other Post Employment Benefits Irrevocable Trust Fund
Assets	
Current	
Mutual funds	$ 16,218,696
Net Position Restricted For Postemployment Benefits Other than Pensions	$ 16,218,696

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

	Other Post Employment Benefits Irrevocable Trust Fund
Additions	
Investment income	$ 1,272,204
Change in net position	1,272,204
Net Position Restricted for Postemployment Benefits Other than Pensions	
Beginning of year	14,946,492
End of year	$ 16,218,696

See notes to financial statements.

Minneapolis Public Schools
Special School District No. 1
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Special School District No. 1 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Special School District No. 1 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable. The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of service performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District. The District has no component units.

The District is required to disclose its relationship with related organizations. The District is associated with the West Metro Education Program (WMEP). WMEP is a joint-powers organization formed by ten urban and suburban school districts for the purpose of encouraging inter-district strategies and activities. A Joint Powers Board consisting of members from each of the participating school districts governs WMEP. All funding is conducted in accordance with *Minnesota Statutes* and is in the form of state grants and tuition from each of the school districts. All WMEP expenditures are paid directly from this funding. Because the District is not financially accountable for WMEP, nor does WMEP raise and hold economic resources for the direct benefit of the District, it is excluded from the reporting entity.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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

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

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

Separate fund financial statements are provided for the governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: Other Post Employment Benefits (OPEB) Irrevocable Trust Fund. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges for service in the form of insurance premiums and early retirement incentive costs. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

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

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

The District reports unearned revenue on its balance sheet and government-wide Statement of Net Position. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when the District has a legal claim to the resources, the unearned revenue is removed and revenue is recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the Minnesota Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report are as follows:

Major Governmental Funds:

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

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues recorded in this fund include charges for meals along with state and federal reimbursement for meals.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues included in this fund include property taxes restricted for Community Service purposes and tuition and fees charged for Community Education along with state and federal aid.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues and for large-scale construction activity authorized by the Board under provisions of state law. Revenues are from property taxes restricted for property maintenance and bond proceeds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service except for refunding bond issues, for which a separate refunding bond trust account has been established. Revenues included in this fund are state and federal aid and property taxes.

Proprietary Fund:

Internal Service Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Proprietary Funds (Continued):

The District's Internal Service Fund has two main purposes:

1. Self-insurance activities for property, liability, health, and workers' compensation risks.

2. Accumulate and record the liability for accrued compensated absences (severance and vacation).

Fiduciary Fund:

The District has established an OPEB Irrevocable Trust Fund for other post employment benefit payments.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Debt Service, and Capital Projects Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

The District employs the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of applicable appropriation. All unencumbered appropriations lapse at fiscal year-end. Encumbrances are generally re-appropriated in the ensuing year's budget.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Budgeted amounts include mid-year budget amendments that increased or decreased revenue and expenditure budgets as follows:

Revenues (including other financing sources)	Original Budget	Amendments	Amended Budget
General Fund	$ 585,955,466	$ 3,300,000	$ 589,255,466
Community Service Fund	29,398,156	1,591,976	30,990,132
Expenditures (including other financing uses)			
General Fund	$ 585,955,466	$ 13,000,000	$ 598,955,466
Community Service Fund	29,759,444	1,591,976	31,351,420

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in *Minnesota Statutes*, exceeding a negative 2.5% of operating expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following pages.

District Governmental Funds

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Debt Service Fund, the refunding bond escrow account held by trustee can be used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the escrow account.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (Continued)

District Governmental Funds (Continued)
Cash and investments at June 30, 2017 were comprised of deposits, negotiable certificates of deposit, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), government securities, FHLB, FHLMC, FNMA, and money market funds.

Minnesota Statutes require all deposits be protected by federal deposit insurance corporate surety bond or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14 day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

OPEB Irrevocable Trust Fund
These funds represent investments administered by the District's OPEB Irrevocable Trust Fund investment managers. As of June 30, 2017, they were comprised of mutual funds. The District's investment policy extends to the OPEB Irrevocable Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days, and in the State Board of Investments. Investments are stated at fair value.

G. Accounts Receivable
Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventory

Inventory is recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on weighted average cost method, along with processing costs, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditures at the time of consumption.

J. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Hennepin County is the collecting agency for the levy and remits the collections to the District three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 1899, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2017. The remaining portion of the levy will be recognized when measurable and available.

K. 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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. A deferred outflows of resources related to pensions is recorded in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. 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 is a deferred charge on refunding and is reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fourth items is a deferred inflows of resources related to pensions and is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District records all asset purchases in a capital asset group if the purchase is equal or greater than approximately $5,000 for all equipment. All vehicles and land are capitalized if greater than $5,000 and all building and site improvements are capitalized if greater than $25,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. The District's capital assets have estimated useful lives as listed on the following page.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

Asset	Useful Life
Buildings	50 years
Building improvements	20 years
Equipment	10 years
Vehicles	8 years
Computers	5 years

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

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

M. Long-Term Obligations

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

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

N. Compensated Absences

The District's employee vacation and sick leave policies grant to certain groups of employees, if certain conditions are met (see Note 12), a specific number of days of vacation with pay and payment for unused sick leave upon retirement. On June 30, 1998, the District established an internal service fund to accrue for and fund the liability for vacation earned and not yet taken, vested sick pay, salary-related payments, and retiree health insurance benefits due to certain active and retired employees.

Significant assumptions made in estimating the District's severance liability are as follows: (1) annual salary increases of 4.5% annually, (2) discount rate of 4.5%, (3) withdrawal rates were taken from PERA/TRA plans.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions

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

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

P. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance and is self-insured for some risks as indicated in Note 11. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2017.

Q. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets in these financial statements are labeled "Cash and Investments Held by Trustee".

R. Net Position

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

S. Fund Balance

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

> Nonspendable – portions of fund balance related to prepaids, inventory, long-term receivables, and corpus on any permanent fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance (Continued)

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – funds are established and modified by a resolution approved by the Board of Education.

Assigned – consists of internally imposed constraints. The Board of Education policy authorized the Superintendent and Superintendent's administration to assign fund balances and their intended uses.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

The District formally adopted a fund balance policy for the General Fund. The policy establishes a year-end minimum unassigned fund balance of no less than 8% of the estimated General Fund expenditures for the following year.

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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

U. Postemployment Benefits Other than Pensions (OPEB) – Trust Fund

Information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and the Balance Sheet as "Cash and Investments." In accordance with *Minnesota Statutes*, the District maintains deposits at financial institutions which are authorized by the District's Board.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows *Minnesota Statutes* for deposits. *Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository. As of June 30, 2017, the District's deposits with a bank balance of $15,068,717 were exposed to custodial credit risk because the balance at one financial institution was not fully insured by FDIC or secured by pledged collateral in the amount of $59,769.

As of June 30, 2017, the book value of the District's deposits is $11,520,036.

B. Investments

Investment Policy

In accordance with the *Minnesota Statutes* Chapter 118A and other applicable law, including regulations, the District's investment policy permits making deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in the State of Minnesota. The District is allowed to invest in U.S. Treasury or Federal Agency obligations, commercial paper rated "A-1" or higher and that matures in 270 days or less at the time of purchase, collateralized certificates of deposit, repurchase agreements backed by government collateral, and bankers' acceptances of the top 40 U.S. banks.

The District's investment policy establishes limitations on the holdings on non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

U.S. Treasury/U.S. Government Agencies	100% Maximum
Domestic Commercial Paper ("A-1"/"P-1")	100% Maximum
Collateralized Investment Agreements	100% Maximum
Eligible Bankers' Acceptances	30% Maximum
Repurchase Agreements	25% Maximum
Collateralized Certificates of Deposit	30% Maximum

The District's investment policy with regards to its deposits and investments are in accordance with statutory authority.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than $5,000,000 of the District's portfolio will be invested in the securities of any single commercial paper issuer.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. GASB 40 requires disclosure of all uninsured investment securities purchased by the District or held as collateral on deposits or investments that are not registered in the name of the , and held by the counterparty to the investment transactions. The District's investments held by one broker-dealer were insured by SIPC or other supplemental insurance as of June 30, 2017. However, each investment brokerage firm may have a limit to their supplemental insurance and because of the size of the District's portfolio in relation to the brokerage firm's excess SIPC coverage limits, the portion of the supplemental policy applicable to the District's portfolio is unknown. In addition to these investments, the District also maintains investments in another custodial account. These investments are not registered in the District's name, but in the custodian's name for the benefit of the District.

