PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 5, 2016

NEW ISSUE - BOOK ENTRY ONLY **RATINGS:**
NOT BANK QUALIFIED **Moody's Investors Service Minnesota Credit Enhancement Program Rating: Aa2**
(See "Bond Rating/Credit Enhancement" herein)

With respect to the $26,220,000 General Obligation School Building Bonds, Series 2016A, dated February 11, 2016, in the opinion of Knutson, Flynn & Deans, Professional Association, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of their issuance and delivery to the original purchaser, interest on the Bonds is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross and taxable net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account for the purpose of determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein for additional information.

INDEPENDENT SCHOOL DISTRICT NO. 118, NORTHLAND COMMUNITY SCHOOLS, MINNESOTA

$26,220,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2016A

Dated: February 11, 2016 Due: February 1, as shown on the inside cover

The General Obligation School Building Bonds, Series 2016A (the "Bonds" or the "Issue") are being issued pursuant to Minnesota Statutes, Chapter 475, Section 123B.02 and a voter approved referendum held on November 9, 2015.

The Bonds maturing on February 1, 2025 and thereafter are subject to redemption, in whole or in part, on February 1, 2024 and on any date thereafter at a price of par plus accrued interest.

The Bonds are valid and binding general obligations of Independent School District No. 118, Northland Community Schools, Minnesota (the "District" or the "Issuer") for which the District pledges its full faith and credit and power to levy direct general ad valorem taxes to pay all principal and interest payments on the Bonds. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Chapter 126C.55 (Minnesota School District Credit Enhancement Program), which provides for payment by the State of Minnesota, in the event of a potential default of a school district debt obligation, of the principal and interest on the Bonds when due. See Security/Sources and Uses of Funds herein for additional information.

Proceeds from the Bonds will be used to (i) provide funds for the acquisition and betterment of school sites and facilities, including the demolition of portions of, the construction of an addition to, and the remodeling, repair, renovation and upgrading of the Northland Community School site and facility and (ii) pay costs associated with issuance of the Bonds. See Authority and Purpose herein for additional information.

The Financial Advisor to the District is: **BAIRD**

Principal due with respect to the Bonds, including mandatory redemptions, is payable annually on February 1 commencing February 1, 2017 and interest due with respect to the Bonds is payable semiannually February 1 and August 1, commencing August 1, 2016. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in Description of Bonds herein for additional information. The Paying Agent/Registrar will be U.S. Bank National Association, St. Paul, Minnesota. Bonds will be available for delivery at DTC on or about February 11, 2016.

SALE DATE: JANUARY 12, 2015 **SALE TIME: 11:00 A.M. CT**

* Preliminary, subject to change. The District reserves the right, after bids are opened and prior to the award, to increase or reduce the principal amount of the individual serial or term maturities of the Bonds. Any such increase or reduction will be made in multiples of $5,000 within any of the maturities. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread per $1,000.

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Maturity (February 1)	Principal Amount*	Interest Rate	Yield	CUSIP No.[1]	Maturity (February 1)	Principal Amount*	Interest Rate	Yield	CUSIP No.[1]
2017	$545,000				2029	$1,190,000			
2018	690,000				2030	1,230,000			
2019	705,000				2031	1,265,000			
2020	870,000				2032	1,300,000			
2021	895,000				2033	1,340,000			
2022	925,000				2034	1,380,000			
2023	950,000				2035	1,425,000			
2024	990,000				2036	1,470,000			
2025	1,030,000				2037	1,515,000			
2026	1,070,000				2038	1,565,000			
2027	1,115,000				2039	1,600,000			
2028	1,155,000								

(1) CUSIP numbers are included solely for the convenience of the purchasers of the Bonds. CUSIP data herein is provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. No representations are made as to the correctness of the CUSIP numbers. These CUSIP numbers may also be subject to change after the issuance of the Bonds.

* Preliminary, subject to change. The District reserves the right, after bids are opened and prior to the award, to increase or reduce the principal amount of the individual serial or term maturities of the Bonds. Any such increase or reduction will be made in multiples of $5,000 within any of the maturities. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread per $1,000.

ISD 118, NORTHLAND COMMUNITY SCHOOLS, MINNESOTA

Elected Officials – School Board

Name	Position	Term Expires
Etta Shepard	Board Chair	12/31/2017
Dan Switzer	Vice Chair	12/31/2019
Linda Knox	Treasurer	12/31/2017
Diane Jensen	Clerk	12/31/2019
Donna deNeui	Member	12/31/2017
Jenny Francis	Member	12/31/2019
Terry Gross	Member	12/31/2017

APPOINTED OFFICIALS

Timothy Mayclin, Superintendent
Ellie Hill, Business Manager

BOND COUNSEL

Knutson, Flynn & Deans, P.A.
Mendota Heights, Minnesota

FINANCIAL ADVISOR

Robert W. Baird & Co., Inc.
Mahtomedi, Minnesota and Milwaukee, Wisconsin

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement in connection with the offering contained herein, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been obtained from representatives of the District, public documents, records and other sources considered to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

The delivery of this Official Statement at any time does not imply that any information herein is correct as of any time subsequent to its date. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not representations of fact.

This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its position in this Official Statement. Where statutes, resolutions, reports or other documents are referred to herein, reference should be made to such statutes, resolutions, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other Federal, State, Municipal or other governmental entity, other than the District, shall have passed upon the accuracy or adequacy of this Official Statement.

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$26,220,000*
G.O. SCHOOL BUILDING BONDS, SERIES 2016A
ISD 118, NORTHLAND COMMUNITY SCHOOLS, MINNESOTA

SUMMARY STATEMENT

Estimated Amount:	$26,220,000*
Issuer:	Independent School District No. 118, Northland Community Schools, Minnesota
Award Date:	Tuesday, January 12, 2016
Financial Advisor:	Robert W. Baird & Co., Inc. 777 E Wisconsin Ave., Milwaukee, WI 53202
Underwriter:	______________________
Type of Issue:	General Obligation School Building Bonds, Series 2016A (the "Bonds"). See *Authority and Purpose* as well as *Security/Sources and Uses of Funds* herein for additional information
Authority/Purpose & Security:	The Bonds are valid and binding general obligations of the District for which the District pledges its full faith and credit and power to levy direct general ad valorem taxes to pay all principal and interest payments on the Bonds. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Chapter 126C.55 (Minnesota School District Credit Enhancement Program), which provides for payment by the State of Minnesota, in the event of a potential default of a school district debt obligation, of the principal and interest on the Bonds when due. See Security/Sources and Uses of Funds herein for additional information.
Date of Issue:	February 11, 2016
Interest Paid:	August 1, 2016, and semiannually thereafter on February 1 and August 1 to registered owners appearing of record in the bond register on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

Maturities*:

02/01/2017	$545,000	02/01/2023	$950,000	02/01/2029	$1,190,000	02/01/2035	$1,425,000
02/01/2018	690,000	02/01/2024	990,000	02/01/2030	1,230,000	02/01/2036	1,470,000
02/01/2019	705,000	02/01/2025	1,030,000	02/01/2031	1,265,000	02/01/2037	1,515,000
02/01/2020	870,000	02/01/2026	1,070,000	02/01/2032	1,300,000	02/01/2038	1,565,000
02/01/2021	895,000	02/01/2027	1,115,000	02/01/2033	1,340,000	02/01/2039	1,600,000
02/01/2022	925,000	02/01/2028	1,155,000	02/01/2034	1,380,000		

Redemption:	The Bonds maturing on February 1, 2025 and thereafter are subject to redemption and repayment at the option of the District on February 1, 2024, and any date thereafter, at a price of par plus accrued interest.
Book-Entry:	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds.
Paying Agent/Registrar:	U.S. Bank National Association, Saint Paul, Minnesota
Tax Designations:	<u>NOT Private Activity Bonds</u> - Bonds are not "private activity bonds" as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the Code). <u>Not Qualified Tax-Exempt Obligations</u> – The District <u>will not</u> designate these Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.
Legal Opinion:	Knutson, Flynn & Deans, Professional Association
Bond Rating:	The District did not apply for an underlying bond rating from Moody's Investors Service ("Moody's"). The Bonds are rated Aa2 by Moody's based on the Minnesota School District Credit Enhancement Program.
Closing:	February 11, 2016
Primary Contacts:	Timothy Mayclin, Superintendent, ISD 118, Northland Community Schools Matt Rantapaa, Vice President, Robert W. Baird & Co.

* Preliminary, subject to change. The District reserves the right, after bids are opened and prior to the award, to increase or reduce the principal amount of the individual serial or term maturities of the Bonds. Any such increase or reduction will be made in multiples of $5,000 within any of the maturities. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread per $1,000.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, Section 123B.02 and a voter approved referendum held on November 9, 2015. Voters approved the issuance of G.O. School Building Bonds with an estimated par amount of $26,220,000 by a margin of 943 votes in favor (51%) and 909 votes opposed (49%). Proceeds of the Bonds will be used to (i) provide funds for the acquisition and betterment of school sites and facilities, including the demolition of portions of, the construction of an addition to, and the remodeling, repair, renovation and upgrading of the Northland Community School site and facility and (ii) to pay costs associated with the issuance of Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the District. The District pledges its full faith and credit and power to levy direct ad valorem taxes to pay the principal and interest on the Bonds. In addition, the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (Minnesota School District Credit Enhancement Program), which provides for payment by the State of Minnesota, in the event of a potential default of a school district debt obligation, of the principal and interest on the Bonds when due.

Sources and Uses of Funds

Following are the *estimated* sources and uses of funds in connection with the issuance of the Bonds:

Sources of Funds	
Par Amount of Bonds	$26,220,000
Uses of Funds	
Deposit to Construction Fund	
Costs of Issuance/Underwriter's Discount	
Rounding	
Total Uses of Funds	$26,220,000

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of February 11, 2016, and will be issued as fully registered Bonds in the denominations of $5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds will be payable annually February 1, commencing February 1, 2017. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2016. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See "Book- Entry System" in Description of the Bonds herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof ("Authorized Denominations"). Individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Record Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Record Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond Indenture and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2025 and thereafter are subject to redemption, in whole or in part, on February 1, 2024 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the District. Notice of redemption shall be given by certified mail to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 Bonds 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.

DTC may discontinue providing its services as depository with respect to the Bonds 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, certificates for the Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds 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.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the District on or before Bond Closing, the District has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the District to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

The District has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the District to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see Appendix B – Continuing Disclosure Certificate herein for additional information.

UNDERWRITING

The Bonds are being purchased from the District by ________________ (the "Underwriter"). The Underwriter will receive total compensation of $______ in connection with the purchase of the Bonds assuming all Bonds are sold at the rates and yields set forth on the cover page of this Official Statement, which compensation is _____% of the par value. The obligation to make such purchase is subject to certain terms and conditions, the approval of certain legal matters by counsel and certain other conditions.

FINANCIAL ADVISOR

Robert W. Baird & Co., Milwaukee, Wisconsin has acted as Financial Advisor to the District in connection with the issuance of the Bonds.

CONCURRENT/FUTURE FINANCING

The District does not anticipate the need to finance additional capital improvements with the issuance of general obligation bonds within the next six months.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

In the resolution adopting the sale of the Bonds, the District will covenant and obligate itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issues remain outstanding. Under the State Payment Law, if the District believes it may be unable to make a principal or interest payment for these issues 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) and will use the provisions of the Law to have the State of Minnesota make payment of the principal and interest when due. The District also covenants in the Resolution to deposit with the paying agent for the issues three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of the payment.

The Law also requires the paying agent for these issues to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the paying agent.

After receipt of a notice which requests a payment pursuant to the Law, after consultation with the paying agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Finance of the potential default. The State Payment Law provides that "upon receipt of this notice...the Commissioner of Finance shall issue a warrant and authorize the Commissioner of Education to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of subdivision are annually appropriated to the Department of Education from the state general fund."

BOND RATING/CREDIT ENHANCEMENT

The District did not apply for an underlying bond rating from Moody's Investor Service. The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Chapter 126C.55 (Minnesota School District Credit Enhancement Program), which provides for payment by the State of Minnesota, in the event of a potential default of a school district debt obligation, of the principal and interest on the Bonds when due. The Bonds are rated Aa2 by Moody's based on the Minnesota School District Credit Enhancement Program. The rating reflects the opinion of Moody's and any explanation of the significance of these ratings may be obtained only from Moody's. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See Minnesota School District Credit Enhancement Program herein for additional information.