Interest Rate Risk

This is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The District's investment policy states that investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, taking into account constraints on risk and other criteria requirements. As of June 30, 2017, the market values, duration, and percent allocation of the District's investments were as listed below.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Investment Type		Fair Value	Weighted Average Maturities (In Years)	Percent Allocation	Credit Rating
Pooled					
MSDLAF+ Liquid Class	$	83,125,206	N/A	22.37%	AAAm
MSDLAF+ Max Class		81,444,617	N/A	21.92%	AAAm
MSDLAF Term Series		45,130,000	0.17	12.14%	N/A
Federal Home Loan Bank (FHLB)		23,573,445	0.98	6.34%	AA+
U.S. Treasury Securities		50,662,339	1.20	13.63%	N/A
Fannie Mae		11,234,533	1.85	3.02%	AA+
Freddie Mac		12,441,236	1.44	3.35%	AA+
Brokered Certificates of Deposit		488,000	1.17	0.13%	N/A
Commercial Paper		63,530,052	0.31	17.10%	A1
Total pooled investments		371,629,428		100.00%	
Non-pooled					
Cash with fiscal agent					
Cash held by trustee		398,023	N/A	2.21%	N/A
U.S. Treasury Securities		17,638,725	7.51	97.79%	N/A
Total cash with fiscal agent		18,036,748		100.00%	
Health Insurance					
Cash/Money Market		12,908,364	NA	100.00%	N/A
OPEB Trust Fund					
Mutual Funds		16,202,895	N/A	99.90%	N/A
Cash/Money Market Funds		15,800	N/A	0.10%	N/A
Total OPEB Trust Fund		16,218,695		100.00%	
Total non-pooled investments		47,163,807			
Total investments	$	418,793,235			

The District has the following recurring fair value measurements as of June 30, 2017:

- Pooled Investments of $50,520,201 are valued using Level 1 inputs
- Pooled Investments of $111,172,070 are valued using Level 2 inputs
- Nonpooled investments with fiscal agent of $17,638,725 are valued using Level 1 inputs
- Nonpooled OPEB investments of $16,218,685 are valued using a matrix pricing model (Level 2 inputs)

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 2.A.)	$ 11,520,036
Investments - pooled (Note 2.B.)	371,629,428
Investments - non-pooled (Note 2.B.)	47,163,807
Total deposits and investments	$ 430,313,271

Deposits and investments are presented in the June 30, 2017, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 396,057,827
Cash with fiscal agent	18,036,748
Statement of Fiduciary Net Position	
Mutual funds	16,218,696
Total deposits and investments	$ 430,313,271

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 35,446,301	-	$ -	$ 35,446,301
Construction in progress	145,710,050	36,186,253	106,776,442	75,119,861
Total capital assets not being depreciated	181,156,351	36,186,253	106,776,442	110,566,162
Capital assets being depreciated				
Buildings	1,001,946,581	106,507,684	-	1,108,454,265
Machinery and equipment	71,446,437	2,372,518	29,788,792	44,030,163
Total capital assets being depreciated	1,073,393,018	108,880,202	29,788,792	1,152,484,428
Less accumulated depreciation for				
Buildings	553,350,320	30,141,511	-	583,491,831
Machinery and equipment	60,528,763	2,497,643	29,781,683	33,244,723
Total accumulated depreciation	613,879,083	32,639,154	29,781,683	616,736,554
Total capital assets being depreciated, net	459,513,935	76,241,048	7,109	535,747,874
Governmental activities, capital assets net	$ 640,670,286	$ 112,427,301	$ 106,783,551	$ 646,314,036

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $32,639,154 for the year ended June 30, 2017, was charged to the following governmental functions:

Administration	$ 105,191
District support services	223,046
Regular instruction	19,091,817
Vocational education instruction	21,108
Special education instruction	281,842
Community education	70,594
Instructional support services	74,623
Pupil support services	1,417,209
Food service	299,123
Sites and buildings	11,054,601
Total depreciation expense, governmental activities	$ 32,639,154

NOTE 4 – LEASES

The District leases data processing equipment, buildings, and other miscellaneous equipment through various operating leases. All of the leases include the provision that the District has the right to terminate the agreement at the end of any fiscal year during the term as required by *Minnesota Statutes*. The annual operating lease rental expense is not considered material to the financial position or results of operations of the District.

NOTE 5 – LONG-TERM LIABILITIES

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

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Maturity Date	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds, including refunding bonds						
	12/15/09	1.15%	$ 17,200,000	2/15/2025	$ 17,200,000	$ -
	12/28/10	2.00-4.00%	17,940,000	2/1/2018	3,175,000	3,175,000
	12/28/10	2.00-4.00%	7,750,000	2/1/2021	1,620,000	390,000
	12/28/10	5.13%	19,785,000	12/15/2025	19,785,000	-
	07/26/11	2.00-4.00%	10,525,000	2/1/2020	4,765,000	1,545,000
	12/01/11	3.00-4.00%	16,770,000	2/1/2027	9,275,000	1,020,000
	12/01/11	3.80%	4,260,000	12/15/2025	4,260,000	-
	12/18/12	2.00-3.00%	21,220,000	2/1/2033	16,170,000	1,355,000
	12/18/12	2.00-3.00%	18,550,000	2/1/2033	15,290,000	880,000
	12/18/12	3.00-4.00%	9,285,000	2/1/2022	5,615,000	1,045,000
	12/18/12	2.00%	16,530,000	2/1/2022	10,655,000	2,045,000
	12/04/13	3.00-4.00%	20,525,000	2/1/2029	16,080,000	1,635,000
	12/04/13	4.00-5.00%	38,090,000	2/1/2034	34,460,000	1,400,000
	12/23/14	2.00-3.00%	21,840,000	2/1/2030	18,385,000	1,840,000
	12/23/14	3.00-4.00%	45,270,000	2/1/2030	40,725,000	2,495,000
	12/23/14	2.00-5.00%	11,300,000	2/1/2023	8,885,000	1,330,000
	12/29/15	2.34%	21,275,000	2/1/2031	19,580,000	1,840,000
	12/29/15	2.51%	34,755,000	2/1/2031	33,100,000	1,830,000
	12/29/15	1.69%	10,830,000	2/1/2024	9,745,000	1,190,000
	12/22/16	5.00%	41,905,000	2/1/2037	41,905,000	1,715,000
	12/22/16	5.00%	51,910,000	2/1/2035	51,910,000	1,295,000
			457,515,000		382,585,000	28,025,000
Certificates of participation						
	12/28/10	6.50%	12,990,000	4/1/2036	12,990,000	-
	12/28/10	1.40-6.5%	28,235,000	4/1/2030	21,015,000	1,320,000
	07/26/11	2.00-5.00%	31,255,000	2/1/2020	9,645,000	3,985,000
	12/01/11	2.00-3.20%	19,705,000	2/1/2023	11,505,000	1,770,000
	12/04/13	5.00%	41,125,000	2/1/2021	20,785,000	7,530,000
	12/23/14	4.00-5.00%	125,570,000	2/1/2030	115,065,000	6,505,000
	12/29/15	2.67%	44,475,000	2/1/2031	42,195,000	2,470,000
	12/22/16	5.00%	22,025,000	2/1/2032	22,025,000	320,000
			325,380,000		255,225,000	23,900,000
Bond premium					54,506,071	-
Self insurance liability and compensated absences					45,496,387	6,355,911
Total long-term liabilities					$ 737,812,458	$ 58,280,911

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

Year Ending June 30,	Certificates of Particpation Payable Principal	Certificates of Particpation Payable Interest	G.O. Bonds Principal	G.O. Bonds Interest
2018	$ 23,900,000	$ 11,921,020	$ 28,025,000	$ 15,244,257
2019	24,420,000	10,742,198	26,495,000	13,656,893
2020	19,695,000	9,607,353	27,170,000	12,650,193
2021	17,505,000	8,707,955	26,090,000	11,568,343
2022	15,435,000	7,918,580	25,545,000	10,555,693
2023-2027	78,855,000	29,022,255	142,255,000	37,633,883
2028-2032	66,450,000	10,187,725	79,685,000	15,131,306
2033-2037	8,965,000	1,483,300	27,320,000	2,810,725
Total	$ 255,225,000	$ 89,590,386	$ 382,585,000	$ 119,251,293

C. Description of Long-Term Liabilities

General Obligation School Building Bonds

These bonds were issued to finance acquisitions and/or construction of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to the retirement of these bonds.

On December 22, 2016, the District issued $41,905,000 of General Obligation School Building Bonds, Series 2016A. The proceeds of this issue were deposited into the construction fund to finance certain capital projects of the District.

On December 22, 2016, the District issued $51,910,000 of General Obligation Long-Term Facilities Maintenance Bonds, Series 2016B. The proceeds of this issue were deposited into the construction fund to finance certain long-term facilities maintenance projects of the District.

On December 22, 2016, the District issued $22,025,000 of Full-Term Certificates of Participation, Series 2016C. The proceeds of this issue were deposited into the construction fund, general fund, and food service special revenue fund to finance certain capital projects of the District.

Self Insurance Liability and Compensated Absences

See Notes 11 and 12 for detailed information on the District's Self Insurance Plan and Compensated Absences.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Liabilities

	June 30, 2016	Additions	Retirements	June 30, 2017
Governmental activities				
Bonds payable				
General obligation bonds	$ 317,010,000	$ 93,815,000	$ (28,240,000)	$ 382,585,000
Bond premium	41,126,988	18,670,495	(5,291,412)	54,506,071
Certificates of participation payable	259,370,000	22,025,000	(26,170,000)	255,225,000
Self insurance reserves and compensated absences	41,467,595	4,028,792	-	45,496,387
Total governmental activity long-term liabilities	$ 658,974,583	$ 138,539,287	$ (59,701,412)	$ 737,812,458

The internal service fund typically liquidates the liability related to self-insurance and compensated absences.

NOTE 6 – FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. Administration also has the authority to internally assign portions of fund balance for specific purposes. Other amounts are identified as nonspendable as disbursement has been made for a good or service that will benefit future periods.

NOTE 6 – FUND BALANCES (CONTINUED)

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

	Restricted	Nonspendable/ Assigned
General Fund		
Nonspendable for prepaid items	$ -	$ 52,765
Nonspendable for inventory	-	75,910
Restricted for contracted alternative programs	19,894	-
Restricted for capital projects	3,300,000	-
Assigned for referendum - class size	-	2,728,563
Assigned for alternative compensation	-	530,155
Assigned for reemployment insurance	-	579,628
Assigned for site carryover	-	17,616,905
Total General Fund	3,319,894	21,583,926
Special Revenue Funds		
Food Service Fund		
Restricted for other purposes	2,000,270	-
Nonspendable for inventory	-	872,545
Community Service Fund		
Restricted for school readiness	614,311	-
Restricted for adult basic education	1,278,467	-
Restricted for community education programs	5,549,459	-
Restricted for early childhood and family	1,051,105	
Restricted for other purposes	211,228	-
Total special revenue funds	10,704,840	872,545
Capital Projects - Building Construction Fund		
Restricted for long-term facilities maintenance	83,826,727	-
Restricted for building construction	117,235,951	-
Total Building Construction Fund	201,062,678	-
Debt Service Fund		
Restricted for QSCB/QZAB	17,641,582	-
Restricted for other purposes	8,305,744	-
Total Debt Service Fund	25,947,326	-
Total all funds	$ 241,034,738	$ 22,456,471

Restricted for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12). The balance in the General Fund as of June 30, 2017 is a deficit (negative) $194,164, and is presented within unassigned fund balance in the General Fund for the purposes of reporting in accordance with generally accepted accounting principles.

NOTE 6 – FUND BALANCES (CONTINUED)

Restricted for Health and Safety – This balance represents available resources to be used for health and safety projects in accordance with an approved health and safety plan. This balance as of June 30, 2017 is a deficit (negative) $161,640, which is presented within unassigned fund balance in the General Fund for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted for Contracted Alternative Program – Pursuant to *Minnesota Statutes* 124D.68, subd. 3d and 124D.69, subd. 1, districts must reserve at least 95% of the average general education revenue, less basic skills revenue, per pupil unit times the number of pupil units for pupils, attending this program and the amount of basic skills revenue generated by pupils attending the program according to *Minnesota* S*tatutes* 126C.10, subd.4.

Restricted for School Readiness Programs – The fund balance restriction represents accumulated resources available to provide school readiness programming (*Minnesota Statutes* 124D.16).

Restricted for Adult Basic Education – The fund balance restriction represents accumulated resources available to provide adult basic education services.

Restricted for Community Education Programs – The fund balance restriction represents accumulated resources available to provide general community education programming.

Restricted for Early Childhood and Family Education Programs – This fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.

Restricted for Building Construction – Restricted for building construction represents available resources to fund construction expenditures on current and future contracts.

Restricted for QSCB/QZAB – The fund balance restriction represents resources required by agreement to be segregated for future payments of Qualified Zone Academy Bond (QZAB) or Qualified School Construction Bonds (QSCB) debt instruments. These resources are held by the District and will pay off the debt at maturity.

Restricted for Other Purposes – Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

The District participates in various pension plans, total pension expense for the year ended June 30, 2017, was $405,480,036. The components of pension expense are noted in the following plan summaries.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

With these provisions:

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

- 3% per year early retirement reduction factor for all years under normal retirement age.

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

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2015, June 30, 2016, and June 30, 2017, were:

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

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 354,961,140
Deduct Employer contributions not related to future contribution efforts	26,356
Deduct TRA's contributions not included in allocation	(442,978)
Total employer contributions	354,544,518
Total non-employer contributions	35,587,410
Total contributions reported in schedule of employer and non-employer pension allocations	$ 390,131,928

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	4.66%, from the single equivalent interest rate calculation
Price inflation	2.75%
Wage growth rate	3.50%
Projected salary increase	3.50-9.50%
Cost of living adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of set rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

E. Discount Rate

The discount rate used to measure the total pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at the prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2017, the District reported a liability of $2,051,138,229 for its proportionate share of the net pension liability. In addition, the net pension liability allocated to the district under a lump sum direct aid payment related to the District's merger into the fund is $137,556,710 for a total liability allocated to the District of $2,188,694,939. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 8.5993% at the end of the measurement period and 7.5412% for the beginning of the year. An additional 0.5767% was allocated at June 30, 2016 under the direct aid payment agreement.

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

District's proportionate share of net pension liability	$ 2,188,694,939
State's proportionate share of the net pension liability associated with the District	205,879,771

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

For the year ended June 30, 2017, the District recognized pension expense of $354,171,306. It recognized $28,747,711 as an increase to this pension expense for the support provided by direct aid.

On June 30, 2017, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,194,017	$ 61,020
Net difference between projected and actual earnings on plan investments	93,668,465	-
Changes of assumptions	1,244,163,242	-
Changes in proportion	54,544,960	15,815,807
Contributions to TRA subsequent to the measurement date	36,241,909	-
Total	$ 1,448,812,593	$ 15,876,827

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

$36,241,909 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

2018	$ 274,474,714
2019	274,474,887
2020	305,004,636
2021	289,258,109
2022	253,481,511
Total	$ 1,396,693,857

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using 1percent lower and 1percent higher.

	District proportionate share of NPL		
	1% decrease (3.66%)	Current (4.66%)	1% increase (5.66%)
Standard share	$ 2,642,378,715	$ 2,051,138,229	$ 1,569,592,130
Direct aid share	177,207,424	137,556,710	105,262,496

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

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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

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.

General Employees Plan Benefits

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2017. The District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2017. The District's contributions to the General Employees Fund for the year ended June 30, 2017, were $15,958,421. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2016, the District reported a liability of $273,870,870 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $3,577,010. The net pension liability was measured as of June 30, 1899, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 1899, through June 30, 1899, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 1899, the District's proportion was 3.3730%, which was a decrease of 0.1806% from its proportion measured as of June 30, 1899.