LITIGATION

As of December 8, 2015, the District has indicated that no litigation is pending or threatened that would may adversely affect the District's financial condition, ability to levy or collect taxes or tax revenues or ability to make payments on the Bonds.

STATEMENT OF NO DEFAULT

The District has no record of default and has met its debt repayment obligations promptly.

CERTIFICATION REGARDING OFFICIAL STATEMENT

The District hereby ratifies and approves the Official Statement and consents to its distribution and use by the Underwriter in connection with the public offering and sale of the Bonds. The District confirms that the Official Statement is "deemed final" as of its date for purposes of Rule 15c2 12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Knutson, Flynn and Deans, Professional Association as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Certificates. See Appendix A – Legal Opinion.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

General

In the opinion of Bond Counsel, under federal and Minnesota laws, regulations, rulings and decisions in effect on the date of issuance of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes, and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain excludable from federal gross income and, to the same extent, from Minnesota taxable net income. Noncompliance with such requirements by the District may cause the interest on the Bonds to be includable in gross income for purposes of federal income taxation and, to the same extent, in taxable net income for purposes of Minnesota income taxation, retroactive to the date of issuance of the Bonds, irrespective in some cases of the date on which such noncompliance is ascertained. 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 becomes includable in federal gross income or Minnesota taxable income.

Interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts, but is includable in adjusted current earnings in determining the federal alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. Interest on the Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds.

Passive Investment Income of S Corporations

Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for a Subchapter S corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than twenty-five percent of the gross receipts of such Subchapter S corporation is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of the holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b) of the Code).

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

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

Not Qualified Tax-Exempt Obligations

The District will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by a financial institution before August 8, 1986.

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DISTRICT GENERAL INFORMATION[1]

Location

Independent School District No. 118, Northland Community Schools is located in Cass County in the north central part of Minnesota. The District lies approximately 98 miles west of the City of Duluth and approximately 167 miles north of the Minneapolis/St. Paul Metropolitan Area.

Area

535,232 Acres
(836.30 Square Miles)

Population[2]

2005 Census 4,556	2013 Census Estimate 4,435
2010 Census 4,435	2015 Estimate 4,435

Labor Force Data[3]

Comparative average labor force and unemployment rate figures for 2015 (through November) and year-end 2014. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	November 2015		2014	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate
Cass County	14,019	6.0%	13,762	7.4%
Minnesota	3,009,360	3.0%	2,974,102	4.1%

Capital Assets[4]

Capital assets, excluding accumulated depreciation, of the District have the following values as of June 30 (audited):

Asset	2015	2014	2013
Land	$ 10,920	$ 10,920	$ 10,920
Land Improvements	78,792	83,950	42,347
Buildings and Improvements	1,150,422	1,255,260	1,353,865
Equipment	1,119,356	1,030,876	945,871
Total Capital Assets	$2,359,490	$2,381,006	$2,353,003

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1 Information in this section provided by the District unless otherwise noted.
2 Source: U.S. census website at http://www.census.gov/did/www/saipe/data/schools/data/2012.html and the District.
3 Source: Minnesota Department of Economic Security, Research and Statistics Office website at https://apps.deed.state.mn.us/lmi/laus/
4 Source: District's audited financial statements and the District.

Defined Benefit Pension Plans[1]

The District employs 92 employees, 42 certified (licensed) and 50 noncertified (non-licensed). Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

1. Teacher Retirement Association (TRA)

Plan Description

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

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

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.

Contribution Rate

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

	Ending June 30, 2014		Ending June 30, 2015	
	Employees	Employers	Employees	Employers
Basic	10.5%	11.0%	11.0%	11.5%
Coordinated	7.0%	7.0%	7.5%	7.5%

Audited District Contributions to TRA have been as follows:

Year	**Amount**	**Year**	**Amount**
2015	$163,128	2012	$134,896
2014	154,940	2011	134,417
2013	144,089	2010	142,318

1 Source: District's audited financial statements and the District.

The District's contributions were equal to the required contributions for each year as set by state statute.

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	$299,299,837
Deduct employer contributions not related to future contribution efforts	(398,798)
Deduct TRA's contributions not included in allocation	(370,701)
Employer contributions reported in schedule of employer and non-employer pension allocations	$298,530,338

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.

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2015 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 available to make all projected future current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability

At June 30, 2015 the District reported a liability of $2,221,021 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0482 percent at the end of the measurement period and 0.0494 percent for the beginning of the year.

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

District's proportionate share of net pension liability	$2,221,021
State's proportionate share of the net pension liability	$156,274

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

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 increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

For the year ended June 30, 2015, the District recognized pension expense of $106,847. It also recognized $6,817 as an increase to pension expense for the support provided by direct aid.

On June 30, 2015, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$189,513	$ 0
Net difference between projected and actual earnings on plan investments	0	698,267
Change in proportion	0	56,950
Contributions to TRA subsequent to the measurement date	163,128	0
Total	$352,641	$755,217

Deferred outflows of resources totaling related to pensions resulting from the District's 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, 2016. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
2016	$(146,892)
2017	(146,892)
2018	(146,892)
2019	(146,892)
2020	21,864

Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.25 percent as well as the liability measured using one percent lower and one percent higher.

	District proportionate share of NPL	
1 Percent Decrease (7.25%)	Current (8.25%)	1 Percent Increase (9.25%)
$3,670,588	$2,221,021	$1,012,584

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.

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire

Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling (651) 296-2409 or (800) 657-3669.

2. Public Employees Retirement Association (PERA)

Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA’s defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

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

Benefits Provided

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

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.

GERF Benefits

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

Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.50 percent of pay in 2015. In calendar year 2014, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent of Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The District's contributions to the GERF for the years ended June 30, 2015 were $78,380. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Year	**Amount**	**Year**	**Amount**
2015	$78,380	2012	$62,673
2014	66,785	2011	61,625
2013	59,190	2010	75,402

Pension Costs

For the year ended June 30, 2015, the District recognized pension expense of $95,898 for its proportionate share of GERF's pension expense. The $95,898 is different than the District's GERF Contributions that are shown in the table in the "GERF Contributions" section.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 12,616	$ 0
Changes in actuarial assumptions	84,722	0
Net difference between projected and actual investment earnings	0	222,121
District's contributions to GERF subsequent to the measurement date	78,380	0
Total	$97,338	$222,121

Deferred outflows of resources totaling related to pensions resulting from the District's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
2016	$(23,084)
2017	(23,084)
2018	(23,084)
2019	(55,531)

Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	District proportionate share of NPL	
1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
$1,325,198	$822,062	$408,100

Pension Plan Fiduciary Net Position

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

Other Post-Employment Benefits

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

The required contribution is based on funding these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives. The District's employment agreement for certain administrative officials provides for the District to pay the following premium costs for single health and dental coverage. The District has established an other postemployment benefits Trust fund to fund these obligations.

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal years 2015, 2014, and 2013 follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/2015	$144,419	105.7%	$45,188
06/30/2014	152,792	100.8%	54,365
06/30/2013	152,491	106.5%	56,451
06/30/2012	152,126	119.1%	67,670

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,453,862 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $2,828,196 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 51 percent.

Estimated Cash and Investment Balances as of June 30, 2015 (unaudited)

Fund Name	Balance
General Fund	$ 2,113,566
Food Service Fund	68,518
Community Service Fund	208,391
Building Construction Fund	0
Debt Service Fund	49,714
Trust Fund	41,126
OPEB Irrevocable Trust Fund	0
Total	$2,481,315

2015/2016 District Budget

Fund	June 30, 2015 Actual Fund Balances	FY 2016 Budget Revenues and Transfers In	FY 2016 Budget Expenditures and Transfers Out	June 30, 2016 Projected Fund Balances
General Fund/Restricted	$1,661,697	$4,953,979	$5,104,895	$1,510,781
General Fund/Other	451,869	1,117,284	1,053,973	515,180
Food Service Fund	68,518	215,029	271,334	12,213
Community Service Fund	208,391	205,854	206,562	207,683
Building Construction Fund	0	0	0	0
Debt Service Fund	49,714	143,473	152,245	40,941
Trust Fund	41,126	0	0	41,126
Internal Service Fund	0	0	0	0
TOTAL – ALL FUNDS	$2,481,315	$6,635,619	$6,789,009	$2,327,924

Bargaining Units/Teacher Contracts

Following is a list of Recognized/Certified Bargaining Units:

Employee Group	Bargaining Unit	Expiration Date
Teachers	NREM	June 30, 2017
Administrators/Superintendent	Individual	June 30, 2018
Custodial	RLMSCA	June 30, 2014
Paraprofessionals	RLMSCA	June 30, 2014
Principals	Principal Association	June 30, 2017

School Data

Enrollment has been as follows:

Year	Elementary (Grades K-5)	Secondary (Grades 6-12)	Totals
2015/2016	203	148	351
2014/2015	193	153	346
2013/2014	195	160	355
2012/2013	190	164	354
2011/2012	200	177	377
2010/2011	174	215	389

Enrollment for the next two school years is projected as follows:

Year	Elementary (Grades K-5)	Secondary (Grades 6-12)	Totals
2017/2018	204	136	340
2016/2017	195	151	346

Buildings

The District currently operates three educational buildings: Remer Elementary and Longville Elementary (grades K-6) and Northland High School (grades 7-12).

Banking/Financial Institutions[1]

Banking and financial services provided within the City of Remer include the following:

Bank Name	Reported Deposits/Assets
The First National Bank of Walker (Branch of Walker, MN)	$ 28,732,000

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1 Reported deposits were obtained from the Federal Deposit Insurance Corporation (FDIC) website as of June 30, 2015 at www2.fdic.gov.

Major/Leading Employers

Following are the major/leading employers located within the District:

Employer	Product/Service	Number of Employees[1]
ISD 118, Northland	Public Education	102
Keller Williams Realty	Real Estate	51
Woodland Bank	Bank	30
Remer Arts and Crafts	Craft Gallery	30
Midstate Plastics Corp.	Plastic Products	25
Anchorage Inn	Restaurant	25
Northland Monument: Granite Designs	Manufacturing	25
Patrick's Fine Dining	Restaurant	25
SuperValu	Grocery Store	25
One Stop Convenience Store	Service Station	20
Little Sand Group Home	Group Home	20
Remer Junction Oil	Service Station	14
City of Longville	Municipal Government	14

Largest Taxpayers[2]

Following are the ten largest taxpayers within the District:

Name	Property Classification	2014/2015 Taxable Market Value	2014/2015 Tax Capacity	Percent of Total Tax Capacity (14,936,165)
Enbridge Energy	Utility	16,450,400	329,008	2.20%
Enbridge Pipelines	Utility	6,163,300	123,266	0.83%
Great River Energy	Utility	4,482,600	89,652	0.60%
Great Lakes Gas	Utility	3,933,500	78,670	0.53%
Individuals	Seasonal/Resort	3,537,800	39,652	0.27%
Baybridge, LLC	Seasonal/Resort	3,292,800	36,027	0.24%
Individual	Seasonal	2,388,700	28,705	0.19%
Partridge Run LLC	Seasonal	2,270,200	27,128	0.18%
Individuals	Seasonal	2,240,000	26,750	0.18%
Burlington Northern Railroad	Railroad	1,181,200	23,624	0.16%
	TOTAL	45,940,500	802,482	5.37%

(Remainder of page left intentionally blank)

1 Includes full-time, part-time, and seasonal employees.

2 Provided by Cass County.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the "market value" of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called "estimated market value". This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The "taxable market value" is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at $76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of $30,400 at $76,000 of market value. For a homestead valued between $76,000 and $413,800, the exclusion is $30,400 minus nine percent of the valuation over $76,000. For a homestead valued at $413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue annually conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. The Department of Revenue produces two sales ratio calculations: 1) sales ratio for adjusted net tax capacity; and 2) sales ratio for estimated market value (see further discussion below).

Adjusted and Economic Market Value

"Adjusted market value" and "economic market value" reflect adjustments made to account for the effects of the sales ratio. The adjusted market value is determined by dividing the estimated market value of the jurisdiction by the net tax capacity sales ratio. Adjusted market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The economic market value is determined by dividing the assessed estimated market value of real estate by the estimated market value sales ratio and adding the assessor's estimated market value of personal property and utility, railroads, and minerals, if any. The economic market value is a sales ratio-adjusted measure of a community's property wealth.