For the year ended June 30, 2017, the District recognized pension expense of $51,308,730 for its proportionate share of General Employees Plan's pension expense. Included in this amount, the District recognized $1,066,570 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the General Employees Fund.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At June 30, 2017, the District reported its proportionate share of 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	$ 472,814	$ 22,562,527
Changes in actuarial assumptions	56,799,350	-
Difference between projected and actual investments earnings	36,082,975	-
Changes in proportion and differences between contributions made and District's proportion share of contributions	37,251,168	7,019,721
District's contributions to PERA subsequent to the measurement date	15,958,421	-
Total	$ 146,564,728	$ 29,582,248

$15,958,421 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2018	$ 35,225,489
2019	31,577,380
2020	24,328,619
2021	9,892,571
2022	-
Total	$ 101,024,059

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 1899, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 %	Per year
Active member payroll growth	3.25 %	Per year
Investment rate of return	7.50 %	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan.

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

The following changes in actuarial assumptions occurred in 2016:

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return 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 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

F. Discount Rates

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	$ 388,977,800	$ 273,870,870	$ 179,054,086

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

The District follows Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions as of July 1, 2015. The District's previous actuarial report for this liability was July 1, 2013.

A. Plan Description

The District provides health and dental insurance benefits for certain retired employees under a single-employer fully-insured plan. The District provides benefits for retirees as required by *Minnesota Statute* §471.61 subdivision 2b. Active employees who retire from the District when eligible to receive a retirement benefit from PERA or TRA and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program until age 65. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. The plan does not issue a publically available financial report.

B. Funding Policy

The District funds its OPEB obligation on a pay as you go basis. For fiscal year 2017, the District contributed $2,356,085 to the plan.

C. Annual Other Post Employment Benefit Cost and Net Other Post Employment Benefit Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 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 unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the District's annual OPEB cost for 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Annual Other Post Employment Benefit Cost and Net Other Post Employment Benefit Obligation (Continued)

Annual required contribution	$ 8,990,196
Interest on net OPEB obligation	404,559
Adjustment to ARC	(1,024,781)
Annual OPEB cost (expense)	8,369,974
Benefit payments (made outside of trust)	(435,772)
Implicit subsidy	(1,920,313)
Increase in net OPEB obligation	6,013,889
Net OPEB obligation - beginning of year	16,692,543
Net OPEB obligation - end of year	$ 22,706,432

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the current year and the preceding two years were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obigation
06/30/17	$ 8,369,974	$ 2,356,085	28%	$ 22,706,432
06/30/16	8,568,525	1,815,523	21%	16,692,543
06/30/15	7,382,177	4,343,166	59%	9,939,540

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) was $61,123,575. The District had assets actuarially valued at $14,637,387 for an unfunded actuarial accrued liability (UAAL) of $46,486,188. The annual payroll for active employees covered by the plan in the actuarial valuation was $363,751,046 for a ratio of UAAL to covered payroll of 12.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the July 1, 2015 actuarial valuation, the individual entry age normal as a level percentage of payroll cost method was used. The actuarial assumptions include a 4.50% discount rate, which is based on the estimated long-term investment yield on the general assets of the District. The annual healthcare cost trend rate is 9.5% initially, reduced incrementally to an ultimate rate of 5.0% after ten years. The unfunded actuarial accrued liability is being amortized as a percent of payroll over a closed 30-year period.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN – OPEB TRUST

A. Plan Description

The District administers the defined benefit OPEB plan – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the District.

Management of the defined benefit OPEB plan is vested in the Board of Education, which consists of nine members.

B. Members

At June 30, 2017, the District's defined benefit OPEB plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	167
Active employees	6,822
Total	6,989

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN – OPEB TRUST (CONTINUED)

C. Benefits Provided

The District provides health and dental insurance benefits for certain retired employees under a single-employer fully-insured plan. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan.

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with the third-party insurer. The required contributions are based on projected pay-as-you-go financing requirements.

E. Investment Policy

The District's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education by a majority vote of its members. It is the policy of the Board of Education to purse an investment strategy that are consistent with a prudent growth model for the funds invested. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Fixed income	50 %
Domestic equity	33
International equity	17
Alternative assets	0
Unallocated cash	0
Total	100 %

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expenses, was 8.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN – OPEB TRUST (CONTINUED)

E. Investment Policy (Continued)

The components of the net OPEB liability of the City at June 30, 2017 were as follows:

Total OPEB liability	$	74,764,503
Plan fiduciary net position		(16,218,696)
District's net OPEB liability	$	58,545,807
Plan fiduciary net position as a percentage of the total OPEB liability		21.69%

F. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	4.50%, net of OPEB plan investment expense, including inflation
Salary increases	3.50%, including inflation
Inflation	2.50%
Healthcare cost trend increases	9.5% initially, decreasing 0.5% per year to an ultimate rate of 5.0%

Mortality rates were based on the RP-2000 Employee Generational, annuitant generational, and disabled mortality Tables for Males or Females, as appropriate.

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

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN – OPEB TRUST (CONTINUED)

F. Actuarial Assumptions (Continued)

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

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	2.5 %
Domestic equity	6.0
International equity	7.0
Alternative assets	0.0
Unallocated cash	0.0

G. Discount Rate

The discount rate used to measure the total OPEB liability was 4.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 4.5% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% decrease (3.5%)	Current (4.5%)	1% increase (5.5%)
Net OPEB Liability	$ 79,912,503	$ 74,764,503	$ 70,013,503

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

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN – OPEB TRUST (CONTINUED)

H. OPEB Liability Sensitivity (Continued)

	1% decrease (8.5% decreasing to 4.0%) over 10 years	Current (9.5% decreasing to 5.0%) over 10 years	1% increase (10.5% decreasing to 6.0%) over 10 years
Net OPEB Liability	$ 68,400,503	$ 74,764,503	$ 82,233,503

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Contingencies

The District is subject to legal proceedings and claims which arise in the ordinary course of business. Management has accrued claims payable in the amount of $11,510,545 as disclosed in Note 11 for general liability, auto liability, and worker's compensation claims.

C. Teachers Retirement Association

The District is required to levy for and contribute amounts to Minnesota Teachers Retirement Association under Minnesota statutes totaling $2,250,000 each year, due by October 1. These amounts are further described in Note 7 as direct aid contributions.

D. Construction Commitments

The District has in process various multi-year construction and repair projects which were not completed in the current fiscal year. As of June 30, 2017, outstanding commitments for these multi-year projects total approximately $43,942,656.

NOTE 11 – RISK MANAGEMENT

The District accounts for the risk management activities of workers' compensation and general liability exposure in its Self-Insurance Fund, a proprietary-type Internal Service Fund. Inter-fund premiums for coverage are charged to activities of user funds as quasi-external transactions. The District purchases insurance coverage for its property exposure, with an aggregate coverage amount of $100,000,000.

NOTE 11 – RISK MANAGEMENT (CONTINUED)

The District is self-insured for workers' compensation coverage and caps its liability with the purchase of reinsurance coverage. The District is a member of Workers' Compensation Reinsurance Association (WCRA), which reimburses members for individual claim losses exceeding a member's chosen retention limit. The retention limit for the District at June 30, 2017 and 2016 was $2,000,000.

Liabilities of $11,040,545 have been recorded in the Self-Insurance Fund for known workers' compensation claims and for claims incurred but not reported as of June 30, 2017. The recorded reserves are actuarially evaluated annually and adjusted accordingly. The discount rate used at June 30, 2017 was 2.5%.

The District became self-insured for general liability for claims incurred after January 1, 1990 through June 30, 1999, and for claims incurred after July 1, 2001 (the self-insurance period). The District purchased general liability insurance from Royal Insurance covering the period from July 1, 1999 through June 30, 2001. Claims incurred during the self-insurance period are the responsibility of the District. *Minnesota Statutes* limit the maximum liability of a public employer to $300,000 per claimant and $1,500,000 for claims from a single event. There are several lawsuits pending in which the District is involved. The District estimates that the potential claims against the District that are not covered by insurance or reserves resulting from such litigation would not materially affect the District's financial statements. Liabilities of $470,000 have been established to cover such claims as of June 30, 2017.