Net Tax Capacity

Property taxes are calculated on the basis of the "net tax capacity value". Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per $100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

(Remainder of page left intentionally blank)

The following is a partial summary of these factors:

Property Tax Classifications

Class	Type of Property		2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015
			Class Rate Schedule (shown as a percent)				
1a	Residential Homestead:	First $500,000	1.00	1.00	1.00	1.00	1.00
		Over $500,000	1.25	1.25	1.25	1.25	1.25
1c	Commercial seasonal-residential recreational- under 250 days and includes homestead						
	First $600,000		0.50	0.50	0.50	0.50	0.50
	$600,000-2,300,000		1.00	1.00	1.00	1.00	1.00
	Over $2,300,000*		1.25	1.25	1.25	1.25	1.25
2a	Agricultural Homestead - House, Garage, One Acre: (HGA)						
	First $500,000		1.00	1.00	1.00	1.00	1.00
	Over $500,000		1.25	1.25	1.25	1.25	1.25
	Remainder of Farm** -	First $1,010,000					
		Over $1,010,000					
		First $1,140,000	0.50				
		Over $1,140,000	1.00				
		First $1,210,000		0.50			
		Over $1,210,000		1.00			
		First $1,290,000			0.50		
		Over $1,290,000			1.00		
		First $1,500,000				0.50	0.50
		Over $1,500,000				1.00	1.00
	Agricultural Homestead Land[1]		1.00	1.00	1.00	1.00	1.00
2a	Non-Homestead Agricultural Productive Land**		1.00	1.00	1.00	1.00	1.00
2b	Non-Homestead Rural Vacant Land[2]		1.00	1.00	1.00	1.00	1.00
3a	Commercial/Industrial and Public Utility*						
	First $150,000		1.50	1.50	1.50	1.50	1.50
	Over $150,000		2.00	2.00	2.00	2.00	2.00
4a	Apartment (4+ units, incl. private for-profit hospitals)		1.25	1.25	1.25	1.25	1.25
4b(4)	Unimproved Residential		1.25	1.25	1.25	1.25	1.25
4bb(1)	Residential Non-Homestead (Single Unit)						
	First $500,000		1.00	1.00	1.00	1.00	1.00
	Over $500,000		1.25	1.25	1.25	1.25	1.25
4bb(2)	Ag Non-Homestead (Single Unit, Garage and 1 acre)						
	First $500,000		1.00	1.00	1.00	1.00	1.00
	Over $500,000		1.25	1.25	1.25	1.25	1.25
4c(1)	Seasonal Residential Recreational/Commercial*						
	(Resort):	First $500,000	1.00	1.00	1.00	1.00	1.00
		Over $500,000	1.25	1.25	1.25	1.25	1.25
4c(2)	Qualifying Golf Courses		1.25	1.25	1.25	1.25	1.25
4c(12)	Seasonal Residential Recreational*						
	Non Commercial (Cabin)[3]:	First $76,000**		1.00	1.00	1.00	1.00
		$76,000-$500,000**		1.00	1.00	1.00	1.00
		Over $500,000**		1.25	1.25	1.25	1.25
4d	Qualifying Low-Income Rental Housing						
		First $100,000	0.75	0.75	0.75	0.75	0.75
		Over $100,000	0.75	0.75	0.75	0.75	0.25

* Subject to state general property tax.

** Exempt from referendum market value based taxes.

[1] Homestead remainder & non-homestead; includes structures.

[2] Homestead remainder & non-homestead; includes ancillary structures.

[3] Note: For purposes of the state general property tax only, non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First $76,000 0.40%, $76,001-$500,000 1.00% and over $500,000 1.25%.

ECONOMIC AND FINANCIAL INFORMATION[1]

Valuations

	2014/2015 Estimated Market Value	2014/2015 Net Tax Capacity
Real Property		
Cass County	1,446,096,200	14,257,976
	1,446,096,200	14,257,976
Personal Property		
Cass County	34,722,900	678,189
	34,722,900	678,189.00
Less: Tax Increment Deduction		
Cass County	-	973
	-	973
Total Valuation	1,480,819,100	14,935,192

Economic Market Value[2]

Economic market value (described in detail under "MINNESOTA VALUATIONS, PROPERTY TAX CLASSIFICATIONS" herein) has been calculated as shown below.

	$1,445,021,663	Estimated Market Value of Locally Assessed Real Property (as of January 1, 2014 for taxes payable 2015)
÷	94.10%	Minnesota Department of Revenue 2014 Estimated Market Value Sales Assessment Ratio
=	$1,535,580,463	Economic Market Value of Locally Assessed Real Property
+	$34,787,000	Estimated Market Value of Personal Property
+	$3,532,900	Estimated Market Value of Utility, Railroads, and Minerals
=	$1,573,900,363	Total Economic Market Value

Adjusted Market Value

Adjusted market value (described in detail under "MINNESOTA VALUATIONS, PROPERTY TAX CLASSIFICATIONS" herein) has been calculated as shown below, and is also used in the "Summary of Debt and Debt Statistics."

	$1,480,819,100	Estimated Market Value of real and personal property (as of January 1, 2014 for taxes payable 2015)
÷	94.8%	Minnesota Department of Revenue 2014 Net Tax Capacity Sales Assessment Ratio
=	$1,562,045,464	Adjusted Market Value of Real and Personal Property

[1] Information in this section provided by Cass County unless noted otherwise.

[2] Source: Minnesota Department of Revenue website at: http://www.revenue.state.mn.us/propertytax/Pages/statistics-imv.aspx

Sales Assessment Ratios[1]

Sales assessment ratios have been as follows:

Year	Ratio	Year	Ratio
2014	94.8%	2010	100.7%
2013	99.0	2009	97.1
2012	103.8	2008	83.5
2011	102.3	2007	73.1

Valuation Trends

In 2011, the State Legislature eliminated the Homestead Market Value Credit for homestead residential property and replaced it with "Homestead Market Value Exclusion". Beginning with taxes payable in 2012, this results in a reduction in the Taxable Market Value of the residential homestead property portion of the District's value.

Valuation trends have been as follows:

Levy Year/Collection Year	Adjusted Market Value	Indicated Market Value	Estimated Market Value	Taxable Market Value	Tax Capacity Before Tax Increments*	Tax Capacity After Tax Increments**
2014 / 2015	1,562,045,464	N/A	1,480,819,100	1,443,743,400	14,936,165	14,935,192
2013 / 2014	1,478,215,657	N/A	1,463,433,500	1,426,963,400	14,758,478	14,757,746
2012 / 2013	1,476,614,451	N/A	1,532,725,800	1,496,659,300	15,468,457	15,467,721
2011 / 2012	N/A	1,514,186,315	N/A	1,549,012,600	15,992,492	15,992,492
2010 / 2011	N/A	1,626,311,420	N/A	1,637,695,600	16,790,832	16,790,832
2009 / 2010	N/A	1,792,777,755	N/A	1,740,787,200	17,439,998	17,439,998
2008 / 2009	N/A	1,994,877,725	N/A	1,665,722,900	17,083,373	17,083,373

* Before power line adjustments
** After power line adjustments

Breakdown of Valuations

2014/2015 Tax Capacity, Real and Personal Property (before tax increment and power line adjustments):

Net Tax Capacity Breakdown	Total	%
Residential Homestead	3,204,568	21.46%
Agricultural	1,427,047	9.55%
Commercial & Industrial	359,885	2.41%
Public Utility	46,407	0.31%
Railroad Operating	23,624	0.16%
Residential Non-Homestead	326,291	2.18%
Seasonal/Recreational Comm. & Residt'l	180,212	1.21%
Other Non-profits	8,689,942	58.18%
Personal Property	678,189	4.54%
TOTAL	14,936,165	100.00%

[1] Data obtained from the District's Levy Limitation and Certification Report that can be obtained from Minnesota Department of Education website at http://education.state.mn.us/MDE/index.html.

Tax Capacity Rates

Following are tax rates for a resident residing in the City of Remer for the past five assessable/collection years:

Levy Year/Collection Year	2010/2011 Tax Capacity Rates	2011/2012 Tax Capacity Rates	2012/2013 Tax Capacity Rates	2013/2014 Tax Capacity Rates	2014/2015 Tax Capacity Rates
Cass County*	28.573%	29.513%	30.268%	31.005%	30.567%
City of Remer	99.712%	114.165%	106.670%	107.896%	109.244%
ISD 118, Northland	3.070%	3.159%	1.983%	2.684%	4.871%
Region V	0.101%	0.110%	0.123%	0.133%	0.132%
Remer Area Ambulance District	0.821%	0.737%	1.344%	2.087%	2.071%
Total	132.277%	147.684%	140.388%	143.805%	146.885%

* Cass County tax rates do not include Longville Ambulance District

Tax Levies and Collections

Levy Year/Collection Year	TOTAL 2010/ 2011	TOTAL 2011/ 2012	TOTAL 2012/ 2013	TOTAL 2013/ 2014	TOTAL 2014/ 2015
Original Gross Tax Levy	793,429.00	821,527.00	694,663.00	708,284.00	1,005,928.00
Property Tax Credits*	(20,945.00)	(1,715.00)	(1,073.00)	(1,370.00)	(268.00)
Levy Adjustments	(641.00)	(238.00)	(74.00)	(87.00)	-
Net Tax Levy	771,843.00	819,574.00	693,516.00	706,827.00	1,005,660.00
Amount Collected During Collection Year	754,363.00	802,454.00	678,953.00	693,702.00	In Process of Collection
Percent of Net Tax Levy Collected During Collection Year	97.74%	97.91%	97.90%	98.14%	
Amount Delinquent at End of Collection Year	17,480.00	17,120.00	14,563.00	13,125.00	
Delinquencies Collected As of 10/20/2015	(15,220.00)	(14,029.00)	(10,128.00)	(5,738.00)	
Delinquencies Abated or Cancelled as of 10/20/2015	(209.00)	(134.00)	(234.00)	-	
Total Delinquencies Outstanding as of 10/20/2015	2,051.00	2,957.00	4,201.00	7,387.00	
Percent of Total Net Tax Levy Collected	99.73%	99.64%	99.39%	98.95%	

**Property tax credits are aids provided by the State of Minnesota and paid directly to the District.*

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SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit

Minnesota Statutes, Section 475.53, subdivision 4, states that a district may not incur or be subject to a net debt in excess of fifteen percent (15%) of its estimated market value or adjusted market value, whichever results in a higher value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of December 2, 2015:

2014/2015 Adjusted Market Value	$1,562,045,464
Times 15% of Adjusted Market Value	x 0.15
Statutory Debt Limit	$234,306,820
Amount of debt applicable to debt limit:	
$1,250,000 G.O. School Building Bonds, Series 2009A	550,000
$26,220,000 G.O. School Building Bonds, Series 2016A (this issue)	26,220,000
Total debt applicable to debt limit	$26,770,000
Legal debt margin	$207,536,820

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ISD 118, Northland Community Schools

General Obligation Debt Payable from Ad Valorem Taxes
*(shown by fiscal year and as of December 2, 2015)**

Purpose	General Obligation School Building Bonds, Series 2009A	General Obligation School Building Bonds, Series 2016A (this issue)		
Dated:	1/13/2009	2/11/2016		
Par Amount:	1,250,000	26,220,000		
Maturity:	1-Feb	1-Feb	**Total**	**Total**
Footnote:		A	**Principal**	**P & I**
2016	130,000	-	130,000	141,048
2017	135,000	545,000	680,000	1,392,451
2018	140,000	690,000	830,000	1,531,759
2019	145,000	705,000	850,000	1,539,396
2020	-	870,000	870,000	1,544,989
2021	-	895,000	895,000	1,558,244
2022	-	925,000	925,000	1,574,819
2023	-	950,000	950,000	1,584,279
2024	-	990,000	990,000	1,606,799
2025	-	1,030,000	1,030,000	1,626,999
2026	-	1,070,000	1,070,000	1,644,957
2027	-	1,115,000	1,115,000	1,665,240
2028	-	1,155,000	1,155,000	1,677,365
2029	-	1,190,000	1,190,000	1,680,833
2030	-	1,230,000	1,230,000	1,686,442
2031	-	1,265,000	1,265,000	1,684,419
2032	-	1,300,000	1,300,000	1,680,710
2033	-	1,340,000	1,340,000	1,680,280
2034	-	1,380,000	1,380,000	1,677,936
2035	-	1,425,000	1,425,000	1,678,638
2036	-	1,470,000	1,470,000	1,677,183
2037	-	1,515,000	1,515,000	1,673,526
2038	-	1,565,000	1,565,000	1,672,774
2039	-	1,600,000	1,600,000	1,654,720
TOTAL	550,000	26,220,000	26,770,000	37,535,800

* Debt summary reflects payments for issues subject to mandatory redemption. For more information please refer to the applicable official statement that can viewed by borrower at: http://emma.msrb.org/search

A) Principal and interest are preliminary, subject to change.

Indirect Debt[1]

Issuer	2014/2015 Tax Capacity Value	2014/2015 Tax Capacity Value in District	Percentage Applicable to District	Net General Obligation Debt[2]	Taxpayers' Share of Debt
Cass County	$64,560,715	$14,935,192	23.13%	$922,685[3]	$ 213,450
City of Remer	178,499	178,499	100.00%	616,687[3]	616,687
				Net Indirect Debt	$830,137

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[1] Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, general obligation debt supported by revenues, short-term obligation debt or general obligation tax/aid anticipation certificates of indebtedness.

[2] Net debt figures are as of December 2, 2015 and obtained from EMMA website at http://emma.msrb.org/Search/Search.aspx unless noted otherwise.

[3] Net debt figures are as of December 31, 2014 and obtained from Cass County

Direct Debt

Bonds secured by ad valorem taxes (includes this issue)	$26,770,000
Direct Debt	$26,770,000
Add taxpayers' share of indirect debt	830,137
Direct and Indirect Debt	$27,600,137

Factors for Ratio Computations

2014/2015 Adjusted Market Value (real and personal property)	$1,562,045,464
District Population (2015 estimate)	4,435

Debt Ratios

	Direct Debt	Indirect Debt	Direct and Indirect Debt
To Adjusted Market Value	1.71%	0.05%	1.76%
Per Capita	$6,036	$187	$6,223

APPENDIX A

LEGAL OPINION

KNUTSON, FLYNN & DEANS, P.A.
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$26,220,000*
GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2016A
INDEPENDENT SCHOOL DISTRICT NO. 118
(NORTHLAND COMMUNITY SCHOOLS)
CASS COUNTY, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 118 (Northland Community Schools), Cass County, Minnesota (the "District"), of its General Obligation School Building Bonds, Series 2016A (the "Bonds"), in the aggregate principal amount of $26,220,000*, bearing a date of original issue of February 11, 2016. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

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

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

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

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

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

DATED at Mendota Heights, Minnesota, this 11th day of February 2016.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX B

CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE
(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 118 (Northland Community Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2016A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on January 12, 2016 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

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

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly relating to the following: (a) ECONOMIC AND FINANCIAL INFORMATION, (b) SUMMARY OF DEBT AND DEBT STATISTICS and (c) DISTRICT GENERAL INFORMATION.-."Major Employers".

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated as of this 11th day of February 2016.

INDEPENDENT SCHOOL DISTRICT NO. 118
REMER, MINNESOTA

By: ______________________________
Chair

And: ______________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX C

AUDITED FINANCIAL STATEMENT

Annual Financial Report

Independent School District No. 118
Northland Community Schools
Remer, Minnesota

For the Year Ended
June 30, 2015

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF EDUCATION

Name	Title	Term Expires
Etta Shepard	Chair	12/31/16
Dan Switzer	Vice-Chairperson	12/31/18
Diane Jensen	Clerk	12/31/18
Linda Knox	Treasurer	12/31/16
Terry Gross	Director	12/31/16
Donna deNeui	Director	12/31/16
Jenny Francis	Director	12/31/18

ADMINISTRATION

Tim Mayclin	Superintendent

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FINANCIAL SECTION

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Independent School District No. 118
Northland Community Schools
Remer, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 118, Northland Community Schools, (the District), Remer, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

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Other Matters

Change in Accounting Standards

As described in Note 7 to the financial statements, the School adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Funding Progress and Employer Contributions on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and table and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 10, 2015

People + Process. Going Beyond the Numbers

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Management’s Discussion and Analysis

As management of Independent School District No. 118, Northland Community Schools (the District), Remer, Minnesota, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $424,638 (*net position*).

- The District’s total net position increased by $224,062. This increase can be attributed to revenues exceeding expenditures.

- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of $2,440,186, an increase of $150,258 in comparison with the prior year. Of this total amount, $1,607,334 is available for spending at the District’s discretion (unassigned fund balance).

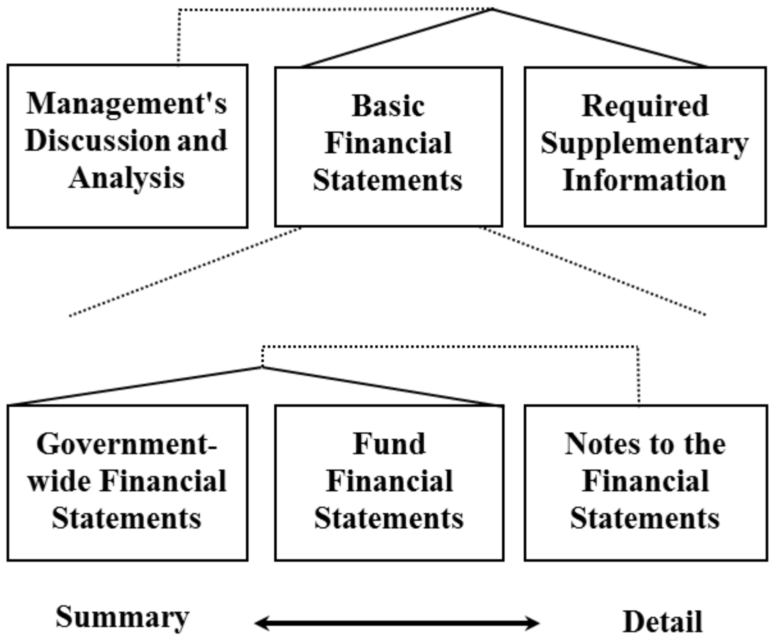
- At the end of the current fiscal year, unassigned fund balance for the General fund was $1,607,334 or 26.5 percent of total General fund expenditures.

- The District’s total long-term debt increased $3,007,508 during the current fiscal year. The increase is a direct result of the implementation of GASB Statement No. 68 in which the District is required to report its proportionate share of the Minnesota Teacher’s Retirement Association (TRA) and Minnesota Public Employees Retirement Association (PERA) net pension liabilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 118, Northland Community Schools Annual Financial Report



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

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide financial statements. The d*istrict-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows, liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled "governmental activities":

> *Governmental activities*: The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 26 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, which is considered to be a major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on starting page 37 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 68 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $424,638 at the close of the most recent fiscal year.

By far, the largest portion of the District's net position (356.5 percent) reflects its investment in capital assets (e.g., land, land improvements, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Independent School District No. 118, Northland Community Schools's Net Position

	Governmental Activities		
	2015	2014	Increase (Decrease)
Assets			
Current and other assets	$ 3,908,297	$ 3,454,867	$ 453,430
Capital assets, net of depreciation	2,359,490	2,381,006	(21,516)
Total assets	6,267,787	5,835,873	431,914
Deferred outflows of resources			
Deferred pension resources	528,359	-	528,359
Liabilities			
Noncurrent liabilities outstanding	3,934,277	926,769	3,007,508
Other liabilities	527,417	526,540	877
Total liabilities	4,461,694	1,453,309	3,008,385
Deferred inflows of resources			
Property taxes levied for subsequent year	932,476	615,928	316,548
Deferred pension resources	977,338	-	977,338
Total deferred inflows of resources	1,909,814	615,928	1,293,886
Net position			
Net investment in capital assets	1,513,726	1,508,602	5,124
Restricted for			
Educational purposes	660,255	559,755	100,500
Food service	68,519	64,120	4,399
Debt service	43,409	67,332	(23,923)
Unrestricted	(1,861,271)	1,566,827	(3,428,098)
Total net position	$ 424,638	$ 3,766,636	$ (3,341,998)

A portion of the District's net position represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

At the end of the current fiscal year, the District is unable to report positive balances in all three categories of net position with the unrestricted balance reporting a deficit $1,861,271. The District's net position increased $224,062 during the current fiscal year. The follows table summarizes the changes in net position.

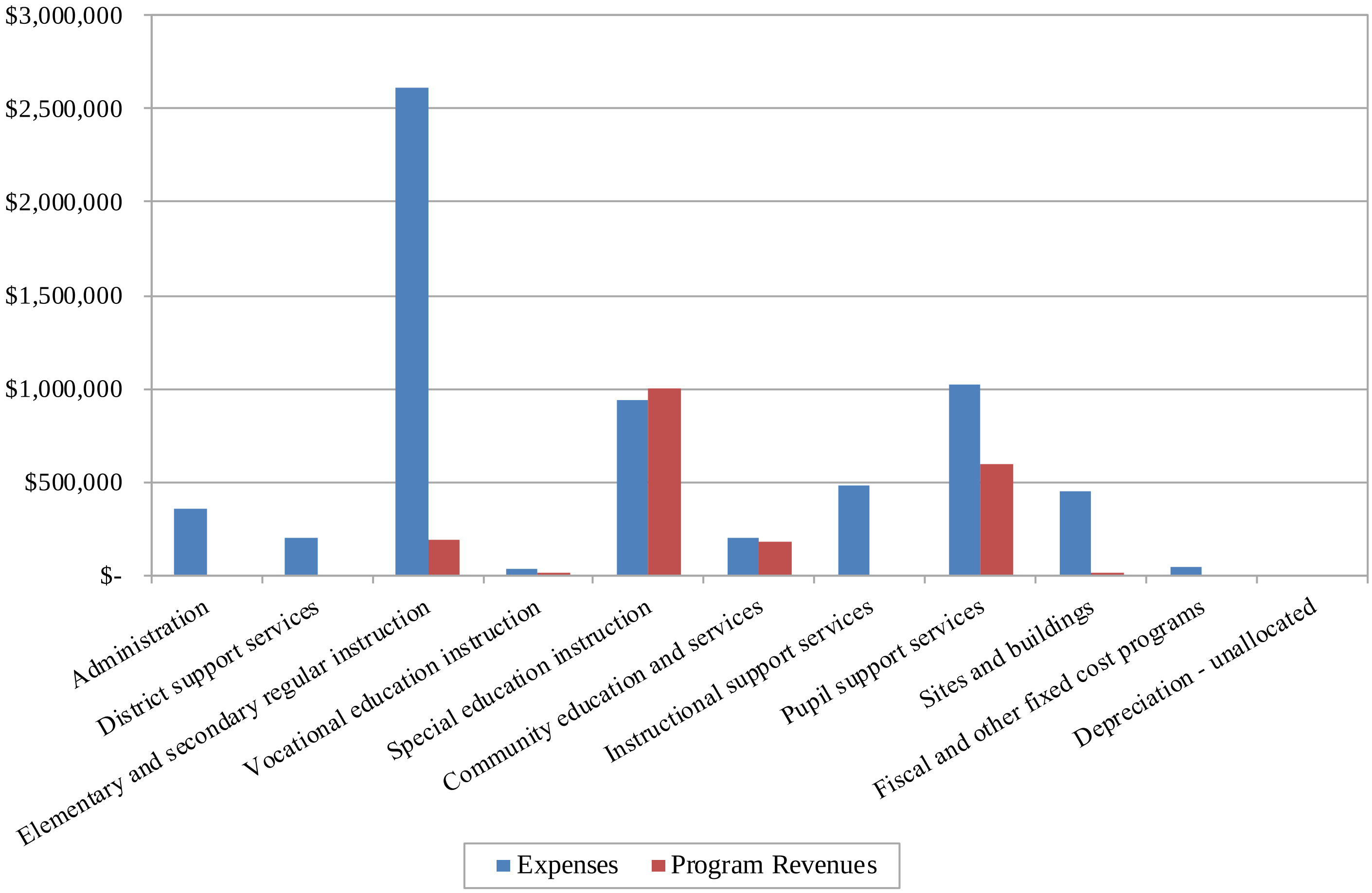
Independent School District No. 118, Northland Community Schools' Changes in Net Position