The following summarizes claims activity in the District's self-insurance internal service fund related to general liability and workers' compensation:

Claims incurred but not reported or case reserves at June 30, 2015	$	8,842,906
Claims incurred, fiscal year 2016		10,353,881
Claims paid, fiscal year 2016		(8,619,496)
Claims incurred but not reported or case reserves at June 30, 2016		10,577,291
Claims incurred, fiscal year 2017		5,321,990
Claims paid, fiscal year 2017		(4,388,736)
Claims incurred but not reported or case reserves at June 30, 2017	$	11,510,545

The District maintains commercial coverage for property insurance.

NOTE 11 – RISK MANAGEMENT (CONTINUED)

Beginning January 1, 2017, the District began to self-insure for health benefits. A stop-loss policy was purchased that limits the District's loss to $300,000 at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 120% of the prior year's claims. Settled claims have not exceeded this commercial coverage in any of the past three years.

The governmental funds of the District participate in the program and make payments to the Self Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2017 is $3,548,380 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts for the past three years were as follows:

	Balance, Beginning of Year	Claims, Expense, and Estimates	Claims Payments	Balance, End of Year
2016-2017	$ -	$ 20,764,275	$ (17,215,895)	$ 3,548,380

NOTE 12 – COMPENSATED ABSENCES

Employees of the District are eligible for severance pay based on unused sick leave as follows:

A. Civil Service

1. All Civil Service Except Civil Service Administrators
   Employees and officers who at the time of retirement have accrued sick leave credit of no less than 60 days, and who have no less than 20 years of qualified service as computed for retirement purposes, or who have reached age 60, or who are required to retire earlier because of disability or having reached retirement age, receive severance pay amounting to 50% of the daily rate of pay for the position held by the employee on the day of retirement for each day of accrued sick leave subject to a minimum of 60 days and a maximum of 200 days.

NOTE 12 – COMPENSATED ABSENCES (CONTINUED)

A. Civil Service (Continued)

2. Civil Service Administrators
   Employees who have accrued ten years or more of continuous service receive severance pay upon any separation, except for discharge for cause. Employees with less than ten years of continuous service with the employer receive severance pay upon mandatory retirement or retirement at or after age 65, death, or layoff. Severance pay equals 100% of the employee's accumulated unused sick leave balance, not to exceed 900 hours.

B. Administrators

Employees who are at least 55 years of age or who are credited with 30 years of service by the Minneapolis Teachers Retirement Fund Association (MTRFA) may be eligible to receive payment for 50% of unused sick leave.

C. Teachers

Employees who are at least 55 years of age or who are credited with 30 years of service by the MTRFA receive payment for 50% of unused sick leave. All amounts of vested sick pay are accrued as liabilities in the Internal Service Post Retirement Benefits Fund.

D. Principals

Employees hired on or before July 1, 2014, and who are at least 55 years of age or who are credited with 30 years of service receive severance pay amounting to 60% of unused sick leave. Employees hired after July 1, 2014, receive payment up to 100 days of unused sick leave at 60% of the daily rate of pay.

NOTE 13 – SUBSEQUENT EVENT

Subsequent to year-end, the District approved the issuance of General Obligation School Building Bonds, Series 2017A for $28,895,000; General Obligation Long-Term Facilities Maintenance Bonds, Series 2017B for $51,565,000; and Certificates of Participation, Series 2017C for $38,565,000.

NOTE 14 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB Statement No. 75 relating to accounting and financial reporting for post employment benefits other than pensions. The new Statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

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REQUIRED SUPPLEMENTARY INFORMATION

Minneapolis Public Schools
Special School District No. 1
Schedule of Funding Progress –
Other Post Employment Benefits
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/15	$ 14,637,387	$ 61,123,575	$ 46,486,188	23.9%	$363,751,046	12.8%
07/01/13	14,920,422	70,587,398	55,666,976	21.1%	351,399,830	15.8%
07/01/11	-	83,387,021	83,387,021	0.0%	326,581,564	25.5%

Schedule of Employer Contributions –
Other Post Employment Benefits
June 30, 2017

Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Contributed	Net OPEB Obligation (Asset)
06/30/15	$ 7,382,177	$ 4,343,166	59%	$ 9,939,541
06/30/16	8,568,525	1,815,523	21%	16,692,543
06/30/17	8,369,974	2,356,085	28%	22,706,432

Minneapolis Public Schools
Special School District No. 1
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017
Total OPEB Liability	
Service cost	$ 6,076,552
Interest	3,005,357
Benefit payments	(285,922)
Implicit Rate Subsidies	(1,920,313)
Net change in total OPEB liability	6,875,674
Beginning of year	67,888,829
End of Year	$ 74,764,503
Plan Fiduciary Net Pension (FNP)	
Net investment income	$ 1,272,204
Beginning of year	14,946,492
End of year	$ 16,218,696
Net OPEB Liability	$ 58,545,807
Plan FNP as a percentage of the total OPEB liability	21.69%
Covered-employee payroll	$ 363,751,046
Net OPEB liability as a percentage of covered-employee payroll	16.10%

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

Minneapolis Public Schools
Special School District No. 1
Schedule of Employer Contributions - OPEB

	June 30, 2017
Actuarially determined contribution	$ 8,990,196
Contributions in relation to the actuarially determined contribution	2,356,085
Contribution deficiency (excess)	$ 6,634,111
Covered-employee payroll	$ 363,751,046
Contributions as a percentage of covered-employee payroll	0.65%

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

Minneapolis Public Schools
Special School District No. 1
Schedule of Investment Returns

	June 30, 2017
Annual money-weighted rate of return, net of investment expense	8.97%

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

Minneapolis Public Schools
Special School District No. 1
Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.9676%	$ 92,427,990	$ -	$ 92,427,990	$ 103,293,324	89.5%	78.7%
2016	3.5536%	184,165,995	-	184,165,995	110,161,680	167.2%	78.2%
2017	3.3730%	273,870,870	3,577,010	277,447,880	114,079,707	240.1%	78.8%

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

Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - TRA Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionated Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	8.0196%	$ 398,742,430	$ 25,768,509	$ 424,510,939	$ 238,717,909	167.0%	81.5%
2016	8.1323%	503,063,183	57,223,106	560,286,289	257,683,734	195.2%	76.8%
2017	8.5993%	2,188,694,939	192,864,529	2,394,574,710	301,171,984	726.7%	44.9%

The District's Proportion and Proportionate Share of the Net Pension Liability include the percentage and amount under a special funding situation.

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

Minneapolis Public Schools
Special School District No. 1
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years*

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 7,488,766	$ 7,488,766	$ -	$ 103,293,324	7.25%
2015	8,262,126	8,262,126	-	110,161,680	7.50%
2016	8,555,978	8,555,978	-	114,079,707	7.50%
2017	8,816,021	8,816,021	-	117,546,947	7.50%

In addition to these contributions, the District made an annual contribution of $ 7,142,400 under a special funding situation for fiscal year 2015, 2016, and 2017.

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

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years*

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 25,399,585	$ 25,399,585	$ -	$ 228,003,456	11.14%
2015	28,705,968	28,705,968	-	257,683,734	11.14%
2016	33,550,559	33,550,559	-	301,171,984	11.14%
2017	33,991,909	33,991,909	-	305,133,833	11.14%

In addition to these contributions, the District makes an annual contribution of $ 2,250,000 under a special funding situation.