	Governmental Activities		
	2015	2014*	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 135,509	$ 134,803	$ 706
Operating grants and contributions	1,841,755	1,951,221	(109,466)
Capital grants and contributions	15,769	11,606	4,163
General revenues			
Property taxes	940,705	758,435	182,270
State aid-formula grants	3,387,739	3,277,865	109,874
Investment earnings	11,612	6,608	5,004
Gain on the sale of assets	30,000	6,492	23,508
Other	202,541	163,934	38,607
Total revenues	6,565,630	6,310,964	254,666
Expenses			
Administration	361,199	392,000	(30,801)
District support services	204,978	219,043	(14,065)
Elementary and secondary regular instruction	2,608,534	2,504,555	103,979
Vocational education instruction	32,966	44,566	(11,600)
Special education instruction	934,205	1,024,374	(90,169)
Community education and services	205,976	142,402	63,574
Instructional support services	480,572	367,398	113,174
Pupil support services	1,021,993	773,195	248,798
Sites and buildings	447,267	521,187	(73,920)
Fiscal and other fixed cost programs	43,878	59,763	(15,885)
Depreciation - unallocated	-	33,424	(33,424)
Total expenses	6,341,568	6,081,907	259,661
Change in net position	224,062	229,057	(4,995)
Net position, July 1 as restated*	200,576	3,537,579	(3,337,003)
Net position, June 30	$ 424,638	$ 3,766,636	$ (3,341,998)

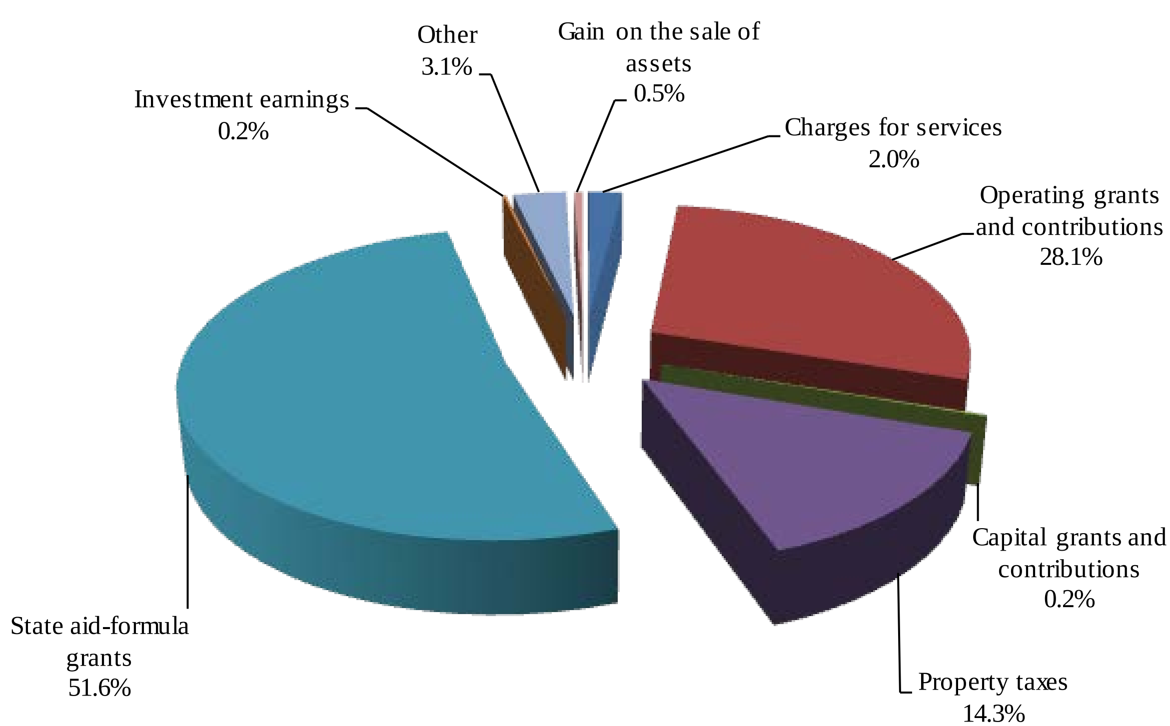
* GASB Statement No. 68 was implemented for the year ended June 30, 2015 and required a $764,663 restatement of beginning net position. Prior year amounts were not restated causing a variance in ending net position at June 30, 2014 and beginning net position on July 1, 2015. See Note 6.

The revenues increased in total $254,666, mainly due to property taxes and State aid grants. The expenditures increase of $259,661 are mainly due to increase in pupil support services and instructional support services.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $2,440,186, an increase of $150,258 in comparison with the prior year. Approximately 66 percent ($1,607,334) constitutes unassigned fund balance that is available for spending at the District's discretion. The remainder of fund balance ($832,852) is not available for new spending because it is either 1) nonspendable ($4,033), 2) restricted ($774,454), or 3) assigned ($54,365).

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund was $1,607,334, while total fund balance was $2,113,563. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26.5 percent of total General fund expenditures, while total fund balance represents approximately 24.1 percent of that same amount.

The fund balance of the District's General fund increased $153,764 during the current fiscal year.

The most significant revenue source for the District is from state sources which include general education funding and special education funding. Revenues from State sources consist of 66 percent of the total General fund revenues for 2015 compared to 73 percent in fiscal year 2014. General property taxes account for 13.5 percent and 10.2 percent of the total General fund revenues for fiscal year 2015 and 2014, respectively.

General Fund Budgetary Highlights

The General fund revenues were $98,837 under budget while the expenditures were $128,279 under budget. A negative budget variance ($157,405) in revenue from state sources accounted for a majority of the variance. All programs were under budget with the exception of capital outlay, which was over budget by $246,273.

Food Service Fund

This fund accounts for all expenses of the National School Lunch and Breakfast programs. The District continued to offer free and reduced lunches as required by law. The District is anticipating that over 60 percent of students will qualify for free/reduced lunches for the 2015-16 FY. The district will continue to implement new healthy food options like Fresh Fruits and Vegetable grant for 2015-16 FY school year. The District continues to look at the Food Service Department staffing structure and budget due to the decreased fund balance. Food and salary costs continue to increase along with ensuring compliance with all federal and state regulations and agencies such as the Department of Health, Food and Nutrition Services Department to remain in compliance.

Community Service Fund

The Community Service fund includes expenses and revenues of educational and recreational programs that are *not* part of the "regular" K-12 and special education programs:

- Early Childhood Family Education (ECFE) & School Readiness
- Programs for Adults
- Programs for Youth
- Classes & Recreational programs

The Community Service fund showed an increase in overall restricted fund balance of $20,431 as of June 30, 2015. For School Readiness, the District ended with a fund balance of $42,936. The ECFE fund balance was $79,904 and the Community Education fund balance was $72,574. The balance of $12,977 was restricted for expenditures related to grants.

Debt Service Fund

The principal and interest payments on the District's voter-approved building bonds are tracked within the Debt Service fund. The Debt Service fund balance decreased $28,336 in FY15. The District's Levy authority is determined by the principal and interest payments on the building bonds for each year.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2015, amounts to $2,359,490 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was minimal. The total depreciation expense for the year was $344,850. The following is a schedule of capital assets as of June 30, 2015.

Independent School District No. 118, Northland Community Schools' Capital Assets
(net of depreciation)

	Governmental Activities		
	2015	2014	Increase (Decrease)
Land	$ 10,920	$ 10,920	$ -
Land improvements	78,792	83,950	(5,158)
Buildings and improvements	1,150,422	1,255,260	(104,838)
Equipment	1,119,356	1,030,876	88,480
Total	$ 2,359,490	$ 2,381,006	$ (21,516)

Additional information on the District's capital assets can be found in Note 3C on page 47 of this report.

Long-term debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding of $550,000. The District also had a net pension liability of $3,043,325, other postemployment benefits payable of $45,188, outstanding capital lease balance of $295,764 reported as long-term debt at year end.

Independent School District No. 118, Northland Community Schools' Outstanding Debt

	Governmental Activities		
	2015	2014	Increase (Decrease)
General obligation bonds	$ 550,000	$ 675,000	$ (125,000)
Capital lease payable	295,764	197,404	98,360
Net pension liability	3,043,325	-	3,043,325
Other postemployment benefits payable	45,188	54,365	(9,177)
Total	$ 3,934,277	$ 926,769	$ 3,007,508

The District's total debt increased $3,007,508 during the current fiscal year due to the implementation of GASB Statement No. 68 in which the District is required to report its proportionate share of the Minnesota Teacher's Retirement Association (TRA) and Minnesota Public Employees Retirement Association (PERA) net pension liabilities.

Additional information on the District's long-term debt can be found in Note 3E starting on page 49 of this report.

Factors Bearing on the District's Future

Our buildings are getting older and this has raised our levels of concern as more and more money is being put into upkeep and upgrades to help us meet Health and Safety and MDE standards. We are deficient in many areas including but not limited to Indoor Air Quality. We are working to correct these deficiencies either through Health and Safety levy or a Building Bond Referendum.

The District also continues to upgrade technology and infrastructure necessary to meet our 1:1 initiative for 21st Century Learning Along with technology needs the District is also working to update our transportation bus fleet. We are a large and sparse district with many dirt roads that take a toll on the fleet daily.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tim Mayclin, Superintendent, Independent School District No. 118, Northland Community Schools, 316 Main Street East, Remer, Minnesota 56672.

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and temporary investments	$ 2,949,588
Receivables	
Taxes	460,452
Accounts	39,902
Due from Department of Education	372,327
Due from Federal government	81,995
Inventories	4,033
Capital assets	
Land	10,920
Depreciable (net of accumulated depreciation)	2,348,570
TOTAL ASSETS	6,267,787
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension resources	528,359
LIABILITIES	
Accounts and other payables	40,968
Accrued salaries payable	416,238
Due to other governments	61,005
Accrued interest payable	9,206
Noncurrent liabilities	
Due within one year	223,601
Due in more than one year	3,710,676
TOTAL LIABILITIES	4,461,694
DEFERRED INFLOWS OF RESOURCES	
Property taxes levied for subsequent year	932,476
Deferred pension resources	977,338
TOTAL DEFERRED INFLOWS OF RESOURCES	1,909,814
NET POSITION	
Net investment in capital assets	1,513,726
Restricted for	
Educational purposes	660,255
Food service	68,519
Debt service	43,409
Unrestricted	(1,861,271)
TOTAL NET POSITION	$ 424,638

The notes to the financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 361,199	$ -	$ -	$ -	$ (361,199)
District support services	204,978	-	-	-	(204,978)
Elementary and secondary regular instruction	2,608,534	17,288	160,846	15,769	(2,414,631)
Vocational education instruction	32,966	-	5,762	-	(27,204)
Special education instruction	934,205	-	1,006,392	-	72,187
Community education and services	205,976	67,032	117,910	-	(21,034)
Instructional support services	480,572	-	-	-	(480,572)
Pupil support services	1,021,993	49,189	550,845	-	(421,959)
Sites and buildings	447,267	2,000	-	-	(445,267)
Fiscal and other fixed cost programs	43,878	-	-	-	(43,878)
Total governmental activities	$ 6,341,568	$ 135,509	$ 1,841,755	$ 15,769	(4,348,535)

General revenues	
Taxes	
Property taxes, levied for general purposes	800,113
Property taxes, levied for community service	38,503
Property taxes, levied for debt service	102,089
State aid-formula grants	3,387,739
Other general revenues	202,541
Unrestricted investment earnings	11,612
Gain on the sale of assets	30,000
Total general revenues	4,572,597
Change in net position	224,062
Net position, July 1 as restated (Note 7)	200,576
Net position, June 30	$ 424,638

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and temporary investments	$ 2,536,063	$ 129,356	$ 284,169	$ 2,949,588
Receivables				
Taxes	367,696	66,658	26,098	460,452
Accounts	39,902	-	-	39,902
Due from Department of Education	342,394	75	29,858	372,327
Due from Federal government	81,995	-	-	81,995
Inventories	-	-	4,033	4,033
TOTAL ASSETS	$ 3,368,050	$ 196,089	$ 344,158	$ 3,908,297
LIABILITIES				
Accounts and other payables	$ 38,531	$ -	$ 2,437	$ 40,968
Accrued salaries payable	408,694	-	7,544	416,238
Due to other governments	61,005	-	-	61,005
TOTAL LIABILITIES	508,230	-	9,981	518,211
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes	13,268	2,902	1,254	17,424
Property taxes levied for subsequent year	732,989	143,474	56,013	932,476
TOTAL DEFERRED INFLOWS OF RESOURCES	746,257	146,376	57,267	949,900
FUND BALANCES				
Nonspendable				
Inventories	-	-	4,033	4,033
Restricted				
Deferred maintenance	43,026	-	-	43,026
Health and safety	24,184	-	-	24,184
Individual learning and development	13,474	-	-	13,474
Operating capital	305,246	-	-	305,246
Gifted and talented	4,635	-	-	4,635
Teacher development and evaluation	11,699	-	-	11,699
Basic skills	41,892	-	-	41,892
Safe schools - crime levy	7,708	-	-	7,708
Food service	-	-	64,486	64,486
Community education	-	-	72,574	72,574
Early childhood family education	-	-	79,904	79,904
School readiness	-	-	42,936	42,936
Debt service	-	49,713	-	49,713
Other	-	-	12,977	12,977
Assigned				
Separation/retirement benefits	54,365	-	-	54,365
Unassigned	1,607,334	-	-	1,607,334
TOTAL FUND BALANCES	2,113,563	49,713	276,910	2,440,186
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,368,050	$ 196,089	$ 344,158	$ 3,908,297