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

TRA Retirement Funds

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

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

General Employees Fund

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

General Employees Fund (Continued)

2016 Changes (Continued)

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

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SUPPLEMENTARY INFORMATION

Minneapolis Public Schools
Special School District No. 1
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2017

		Audit	UFARS	Audit-UFARS
01 General Fund				
Total revenue		$ 581,768,826	$ 581,768,826	$ -
Total expenditures		605,929,828	605,929,827	1
Nonspendable:				
460	Nonspendable fund balance	128,675	128,674	1
Restricted/reserved:				
403	Staff Development	-	-	-
405	Deferred Maintenance	-	-	-
406	Health and Safety	(161,640)	(161,640)	-
407	Capital Projects Levy	-	-	-
408	Cooperative Programs	-	-	-
413	Building Projects Funded by COP/LP	-	-	-
414	Operating Debt	-	-	-
416	Levy Reduction	-	-	-
417	Taconite Building Maintenance	-	-	-
423	Certain Teacher Programs	-	-	-
424	Operating Capital	-	-	-
426	$25 Taconite	-	-	-
427	Disabled Accessibility	-	-	-
428	Learning and Development	-	-	-
434	Area Learning Center	-	-	-
435	Contracted Alternative Programs	19,894	19,894	-
436	State Approved Alternative Program	-	-	-
438	Gifted and Talented	-	-	-
440	Teacher Development and Evaluation	-	-	-
441	Basic Skills Programs	-	-	-
445	Career Technical Programs	-	-	-
448	Achievement and Integration	-	-	-
449	Safe School Crime	-	-	-
450	Transition for Pre-Kindergarten	-	-	-
451	QZAB and QSCB Payments	-	-	-
452	OPEB Liabilities not Held in Trust	-	-	-
453	Unfunded Severance and Retirement Levy	-	-	-
467	Long-term Facilities Maintenance	(194,164)	(194,164)	
472	Medical Assistance	-	-	
Restricted:				
464	Restricted fund balance	3,300,000	3,300,000	-
Committed:				
418	Committed for separation	-	-	-
461	Committed	-	-	-
Assigned:				
462	Assigned fund balance	21,455,251	21,455,251	-
Unassigned:				
422	Unassigned fund balance (net position)	41,748,347	41,748,349	(2)
02 Food Services Fund				
Total revenue		$ 22,589,754	$ 22,589,753	$ 1
Total expenditures		22,077,485	22,077,484	1
Nonspendable:				
460	Nonspendable fund balance	872,545	872,545	-
Restricted/reserved:				
452	OPEB liabilities not held in trust	-	-	-
Restricted:				
464	Restricted fund balance	2,000,270	2,000,270	-
Unassigned:				
463	Unassigned fund balance	-	-	-
04 Community Service Fund				
Total revenue		$ 29,825,786	$ 29,825,783	$ 3
Total expenditures		28,554,216	28,554,214	2
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
426	$25 Taconite	-	-	-
431	Community Education	5,549,459	5,549,459	-
432	ECFE	1,051,105	1,051,105	-
440	Teacher Development and Evaluation	-	-	-
444	School Readiness	614,311	614,311	-
447	Adult Basic Education	1,278,467	1,278,467	-
452	OPEB liabilities not held in trust	-	-	-
Restricted:				
464	Restricted fund balance	211,228	211,227	1
Unassigned:				
463	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 Building Construction Fund				
Total revenue		$ 1,115,839	$ 1,115,839	$ -
Total expenditures		65,875,000	65,875,000	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
407	Capital Projects Levy	-	-	-
413	Building Projects Funded by COP/LP	-	-	-
467	Long-term Facilities Maintenance	83,826,727	83,826,727	-
Restricted:				
464	Restricted fund balance	117,235,951	117,235,951	-
Unassigned:				
463	Unassigned fund balance	-	-	-
07 Debt Service Fund				
Total revenue		$ 75,265,203	$ 75,265,204	$ (1)
Total expenditures		77,754,089	77,754,090	(1)
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
425	Bond refundings	-	-	-
451	QZAB and QSCB Payments	17,641,582	17,641,582	-
Restricted:				
464	Restricted fund balance	8,305,744	8,305,743	1
Unassigned:				
463	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Unassigned fund balance (net position)	-	-	-
20 Internal Service Fund				
Total revenue		$ 43,947,036	$ 43,947,037	$ (1)
Total expenditures		32,153,886	32,153,885	1
Unassigned:				
422	Unassigned fund balance (net position)	(296,331)	(296,330)	(1)
25 OPEB Revocable Trust				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Unassigned fund balance (net position)	-	-	-
45 OPEB Irrevocable Trust				
Total revenue		$ 1,272,204	$ 1,272,205	$ (1)
Total expenditures		-	-	-
Unassigned:				
422	Unassigned fund balance (net position)	16,218,696	16,218,696	-
47 OPEB Debt Service				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
460	Nonspendable fund balance			
Restricted:		-	-	-
425	Bond refundings			
464	Restricted fund balance	-	-	-
Unassigned:				
463	Unassigned fund balance	-	-	-

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<u>APPENDIX B</u>

Forms of Legal Opinions

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Special School District No. 1 (Minneapolis)

Minneapolis, Minnesota

[Original Purchaser]

Re: $40,395,000 General Obligation School Building Bonds, Series 2018A
Special School District No. 1 (Minneapolis), Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Special School District No. 1 (Minneapolis), Minnesota (sometimes also known as the Minneapolis School District, with boundaries coterminous with the City of Minneapolis) (the "Issuer"), of the obligations described above, dated, as originally issued, as of December 5, 2018 (the "Bonds"), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the Issuer in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. Based on the foregoing, and subject to the exceptions and limitations set forth herein, it is our opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

2. The principal of and interest on the Bonds are payable from ad valorem taxes heretofore levied on all taxable property in the Issuer, but if necessary for payment thereof additional ad valorem taxes are required by law to be levied on all such property, which taxes are not subject to any limitation as to rate or amount.

3. The resolution authorizing the issuance of the Bonds obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

5. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

The opinions expressed in paragraphs (4) and (5) above are subject to the compliance by the Issuer with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that (a) notwithstanding the opinion expressed in paragraph (4) above, interest on the Bonds is included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018, and (b) notwithstanding the opinion expressed in paragraph (5) above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon (a) representations of the Issuer and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated this ____ day of December, 2018.

Very truly yours,

DORSEY
DORSEY & WHITNEY LLP

Special School District No. 1 (Minneapolis)

Minneapolis, Minnesota

[Original Purchaser]

Re: $51,275,000General Obligation Long-Term Facilities Maintenance Bonds, Series 2018B
Special School District No. 1 (Minneapolis), Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Special School District No. 1 (Minneapolis), Minnesota (sometimes also known as the Minneapolis School District, with boundaries coterminous with the City of Minneapolis) (the “Issuer”), of the obligations described above, dated, as originally issued, as of December 5, 2018 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the Issuer in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. Based on the foregoing, and subject to the exceptions and limitations set forth herein, it is our opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors’ rights.

2. The principal of and interest on the Bonds are payable from ad valorem taxes heretofore levied on all taxable property in the Issuer, but if necessary for payment thereof additional ad valorem taxes are required by law to be levied on all such property, which taxes are not subject to any limitation as to rate or amount.

3. The resolution authorizing the issuance of the Obligations obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

5. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

The opinions expressed in paragraphs (4) and (5) above are subject to the compliance by the Issuer with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that (a) notwithstanding the opinion expressed in paragraph (4) above, interest on the Bonds is included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018, and (b) notwithstanding the opinion expressed in paragraph (5) above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon (a) representations of the Issuer and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated this ____ day of December, 2018.

Very truly yours,

APPENDIX C

Forms of Continuing Disclosure Agreements

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AGREEMENT CONCERNING CONTINUING DISCLOSURE

between

SPECIAL SCHOOL DISTRICT NO. 1 (MINNEAPOLIS), MINNESOTA,

and

PFM FINANCIAL ADVISORS LLC

Dated as of December 5, 2018

Relating to:
$40,395,000 General Obligation School Building Bonds, Series 2018A

THIS AGREEMENT CONCERNING CONTINUING DISCLOSURE, dated as of the 5th day of December, 2018 (this "Agreement"), between the SPECIAL SCHOOL DISTRICT NO. 1 (MINNEAPOLIS), MINNESOTA, a political subdivision organized and existing under the Constitution and laws of the State of Minnesota (together with any successor to its functions hereunder, the "Issuer"); and PFM FINANCIAL ADVISORS LLC, a corporation duly organized and existing under the laws of the State of Minnesota (the "Agent").

W I T N E S S E T H

WHEREAS, simultaneously with the execution and delivery of this Agreement, the Issuer is issuing its General Obligation School Building Bonds, Series 2018A, in the original aggregate principal amount of $40,395,000 (the "Bonds") pursuant to a resolution adopted by the governing body of the Issuer on November 13, 2018 (the "Bond Resolution"); and

WHEREAS, to provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the underwriters of the Bonds to comply with certain amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), which will enhance the marketability of the Bonds, the Issuer desires to enter into this Agreement; and

WHEREAS, the Agent is willing to act as the agent of the Issuer for the purposes and on the terms and conditions hereinafter stated.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto DO HEREBY AGREE as follows:

Section 1. Definitions. Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Bond Resolution, unless the context hereof clearly requires otherwise.