The notes to the financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because

Total fund balances - governmental funds	$	2,440,186
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		6,586,024
Less: accumulated depreciation		(4,226,534)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year end consist of		
Other postemployment benefits payable		(45,188)
Bond principal payable		(550,000)
Capital lease payable		(295,764)
Pension liability		(3,043,325)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.		17,424
Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of resources		528,359
Deferred inflows of resources		(977,338)
Governmental funds do not report a liability for accrued interest until due and payable.		(9,206)
Total net position - governmental activities	$	424,638

The notes to the financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Debt Service	Other Governmental Funds	Total
REVENUES				
Local property tax levies	$ 802,705	$ 119,315	$ 38,503	$ 960,523
Other local and county revenue				
Interest earned on investments	1,414	4,058	6,140	11,612
Other	200,986	-	147,182	348,168
Revenue from state sources	4,300,894	461	49,949	4,351,304
Revenue from federal sources	585,382	-	175,513	760,895
Local sales and insurance recovery	66,940	-	49,189	116,129
TOTAL REVENUES	5,958,321	123,834	466,476	6,548,631
EXPENDITURES				
Current				
Administration	367,789	-	-	367,789
District support services	206,128	-	-	206,128
Elementary and secondary regular instruction	2,516,074	-	-	2,516,074
Vocational education instruction	33,499	-	-	33,499
Special education instruction	940,721	-	-	940,721
Community education and services	-	-	208,067	208,067
Instructional support services	305,716	-	-	305,716
Pupil support services	574,391	-	233,579	807,970
Sites and buildings	482,004	-	-	482,004
Fiscal and other fixed cost programs	22,273	-	-	22,273
Capital outlay	617,476	-	-	617,476
Debt service				
Principal	-	125,000	-	125,000
Interest and other	-	27,170	-	27,170
TOTAL EXPENDITURES	6,066,071	152,170	441,646	6,659,887
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(107,750)	(28,336)	24,830	(111,256)
OTHER FINANCING SOURCES				
Capital lease issued	261,514	-	-	261,514
NET CHANGE IN FUND BALANCES	153,764	(28,336)	24,830	150,258
FUND BALANCES, JULY 1	1,959,799	78,049	252,080	2,289,928
FUND BALANCES, JUNE 30	$ 2,113,563	$ 49,713	$ 276,910	$ 2,440,186

The notes to the financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of activities are different because

Total net change in fund balances - governmental funds	$	150,258
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 outlays		293,334
Depreciation expense		(344,850)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.		
Gain on sale of capital assets		30,000
The issuance of long term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond principal repayments		125,000
Capital lease principal repayments		163,154
Capital lease issued or incurred		(261,514)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		5,565
Long-term pension activity is not reported in governmental funds.		
Pension expense		66,939
Direct aid contributions		6,817
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.		(19,818)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Other postemployment benefits		9,177
Change in net position - governmental activities	$	224,062

The notes to the financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES				
Local property tax levies	$ 771,471	$ 771,471	$ 802,705	$ 31,234
Other local and county revenue				
Interest income on investments	8,000	8,000	1,414	(6,586)
Other	172,989	172,989	200,986	27,997
Revenue from State sources	4,458,299	4,458,299	4,300,894	(157,405)
Revenue from Federal sources	606,847	606,847	585,382	(21,465)
Local sales and insurance recovery	39,552	39,552	66,940	27,388
TOTAL REVENUES	6,057,158	6,057,158	5,958,321	(98,837)
EXPENDITURES				
Current				
Administration	404,970	404,970	367,789	37,181
District support services	244,779	244,779	206,128	38,651
Elementary and secondary regular instruction	2,555,911	2,555,911	2,516,074	39,837
Vocational education instruction	41,359	41,359	33,499	7,860
Special education instruction	990,767	990,767	940,721	50,046
Instructional support services	308,595	308,595	305,716	2,879
Pupil support services	701,032	701,032	574,391	126,641
Sites and buildings	551,934	551,934	482,004	69,930
Fiscal and other fixed cost programs	23,800	23,800	22,273	1,527
Capital outlay	371,203	371,203	617,476	(246,273)
TOTAL EXPENDITURES	6,194,350	6,194,350	6,066,071	128,279
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(137,192)	(137,192)	(107,750)	29,442
OTHER FINANCING SOURCES				
Capital lease issued	-	-	261,514	261,514
NET CHANGE IN FUND BALANCES	(137,192)	(137,192)	153,764	290,956
FUND BALANCES, JULY 1	1,959,799	1,959,799	1,959,799	-
FUND BALANCES, JUNE 30	$ 1,822,607	$ 1,822,607	$ 2,113,563	$ 290,956

The notes to the financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency
ASSETS	
Cash and cash equivalents	$ 41,127
NET POSITION	
Expendable	$ 41,127

The notes to the financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency
ADDITIONS	
Interest income on investments	$ 3,368
NET POSITION, JULY 1	37,759
NET POSITION, JUNE 30	$ 41,127

The notes to the financial statements are an integral part of this statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Independent School District No. 118, Northland Community Schools (the District), Remer, Minnesota is an Independent School District governed by a Board of Education comprised of seven elected members. The accompanying financial statements present the District and entities for which the District is considered to be financially accountable. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and fund financial statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as p*rogram revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state aid formula grants, and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Measurement focus, basis of accounting and financial statement presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as 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.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of funds

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

Major governmental funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Non-major governmental funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Fiduciary funds

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The District's agency fund accounts for money held in certificates of deposit that is used to provide scholarships for students.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities, deferred inflows of resources and net position/fund balance

Deposits and investments

The District's 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 balances from all funds are pooled and invested to the extent available in certificates of deposits and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The Board of Education annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift.” The remaining portion of taxes collectible in 2015 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Current property taxes receivable is the uncollected portion of the taxes levied in 2014 and collectible in 2015. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2014 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year is current property taxes receivable.

Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Capital assets include property, plant, and equipment. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings	20 - 50
Improvements other than buildings	20 - 50
Equipment	5 - 15

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Other postemployment benefits (OPEB) payable

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at July 1, 2014.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred inflows of resources

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is the deferred pension reported in the government-wide statement of net position. A deferred pension results from the difference between expected and actual experience, the net difference between projected and actual investments earnings on pension plan investments, changes in assumptions and changes in proportion and differences between entity contributions and proportionate share of contributions.

Long-term obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

Teachers Retirement Association (TRA)

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

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 merger into TRA in 2006. Additional information can be found in Note 5.

Public Employees Retirement Association (PERA)

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

Assigned - Amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the Board of Education delegates the authority. The Board of Education currently has the authority to assign amounts for specific purposes.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, special revenue funds and the Debt Service fund. All annual appropriations lapse at fiscal year-end. The budget was not amended for any fund listed above in 2015.

Budgets are prepared for the General, special revenue and Debt Service funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the Board of Education.

2. Budgets for all General, special revenue and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

3. Budgeted amounts are as amended.

4. Budget appropriations lapse at year end.

5. The legal level of control is the fund level.

6. The District does not use encumbrance accounting.

B. Excess of expenditures over appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the following funds:

Fund	Budget Amount	Actual Amount	Excess of Expenditures
Nonmajor			
Food service	$ 217,375	$ 233,579	$ 16,204
Community service	195,225	208,067	12,842

The above over-expenditures were funded by revenues more than budgeted.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at depository banks that are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits was $2,990,665 and the bank balance was $3,097,502. Of the bank balance, $500,000 was covered by federal depository insurance, $2,459,375 was covered by collateral held by the District's agent in the District's name, and the remaining $138,127 was uncollateralized.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

Carrying amount of deposits	$	2,990,665
Cash on hand		50
Total	$	2,990,715
As reported in the basic financial statements		
Statement of net position	$	2,949,588
Statement of fiduciary net position		41,127
Total	$	2,990,715

B. Property taxes

Current property taxes receivable are recorded for uncollected taxes levied in 2014 and payable in 2015. The total levy is deferred for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by deferred inflows of resources for delinquent taxes not received within 60 days after year end in the financial statements.

Taxes receivable by fund type is comprised of the following components:

	Major Funds		Nonmajor Funds	
Taxes Receivable	General	Debt Service	Community Service	Total
Current taxes	$ 347,015	$ 61,987	$ 24,183	$ 433,185
Delinquent taxes	20,681	4,671	1,915	27,267
Total reported taxes receivable	$ 367,696	$ 66,658	$ 26,098	$ 460,452

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 10,920	$ -	$ -	$ 10,920
Capital assets being depreciated				
Land improvements	103,155	-	-	103,155
Buildings	3,352,947	-	-	3,352,947
Equipment	2,970,261	323,334	(174,593)	3,119,002
Total capital assets being depreciated	6,426,363	323,334	(174,593)	6,575,104
Less accumulated depreciation for				
Land improvements	(19,205)	(5,158)	-	(24,363)
Buildings	(2,097,687)	(104,838)	-	(2,202,525)
Equipment	(1,939,385)	(234,854)	174,593	(1,999,646)
Total accumulated depreciation	(4,056,277)	(344,850)	174,593	(4,226,534)
Total capital assets being depreciated, net	2,370,086	(21,516)	-	2,348,570
Governmental activities capital assets, net	$ 2,381,006	$ (21,516)	$ -	$ 2,359,490

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

Governmental Activities	
Elementary and secondary regular instruction	$ 26,378
Instructional support services	48,935
Pupil support services	126,417
Sites and buildings	143,120
Total depreciation expense - governmental activities	$ 344,850

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital leases

Capital lease payable

Capital leases currently outstanding are as follows:

	Authorized and issued	Interest	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
Sovereign leasing school bus lease FY13	$ 183,578	2.95 %	7/15/2012	7/15/2016	$ 74,451	$ 36,684
Sovereign Leasing school bus lease FY14	86,274	4.50	10/1/2013	10/1/2017	51,746	16,849
Sovereign Leasing school bus lease FY15	82,197	2.40	12/12/2014	12/12/2018	65,096	15,702
Sovereign Leasing school bus lease FY15	75,807	2.40	12/12/2014	12/12/2018	60,036	14,482
GE Capital lease FY14	29,700	4.50	10/1/2013	10/1/2017	9,884	9,884
GE Capital lease FY15	103,509	0.90	7/1/2014	7/1/2016	34,551	-
					$ 295,764	$ 93,601

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30	Computers	School Buses	Total
2016	$ 10,589	$ 90,132	$ 100,721
2017	34,862	90,132	124,994
2018	-	51,251	51,251
2019	-	33,186	33,186
Total minimum lease payments	45,451	264,701	310,152
Less: amount representing interest	(1,016)	(13,372)	(14,388)
Present value of minimum lease payments	$ 44,435	$ 251,329	$ 295,764

The assets acquired through the capital leases are as follows:

	School Buses	Computer Equipment
Asset		
Equipment	$ 658,097	$ 225,865
Less: accumulated depreciation	(195,381)	(154,728)
Total	$ 462,716	$ 71,136

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. School Building Bonds, Series 2009A	$ 1,250,000	2.75 - 4.15 %	01/13/09	02/01/19	$ 550,000

Annual debt service requirements to maturity for all general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds Principal	Interest	Total
2016	$ 130,000	$ 22,095	$ 152,095
2017	135,000	17,155	152,155
2018	140,000	11,688	151,688
2019	145,000	6,018	151,018
Total	$ 550,000	$ 56,956	$ 606,956

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	$ 675,000	$ -	$ (125,000)	$ 550,000	$ 130,000
Capital lease payable	197,404	261,514	(163,154)	295,764	93,601
Other postemployment benefits payable	54,365	144,419	(153,596)	45,188	-
Pension liability					
TRA	-	2,947,556 *	(726,535)	2,221,021	-
PERA	-	1,013,739 *	(191,435)	822,304	-
Governmental activities long-term liabilities	$ 926,769	$ 4,367,228	$(1,359,720)	$ 3,934,277	$ 223,601

* Includes July 1, 2014 pension liability balance related to GASB 68 implementation. See Note 7 for further detail.

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Teacher Retirement Association (TRA)

1. *Plan description*

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

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

2. Benefits provided

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

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

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 as described:

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

With these provisions:

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

2. Three percent per year early retirement reduction factors for all years under normal retirement age.

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

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 for Basic members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4.0 to 5.4 percent per year.

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 (A-1) is a lifetime annuity that ceases upon the death or 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, which 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. Members terminating service are also 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 provisions in effect at the time they last terminated their public service.

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

3. Contribution rate

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

	Ending June 30, 2014		Ending June 30, 2015	
Plan	Employee	Employer	Employee	Employer
Basic	10.50%	11.00%	11.00%	11.50%
Coordinated	7.00%	7.00%	7.50%	7.50%

The District's contributions to TRA for the years ending June 30, 2015 were $163,128. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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	$ 299,299,837
Deduct employer contributions not related to future contribution efforts	(398,798)
Deduct TRA's contributions not included in allocation	(370,701)
Employer contributions reported in schedule of employer and non-employer pension allocations	$ 298,530,338

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 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

4. Actuarial assumptions

The total pension liability in the June 30, 2014 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	
Measurement date	June 30, 2014
Valuation date	July 1, 2014
Experience study	October 30, 2009
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	8.25%
Wage inflation	3.00%
Projected salary increase	3.50 - 12.00% - based on years of service
Cost of living adjustment	2.00% until year 2034, 2.50% thereafter
Mortality assumption	
Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back 5 years and female rates set back 7 years.
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back 2 years and female rates set back 3 years.
Post-disability	RP 2000 disabled retiree mortality, without adjustment.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Unallocated cash	2.00	0.50
Total	100.00 %	

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

5. Discount rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2015 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 available to make all projected future current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Net pension liability

At June 30, 2015 the District reported a liability of $2,221,021 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0482 percent at the end of the measurement period and 0.0494 percent for the beginning of the year.

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

District's proportionate share of net pension liability	$ 2,221,021
State's proportionate share of net pension liability associated with the District	156,274

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

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 increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

For the year ended June 30, 2015, the District recognized pension expense of $106,847. It also recognized $6,817 as an increase to pension expense for the support provided by direct aid.

On June 30, 2015, 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	$ 189,513	$ -
Net difference between projected and actual earnings on plan investments	-	698,267
Changes in proportion	-	56,950
Contributions to TRA subsequent to the measurement date	163,128	-
Total	$ 352,641	$ 755,217

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE – CONTINUED

Deferred outflows of resources totaling related to pensions resulting from the District's 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, 2016. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2016	$	(146,892)
2017		(146,892)
2018		(146,892)
2019		(146,892)
2020		21,864

7. Pension liability sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.25 percent as well as the liability measured using one percent lower and one percent higher.

District proportionate share of NPL		
1 Percent Decrease (7.25%)	Current (8.25%)	1 Percent Increase (9.25%)
$ 3,670,588	$ 2,221,021	$ 1,012,584

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

8. Pension plan fiduciary net position

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

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

A. Public Employees Retirement Association (PERA)

1. Plan description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

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

2. Benefits provided

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

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.

GERF benefits

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

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

3. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.50 percent of pay in 2015. In calendar year 2014, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent of Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The District's contributions to the GERF for the years ended June 30, 2015 were $78,380. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

4. Pension costs

At June 30, 2015, the District reported a liability of $822,304 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013 through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the District's proportion was 0.0175 percent.

For the year ended June 30, 2015, the District recognized pension expense of $95,898 for its proportionate share of GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,616	$ -
Changes in actuarial assumptions	84,722	
Net difference between projected and actual earnings on plan investments	-	222,121
Contributions to GERF subsequent to the measurement date.	78,380	-
Total	$ 97,338	$ 222,121

Deferred outflows of resources totaling related to pensions resulting from the District's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	$ (23,084)
2017	(23,084)
2018	(23,084)
2019	(55,531)

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

5. Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2014:

- GERF: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2031.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

6. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE – CONTINUED

7. Pension liability sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
$ 1,325,198	$ 822,062	$ 408,100

8. Pension plan fiduciary net position

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

Note 5: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding policy

The required contribution is based on funding these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives. The District's employment agreement for certain administrative officials provides for the District to pay the following premium costs for single health and dental coverage. The District has established an other postemployment benefits Trust fund to fund these obligations.

Note 5: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

C. Annual OPEB cost and net OPEB obligation

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the pan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 145,327
Interest on net OPEB obligation	2,175
Adjustment to annual required contribution	(3,083)
Annual OPEB cost (expense)	144,419
Contributions made	(153,596)
Increase in net OPEB obligation	(9,177)
Net OPEB obligation- beginning of year	54,365
Net OPEB obligation - end of year	$ 45,188

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal years 2015, 2014, and 2013 follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
06/30/15	$ 144,419	105.7 %	$ 45,188
06/30/14	152,792	100.8	54,365
06/30/13	152,491	106.5	56,451

Note 5: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,453,862 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $2,828,196 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 51 percent.

The projection of future benefit payments for an ongoing plan involves 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 the healthcare cost trend. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.00 percent investment rate of return, which is based on the plan being funded in an irrevocable employee benefit trust invested in long-term fixed income portfolio. The initial healthcare trend rate was 7.50 percent, reduced by decrements to an ultimate rate of 5.00 percent after ten years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was thirty years.

F. Membership

Membership in the plan consisted of the following as of June 30, 2015:

Retirees receiving benefits	15
Spouses receiving benefits	-
Active plan members	88
Total	103

Note 6: OTHER INFORMATION

A. Risk management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

B. 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.

Note 7: CHANGE IN ACCOUNTING STANDARDS

During fiscal year 2015, the District implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the June 30, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 5.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported June 30, 2014 balances to the June 30, 2015 financial statements:

	June 30, 2015		
Fund	Net Position June 30, 2014 as Previously Reported	Prior Period Restatement (1)	Net Position July 1, 2014 as Restated
Governmental activities	$ 3,766,636	$ (3,566,060)	$ 200,576

(1) To recording beginning net pension liability and deferred outflow of resources at June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of employer's share of TRA net pension liability

	Required Supplementary Information						
Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0482 %	$ 2,221,021	$ 156,274	$ 2,377,295	$ 2,213,486	100.3 %	81.5 %

Schedule of employer's TRA contributions

	Required Supplementary Information				
Year	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 163,128	$ 163,128	$ -	$ 2,175,040	7.5 %
2014	154,944	154,944	-	2,213,486	7.0

Schedule of employer's share of PERA net pension liability

	Required Supplementary Information				
Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	District's Covered Payroll (b)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0175 %	$ 822,062	$ 1,063,085	77.3 %	78.7 %

Schedule of employer's PERA contributions

	Required Supplementary Information				
Year	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 78,380	$ 78,380	$ -	$ 1,063,085	7.4 %
2014	61,026	61,026	-	841,738	7.3

Schedule of funding progress for the postemployment benefit plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/14	$ -	$ 1,453,862	$ 1,453,862	- %	$ 2,828,196	51.4 %
07/01/11	-	1,741,889	1,741,889	-	2,925,637	59.5
07/02/08	-	1,697,817	1,697,817	-	4,145,230	41.0

Schedule of employer contributions for the postemployment benefit plan

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	$ 153,596	106 %
2014	154,878	101
2013	163,710	107

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Special Revenue		
	Food Service	Community Service	Total
ASSETS			
Cash and temporary investments	$ 68,312	$ 215,857	$ 284,169
Receivables			
Taxes	-	26,098	26,098
Due from Department of Education	-	29,858	29,858
Inventories	4,033	-	4,033
TOTAL ASSETS	$ 72,345	$ 271,813	$ 344,158
LIABILITIES			
Accounts and other payables	$ 1,749	$ 688	$ 2,437
Accrued salaries payable	2,077	5,467	7,544
TOTAL LIABILITIES	3,826	6,155	9,981
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - taxes	-	1,254	1,254
Property taxes levied for subsequent year	-	56,013	56,013
TOTAL DEFERRED INFLOWS OF RESOURCES	-	57,267	57,267
FUND BALANCES			
Nonspendable			
Inventories	4,033	-	4,033
Restricted			
Food service	64,486	-	64,486
Community education	-	72,574	72,574
Early childhood family education	-	79,904	79,904
School readiness	-	42,936	42,936
Other	-	12,977	12,977
TOTAL FUND BALANCES	68,519	208,391	276,910
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 72,345	$ 271,813	$ 344,158

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Food Service	Community Service	Total
REVENUES			
Local property tax levies	$ -	$ 38,503	$ 38,503
Other local and county revenue			
Interest income on investments	1,237	4,903	6,140
Other	-	147,182	147,182
Revenue from State sources	12,039	37,910	49,949
Revenue from Federal sources	175,513	-	175,513
Local sales and insurance recovery	49,189	-	49,189
TOTAL REVENUES	237,978	228,498	466,476
EXPENDITURES			
Current			
Community education and services	-	208,067	208,067
Pupil support services	233,579	-	233,579
TOTAL EXPENDITURES	233,579	208,067	441,646
NET CHANGE IN FUND BALANCES	4,399	20,431	24,830
FUND BALANCES, JULY 1	64,120	187,960	252,080
FUND BALANCES, JUNE 30	$ 68,519	$ 208,391	$ 276,910

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
GENERAL FUND
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES,
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and temporary investments	$ 2,536,063	$ 1,968,827
Receivables		
Taxes		
Current	347,015	246,469
Delinquent	20,681	22,179
Accounts	39,902	25,346
Due from Department of Education	342,394	334,395
Due from Federal government	81,995	330,662
Prepaid items	-	20,360
TOTAL ASSETS	$ 3,368,050	$ 2,948,238
LIABILITIES		
Accounts and other payables	$ 38,531	$ 117,381
Accrued salaries payable	408,694	389,013
Due to other governments	61,005	-
TOTAL LIABILITIES	508,230	506,394
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - taxes	13,268	15,860
Property taxes levied for subsequent year	732,989	466,185
TOTAL DEFERRED INFLOWS OF RESOURCES	746,257	482,045
FUND BALANCES		
Nonspendable		
Prepaid items	-	20,360
Restricted		
Deferred maintenance	43,026	22,230
Health and safety	24,184	-
Learning and development	13,474	2,758
Operating capital	305,246	317,196
Gifted and talented	4,635	85
Teacher development and evaluation	11,699	-
Basic skills	41,892	12,689
Safe schools - crime levy	7,708	16,837
Assigned		
Separation/retirement benefits	54,365	54,365
Unassigned	1,607,334	1,513,279
TOTAL FUND BALANCES	2,113,563	1,959,799
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,368,050	$ 2,948,238

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Local property tax levies	$ 771,471	$ 771,471	$ 802,705	$ 31,234	$ 583,494
Other local and County revenue					
Interest income on investments	8,000	8,000	1,414	(6,586)	5,509
Other	172,989	172,989	200,986	27,997	148,385
Revenue from State sources	4,458,299	4,458,299	4,300,894	(157,405)	4,337,284
Revenue from Federal sources	606,847	606,847	585,382	(21,465)	554,520
Local sales and insurance recovery	39,552	39,552	66,940	27,388	83,172
TOTAL REVENUES	6,057,158	6,057,158	5,958,321	(98,837)	5,712,364
EXPENDITURES					
Current					
Administration					
Salaries	241,873	241,873	209,044	32,829	264,721
Fringe benefits	94,618	94,618	90,616	4,002	93,007
Purchased services	52,200	52,200	53,806	(1,606)	15,560
Supplies and materials	2,300	2,300	1,553	747	2,834
Other	13,979	13,979	12,770	1,209	14,879
Total administration	404,970	404,970	367,789	37,181	391,001
District support services					
Salaries	87,500	87,500	83,024	4,476	89,876
Fringe benefits	31,233	31,233	25,052	6,181	20,508
Purchased services	96,870	96,870	82,212	14,658	94,786
Supplies and materials	4,475	4,475	2,235	2,240	5,070
Other	24,701	24,701	13,605	11,096	8,031
Total district support services	244,779	244,779	206,128	38,651	218,271
Elementary and secondary regular instruction					
Salaries	1,666,813	1,666,813	1,650,174	16,639	1,563,050
Fringe benefits	491,847	491,847	461,357	30,490	436,171
Purchased services	247,218	247,218	222,283	24,935	231,904
Supplies and materials	133,482	133,482	167,197	(33,715)	191,130
Other	16,551	16,551	15,063	1,488	17,136
Total elementary and secondary regular instruction	2,555,911	2,555,911	2,516,074	39,837	2,439,391