In addition, the following terms, when used herein, have the following respective meanings:

Bondowner or Owner: in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any beneficial owner thereof, if such owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar.

Disclosure Information: the financial information and operating data relating to the Issuer for its fiscal year as specified in Subsection (a), subparts (1) and (2), of Section 4 hereof.

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

MSRB: the Municipal Securities Rulemaking Board or any successor to its functions.

Official Statement: the Official Statement, dated on or about November 20, 2018, relating to the Bonds.

Registrar: the bond registrar, transfer agent and paying agent for the Bonds appointed by the Issuer pursuant to the Bond Resolution.

Rule: Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), as in effect and interpreted from time to time.

SEC: the Securities and Exchange Commission or any successor to its functions governing state and municipal securities disclosure.

State: the State of Minnesota.

Section 2. Representations. Each of the parties hereto represents and warrants to each other party that (i) it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (ii) it has duly authorized the execution and delivery of this Agreement, (iii) the execution and delivery of this Agreement and performance of the terms hereof by such party do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument to which it is a party or by which it is bound, and (iv) to its best knowledge, no litigation, proceeding or administrative matter is pending to which it is a party, or overtly threatened, contesting or questioning the legal existence of such party, its power and authority to enter into and perform this Agreement or its due authorization, execution and delivery of this Agreement.

The Issuer represents and warrants that it is the only "obligated person" in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made and that the Issuer has never failed to comply with any continuing disclosure obligation with respect to any previous continuing disclosure undertaking.

Section 3. Appointment of Agent as Agent. The Issuer hereby appoints the Agent as its agent for the purpose of disclosing the information described in this Agreement in the manner set forth herein.

The Agent hereby accepts such appointment, subject to the terms and conditions of this Agreement. The Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Agent. In the absence of bad faith on its part, the Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates furnished to the Agent and conforming to the requirements of this Agreement.

Section 4. Annual Financial Information and Reports of the Issuer; Material Events.

(a) The Issuer shall prepare and deliver to the Agent, or cause to be prepared by the Agent or another person or entity and then delivered to the Agent, the following information on or before March 31 in each year, commencing March 31, 2019 (each a "Submission Date"):

(1) the audited financial statements of the Issuer for the prior fiscal year, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the Issuer, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Issuer, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the Treasurer of the Issuer, to the best of his or her knowledge; and

(2) to the extent not specified in the financial statements referred to in paragraph (1) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings "Financial Summary," "Indebtedness," "Property Valuations and Taxes," and "Financial Information," which information may be unaudited.

Any or all of the Disclosure Information may be incorporated by reference from other documents, including official statements, which have been submitted to the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify in the Disclosure Information each document so incorporated by reference.

In the event that audited financial statements are not available by a Submission Date, the Issuer shall provide unaudited financial statements as part of the Disclosure Information and deliver audited financial statements to the Agent as soon as available thereafter.

If any part of the Disclosure Information can no longer be generated because the operations of the Issuer have changed or been discontinued, such Disclosure Information need no longer be provided if the Issuer includes in the Disclosure Information a statement to such effect; provided, however, that if such operations have been replaced by other Issuer operations in respect of which data is not included in the Disclosure Information and the Issuer determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Agreement is amended as permitted by this Section 4(a) or Section 11 hereof, then the Issuer shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(b) The Issuer shall report to the Agent, within five (5) business days, the occurrence of any of the following events or conditions with respect to the Bonds (each a "Material Event"):

(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 Bonds, 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 a 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 actions, other than pursuant to its terms, if material; and

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

Section 5. Disclosure to Public. The Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB from time to time and in the timely manner hereinafter described, the following information:

(a) the Disclosure Information and any audited financial statements provided pursuant to Subsection (a) of Section 4 hereof within five (5) business days after the same is provided to the Agent by the Issuer;

(b) notice of any Material Event reported to the Agent by the Issuer under Section 4(b) hereof within ten (10) business days after the occurrence of the Material Event;

(c) notice of any failure of the Issuer to provide the Disclosure Information required to be provided to the Agent hereunder, but only after notice and failure to cure within the cure period as provided in Section 8 hereof;

(d) notice of any amendment of or supplement to this Agreement entered into in accordance with Section 11 hereof, together with a copy of such amendment or supplement; and

(e) notice of the termination of the obligations of the Issuer under this Agreement pursuant to Section 15 hereof.

The information provided by the Agent to the MSRB on behalf of the Issuer shall be accompanied by identifying information as prescribed by the MSRB from time to time and at the written request of the Issuer, the Agent shall also furnish promptly to the MSRB, a copy of any other information provided by the Issuer for such dissemination.

Section 6. Disclosure to Bondowners and Rating Agencies. The Agent is further authorized and directed to forward in an appropriate manner to any rating agency then maintaining a rating of the Bonds and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, any information transmitted to the MSRB under Section 5 hereof, at the time of such transmission or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

Section 7. Costs, Expenses and Indemnification of Agent. The Issuer hereby agrees to pay reasonable compensation of the Agent for, and all costs and expenses of the Agent incurred in, performing the services required of it under this Agreement. In addition to any and all rights of the Agent to reimbursement or indemnification or other rights at law or in equity, the Issuer hereby agrees to indemnify and hold harmless the Agent and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorneys' fees and expenses) which such indemnified party may incur by reason of or in connection with the Agent's disclosure of information pursuant to this Agreement; provided that the Issuer shall not be required to indemnify the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or negligence of the Agent in such disclosure of information hereunder. The provisions contained in this Section 7 shall survive termination of the other provisions of this Agreement and the Bond Resolution or the resignation or removal of the Agent.

Section 8. Defaults and Remedies. Failure of the Issuer or the Agent to comply with any provisions of this Agreement on its part to be observed shall constitute a default hereunder and any party hereto aggrieved thereby, including any Owner of any outstanding Bonds as third-party beneficiary hereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder and are hereby waived to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Agreement constitute a default under the Bonds or the Bond Resolution.

In addition to the foregoing remedies, in the event the Issuer breaches its covenant to provide the Disclosure Information to the Agent under Section 4 hereof by the Submission Date, and such breach continues for a period of five (5) days after there has been given, by certified mail, to the Issuer by the Agent, or to the Issuer and the Agent by any Owner of an outstanding Bond, a written notice stating that it is a "Notice of Default" hereunder specifying such breach and requiring it to be remedied, then the Agent shall promptly make available to the MSRB notice of the failure of the Issuer to provide such information.

Section 9. Binding Effect; Bondowners as Third-Party Beneficiaries. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Agent and their respective successors and assigns. In addition, this Agreement shall constitute a third-party beneficiary contract for the benefit of any Owner from time to time of the outstanding Bonds. Said third-party beneficiaries shall be entitled to enforce performance and observance by the parties of the respective agreements and covenants herein contained as fully and completely as if said third-party beneficiaries were parties hereto; provided that this Agreement (other than this Section 9) may be amended or supplemented from time to time without notice to or the consent of such third-party beneficiaries. Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their respective successors and permitted assigns as provided herein, and the Owners of the outstanding Bonds, any benefit or other legal or equitable right, remedy or claim under this Agreement.

Section 10. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 11. Amendments, Changes and Modifications. This Agreement (and the form and requirements of the Disclosure Information) may not be effectively amended or supplemented except in a writing executed by the parties hereto accompanied by an opinion of Bond Counsel, who may rely on certificates of the Issuer and others and the opinion may be subject to customary qualifications, to the effect that: (i) this Agreement as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (ii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule. This

Agreement may be amended or supplemented from time to time without notice to or the consent of the Owners of any Bonds (except as provided in Section 6 hereof).

Section 12. Resignation or Removal of Agent. The Agent may be removed at any time by the Issuer by a written instrument delivered to the Agent. The Agent may at any time resign and be discharged of the duties and obligations imposed on it hereunder by giving at least 30 days written notice to the Issuer.

Section 13. Execution Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Governing Law; Construction. This Agreement shall be construed in accordance with the laws of the State without giving effect to the conflicts-of-law principles thereof. This Agreement is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

Section 15. Term. This Agreement shall remain in effect so long as any Bonds are Outstanding.

IN WITNESS WHEREOF, the ISSUER and the AGENT have caused this AGREEMENT CONCERNING CONTINUING DISCLOSURE to be executed in their respective names, all as of the date first written above.

SPECIAL SCHOOL DISTRICT NO. 1
(MINNEAPOLIS), MINNESOTA

By________________________________
Its Chair

Attest:_____________________________
Its Clerk

[Signature Page – Agreement Concerning Continuing Disclosure (2018A)]

PFM FINANCIAL ADVISORS LLC

By___________________________________
Its__________________________________

[Signature Page – Agreement Concerning Continuing Disclosure (2018A)]

AGREEMENT CONCERNING CONTINUING DISCLOSURE

between

SPECIAL SCHOOL DISTRICT NO. 1 (MINNEAPOLIS), MINNESOTA,

and

PFM FINANCIAL ADVISORS LLC

Dated as of December 5, 2018

Relating to:
$51,275,000 General Obligation Long-Term Facilities Maintenance Bonds, Series 2018B

THIS AGREEMENT CONCERNING CONTINUING DISCLOSURE, dated as of the 5th day of December, 2018 (this "Agreement"), between the SPECIAL SCHOOL DISTRICT NO. 1 (MINNEAPOLIS), MINNESOTA, a political subdivision organized and existing under the Constitution and laws of the State of Minnesota (together with any successor to its functions hereunder, the "Issuer"); and PFM FINANCIAL ADVISORS LLC, a corporation duly organized and existing under the laws of the State of Minnesota (the "Agent").

W I T N E S S E T H

WHEREAS, simultaneously with the execution and delivery of this Agreement, the Issuer is issuing its General Obligation Alternative Facility Bonds, Series 2018B in the original aggregate principal amount of $51,275,000 (the "Bonds") pursuant to a resolution adopted by the governing body of the Issuer on November 13, 2018 (the "Bond Resolution"); and

WHEREAS, to provide for the public availability of certain information relating to the Bonds and the security therefor and to permit underwriters of the Bonds to comply with certain amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), which will enhance the marketability of the Bonds, the Issuer desires to enter into this Agreement; and

WHEREAS, the Agent is willing to act as the agent of the Issuer for the purposes and on the terms and conditions hereinafter stated.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto DO HEREBY AGREE as follows:

Section 1. Definitions. Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Bond Resolution, unless the context hereof clearly requires otherwise.

In addition, the following terms, when used herein, have the following respective meanings:

Bondowner or Owner: in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any beneficial owner thereof, if such owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar.

Disclosure Information: the financial information and operating data relating to the Issuer for its fiscal year as specified in Subsection (a), subparts (1) and (2), of Section 4 hereof.

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

MSRB: the Municipal Securities Rulemaking Board or any successor to its functions.

Official Statement: the Official Statement, dated on or about November 20, 2018, relating to the Bonds.

Registrar: the bond registrar, transfer agent and paying agent for the Bonds appointed by the Issuer pursuant to the Bond Resolution.

Rule: Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), as in effect and interpreted from time to time.

SEC: the Securities and Exchange Commission or any successor to its functions governing state and municipal securities disclosure.

State: the State of Minnesota.

Section 2. Representations. Each of the parties hereto represents and warrants to each other party that (i) it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (ii) it has duly authorized the execution and delivery of this Agreement, (iii) the execution and delivery of this Agreement and performance of the terms hereof by such party do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument to which it is a party or by which it is bound, and (iv) to its best knowledge, no litigation, proceeding or administrative matter is pending to which it is a party, or overtly threatened, contesting or questioning the legal existence of such party, its power and authority to enter into and perform this Agreement or its due authorization, execution and delivery of this Agreement.

The Issuer represents and warrants that it is the only "obligated person" in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made and that the Issuer has never failed to comply with any continuing disclosure obligation with respect to any previous continuing disclosure undertaking.

Section 3. Appointment of Agent as Agent. The Issuer hereby appoints the Agent as its agent for the purpose of disclosing the information described in this Agreement in the manner set forth herein.

The Agent hereby accepts such appointment, subject to the terms and conditions of this Agreement. The Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Agent. In the absence of bad faith on its part, the Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates furnished to the Agent and conforming to the requirements of this Agreement.

Section 4. Annual Financial Information and Reports of the Issuer; Material Events.

(a) The Issuer shall prepare and deliver to the Agent, or cause to be prepared by the Agent or another person or entity and then delivered to the Agent, the following information on or before March 31 in each year, commencing March 31, 2019 (each a "Submission Date"):

(1) the audited financial statements of the Issuer for the prior fiscal year, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the Issuer, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Issuer, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the Treasurer of the Issuer, to the best of his or her knowledge; and

(2) to the extent not specified in the financial statements referred to in paragraph (1) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings "Financial Summary," "Indebtedness," "Property Valuations and Taxes," and "Financial Information" which information may be unaudited.

Any or all of the Disclosure Information may be incorporated by reference from other documents, including official statements, which have been submitted to the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify in the Disclosure Information each document so incorporated by reference.

In the event that audited financial statements are not available by a Submission Date, the Issuer shall provide unaudited financial statements as part of the Disclosure Information and deliver audited financial statements to the Agent as soon as available thereafter.

If any part of the Disclosure Information can no longer be generated because the operations of the Issuer have changed or been discontinued, such Disclosure Information need no longer be provided if the Issuer includes in the Disclosure Information a statement to such effect; provided, however, that if such operations have been replaced by other Issuer operations in respect of which data is not included in the Disclosure Information and the Issuer determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Agreement is amended as permitted by this Section 4(a) or Section 11 hereof, then the Issuer shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(b) The Issuer shall report to the Agent, within five (5) business days, the occurrence of any of the following events or conditions with respect to the Bonds (each a "Material Event"):

(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 Bonds, 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 a 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 actions, other than pursuant to its terms, if material; and

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

Section 5. Disclosure to Public. The Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB from time to time and in the timely manner hereinafter described, the following information:

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(b) notice of any Material Event reported to the Agent by the Issuer under Section 4(b) hereof within ten (10) business days after the occurrence of the Material Event;

(c) notice of any failure of the Issuer to provide the Disclosure Information required to be provided to the Agent hereunder, but only after notice and failure to cure within the cure period as provided in Section 8 hereof;

(d) notice of any amendment of or supplement to this Agreement entered into in accordance with Section 11 hereof, together with a copy of such amendment or supplement; and

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Section 7. Costs, Expenses and Indemnification of Agent. The Issuer hereby agrees to pay reasonable compensation of the Agent for, and all costs and expenses of the Agent incurred in, performing the services required of it under this Agreement. In addition to any and all rights of the Agent to reimbursement or indemnification or other rights at law or in equity, the Issuer hereby agrees to indemnify and hold harmless the Agent and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorneys' fees and expenses) which such indemnified party may incur by reason of or in connection with the Agent's disclosure of information pursuant to this Agreement; provided that the Issuer shall not be required to indemnify the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or negligence of the Agent in such disclosure of information hereunder. The provisions contained in this Section 7 shall survive termination of the other provisions of this Agreement and the Bond Resolution or the resignation or removal of the Agent.

Section 8. Defaults and Remedies. Failure of the Issuer or the Agent to comply with any provisions of this Agreement on its part to be observed shall constitute a default hereunder and any party hereto aggrieved thereby, including any Owner of any outstanding Bonds as third-party beneficiary hereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder and are hereby waived to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Agreement constitute a default under the Bonds or the Bond Resolution.

In addition to the foregoing remedies, in the event the Issuer breaches its covenant to provide the Disclosure Information to the Agent under Section 4 hereof by the Submission Date, and such breach continues for a period of five (5) days after there has been given, by certified mail, to the Issuer by the Agent, or to the Issuer and the Agent by any Owner of an outstanding Bond, a written notice stating that it is a "Notice of Default" hereunder specifying such breach and requiring it to be remedied, then the Agent shall promptly make available to the MSRB notice of the failure of the Issuer to provide such information.

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SPECIAL SCHOOL DISTRICT NO. 1
(MINNEAPOLIS), MINNESOTA

By__________________________________
Its Chair

Attest:______________________________
Its Clerk

[Signature Page – Agreement Concerning Continuing Disclosure (2018B)]

PFM FINANCIAL ADVISORS LLC

By__________________________________

Its________________________________

[Signature Page – Agreement Concerning Continuing Disclosure (2018B)]