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Vocational education instruction					
Salaries	$ 25,526	$ 25,526	$ 21,275	$ 4,251	$ 33,502
Fringe benefits	6,641	6,641	6,197	444	6,686
Purchased services	3,932	3,932	669	3,263	678
Supplies and materials	5,260	5,260	5,358	(98)	1,800
Total vocational education instruction	41,359	41,359	33,499	7,860	42,666
Special education instruction					
Salaries	633,430	633,430	646,812	(13,382)	722,495
Fringe benefits	177,054	177,054	167,666	9,388	164,159
Purchased services	164,773	164,773	114,200	50,573	121,727
Supplies and materials	15,510	15,510	12,043	3,467	8,945
Total special education instruction	990,767	990,767	940,721	50,046	1,017,326
Instructional support services					
Salaries	208,171	208,171	207,622	549	145,714
Fringe benefits	47,885	47,885	44,520	3,365	34,084
Purchased services	39,740	39,740	42,346	(2,606)	78,952
Supplies and materials	11,201	11,201	9,632	1,569	16,273
Other	1,598	1,598	1,596	2	1,584
Total instructional support services	308,595	308,595	305,716	2,879	276,607
Pupil support services					
Salaries	396,313	396,313	317,414	78,899	329,655
Fringe benefits	133,099	133,099	96,540	36,559	107,390
Purchased services	26,270	26,270	39,134	(12,864)	3,296
Supplies and materials	145,300	145,300	121,278	24,022	128,963
Other	50	50	25	25	-
Total pupil support services	701,032	701,032	574,391	126,641	569,304
Sites and buildings					
Salaries	152,200	152,200	177,587	(25,387)	153,235
Fringe benefits	55,722	55,722	50,325	5,397	58,185
Purchased services	314,312	314,312	217,122	97,190	295,140
Supplies and materials	29,700	29,700	36,970	(7,270)	26,786
Total sites and buildings	551,934	551,934	482,004	69,930	533,346

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Fiscal and other fixed cost programs					
Purchased services	$ 23,800	$ 23,800	$ 22,273	$ 1,527	$ 28,493
Total current	5,823,147	5,823,147	5,448,595	374,552	5,516,405
Capital outlay					
Administration	-	-	-	-	999
District support services	250	250	-	250	272
Elementary and secondary regular instruction	78,241	78,241	116,040	(37,799)	56,261
Vocational education instruction	-	-	-	-	1,900
Special education instruction	1,000	1,000	54,860	(53,860)	7,570
Instructional support services	177,099	177,099	172,213	4,886	43,863
Pupil support services	92,633	92,633	250,101	(157,468)	151,614
Sites and buildings	21,980	21,980	24,262	(2,282)	96,495
Total capital outlay	371,203	371,203	617,476	(246,273)	358,974
TOTAL EXPENDITURES	6,194,350	6,194,350	6,066,071	128,279	5,875,379
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(137,192)	(137,192)	(107,750)	29,442	(163,015)
OTHER FINANCING SOURCES					
Sale of capital assets	-	-	-	-	6,492
Capital lease issued	-	-	261,514	261,514	122,773
TOTAL OTHER FINANCING SOURCES	-	-	261,514	261,514	129,265
NET CHANGE IN FUND BALANCES	(137,192)	(137,192)	153,764	290,956	(33,750)
FUND BALANCES, JULY 1	1,959,799	1,959,799	1,959,799	-	1,993,549
FUND BALANCES, JUNE 30	$ 1,822,607	$ 1,822,607	$ 2,113,563	$ 290,956	$ 1,959,799

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Local property tax levies	$ 113,217	$ 113,217	$ 119,315	$ 6,098	$ 139,050
Other local revenue					
Interest income on investments	-	-	4,058	4,058	581
Revenue from State sources	428	428	461	33	549
TOTAL REVENUES	113,645	113,645	123,834	10,189	140,180
EXPENDITURES					
Debt service					
Principal	125,000	125,000	125,000	-	120,000
Interest and other	27,170	27,170	27,170	-	31,310
TOTAL EXPENDITURES	152,170	152,170	152,170	-	151,310
NET CHANGE IN FUND BALANCES	(38,525)	(38,525)	(28,336)	10,189	(11,130)
FUND BALANCES, JULY 1	78,049	78,049	78,049	-	89,179
FUND BALANCES, JUNE 30	$ 39,524	$ 39,524	$ 49,713	$ 10,189	$ 78,049

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Other local and County revenue					
Interest income on investments	$ -	$ -	$ 1,237	$ 1,237	$ 110
Revenue from State sources	9,500	9,500	12,039	2,539	9,923
Revenue from Federal sources	160,000	160,000	175,513	15,513	169,370
Local sales and insurance recovery	44,300	44,300	49,189	4,889	51,064
TOTAL REVENUES	213,800	213,800	237,978	24,178	230,467
EXPENDITURES					
Current					
Pupil support services					
Salaries	63,450	63,450	65,212	(1,762)	58,870
Employee benefits	19,275	19,275	19,247	28	10,103
Purchased services	3,650	3,650	3,209	441	1,690
Supplies and materials	131,000	131,000	145,911	(14,911)	129,301
Capital outlay	-	-	-	-	2,255
TOTAL EXPENDITURES	217,375	217,375	233,579	(16,204)	202,219
NET CHANGE IN FUND BALANCES	(3,575)	(3,575)	4,399	7,974	28,248
FUND BALANCES, JULY 1	64,120	64,120	64,120	-	35,872
FUND BALANCES, JUNE 30	$ 60,545	$ 60,545	$ 68,519	$ 7,974	$ 64,120

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Local property tax levies	$ 51,940	$ 51,940	$ 38,503	$ (13,437)	$ 36,254
Other local and county revenue					
Interest income on investments	-	-	4,903	4,903	408
Other	140,000	140,000	147,182	7,182	141,613
Revenue from State sources	9,882	9,882	37,910	28,028	43,549
TOTAL REVENUES	201,822	201,822	228,498	26,676	221,824
EXPENDITURES					
Current					
Community education and services					
Salaries	60,060	60,060	55,923	4,137	39,000
Employee benefits	13,147	13,147	14,962	(1,815)	10,527
Purchased services	106,740	106,740	135,486	(28,746)	87,325
Supplies and materials	13,638	13,638	1,579	12,059	4,199
Other	1,140	1,140	117	1,023	1,351
Capital expenditures	500	500	-	500	-
TOTAL EXPENDITURES	195,225	195,225	208,067	(12,842)	142,402
NET CHANGE IN FUND BALANCES	6,597	6,597	20,431	13,834	79,422
FUND BALANCES, JULY 1	187,960	187,960	187,960	-	108,538
FUND BALANCES, JUNE 30	$ 194,557	$ 194,557	$ 208,391	$ 13,834	$ 187,960

Fiscal Compliance Report - 6/30/2015

District: NORTHLAND COMMUNITY (118-1)

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$5,956,951	$5,956,939	$12
Total Expenditures	$6,066,071	$6,066,057	$14
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.05 Deferred Maintenance	$43,026	$43,026	$0
4.06 Health and Safety	$24,184	$24,184	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.23 Certain Teacher Programs	$0	$0	$0
4.24 Operating Capital	$305,246	$305,249	($3)
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$13,474	$13,474	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$4,635	$4,635	$0
4.40 Teacher Development and Evaluation	$11,699	$11,699	$0
4.41 Basic Skills Programs	$41,892	$41,893	($1)
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$7,708	$7,709	($1)
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$54,365	$54,365	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,607,334	$1,607,332	$2
02 FOOD SERVICES			
Total Revenue	$237,978	$237,977	$1
Total Expenditures	$233,579	$233,578	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$4,033	$4,033	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$123,834	$123,836	($2)
Total Expenditures	$152,170	$152,170	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$49,713	$49,714	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$3,368	$3,368	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$41,127	$41,126	$1
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$64,486	$64,485	$1
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$228,498	$228,497	$1
Total Expenditures	$208,067	$208,065	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$72,574	$72,574	$0
4.32 E.C.F.E	$79,904	$79,904	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$42,936	$42,937	($1)
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$12,977	$12,976	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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

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OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

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Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Independent School District No. 118
Northland Community Schools
Remer, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 118, Northland Community Schools (the District), Remer, Minnesota as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2015.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivision*, except as described in the Schedule of Findings, Responses and Questioned Costs as item 2015-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The Districts response to the finding identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The Districts response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 10, 2015

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MEYERS LLP
Certified Public Accountants & Consultants

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

Members of the Board of Education
Independent School District No. 118
Northland Community Schools
Remer, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 118, Northland Community Schools (the District), Remer, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2015-002 and 2015-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2015-001 to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2015-004.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 10, 2015

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FEDERAL FINANCIAL AWARD PROGRAMS

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Members of the Board of Education
Independent School District No. 118
Northland Community Schools
Remer, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 118, Northland Community Schools (the District), Remer, Minnesota compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-005 to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 10, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Funding Source	Administering Department	Grant Name	Federal Domestic Assistance Number		Federal Program Clusters	Total Federal Expenditures
USDOE	Minnesota Department of Education	Special Education	84.027	(1)	$ 143,185	
USDOE	Minnesota Department of Education	Special Education Preschool Grants	84.173	(1)	4,170	
		Total Special Education				$ 147,355
USDOA	Minnesota Department of Education	School Breakfast Program	10.553	(2)	53,393	
USDOA	Minnesota Department of Education	National School Lunch Program	10.555	(2)	122,120	
		Total School Lunch				175,513
USDOE	Minnesota Department of Education	ECIA, Chapter 1	84.010			254,860
USDOE	Minnesota Department of Education	Career and Technical Education Basic Grants to States	84.048			5,160
USDOE	United States Department of Education	Indian Education Grants to Local Educational Agencies	84.060			23,927
USDOE	Minnesota Department of Education	Training/Retraining Teachers	84.181			3,753
USDOE	Minnesota Department of Education	Training/Retraining Teachers	84.367			46,815
						$ 657,383

(1) - Denotes Special Education Cluster
(2) - Denotes Child Nutrition Cluster

INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1: General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Independent School District No. 118, Northland Community Schools (the District), Remer, Minnesota. The District's reporting entity is defined in Note 1A to the financial statements.

Note 2: Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1C to the financial statements. The activity is reported in the General and nonmajor governmental funds.

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. Summary of Auditor's Results

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of Independent School District No. 118, Northland Community Schools (the District), Remer, Minnesota.

2. One significant deficiency and two material weaknesses were disclosed during the audit of the financial statements and are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards as findings 2015-001, 2015-002 and 2015-003. These findings are reported in section B of this schedule. Deficiency 2015-001 is not considered to be a material weakness, however deficiencies 2015-002 and 2015-003 are considered material weaknesses.

3. One instance of noncompliance related to the financial statements of the District, which is required to be reported in accordance with *Government Auditing Standards* as finding 2015-004.

Federal Awards

1. One significant deficiency concerning internal control over federal programs is disclosed in the Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 reported as deficiency 2015-005. The deficiency is not considered to be a material weakness.

2. The auditor's report on compliance for major programs for the District expresses an unmodified opinion.

3. There are no audit findings to be reported under Section 510(a) of *OMB Circular A-133*.

4. The programs tested as major programs included:

	CFDA
ECIA, Chapter I	84.010

5. The threshold used for distinguishing between Type A and B programs was $300,000.

6. The District was determined to be a low-risk auditee under Section 530 of *Circular A-133* and therefore, the auditors have reduced the extent of substantive tests.

B. Financial statement audit

2015-001 Preparation of the financial statements

Condition: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint, we both prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken provide you with the completed financial statements.

Recommendation: Under these circumstances, the most effective controls lie in management's knowledge of the District's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from Smart Finance to the amounts reported in the financial statements.

Management response:

For now, the District accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

B. Financial statement audit - continued

2015-002 Deficiency of internal controls over District transaction cycles and records

Condition: During our audit we reviewed procedures and related monitoring activities surrounding transactions cycles and other management activities performed during the year at the District. We discovered deficiencies of internal control over the following transaction cycles and management activities: cash reconciliation, payroll and benefits transactions, and budgeting.

Criteria: Internal controls should be in place to provide reasonable assurance over the previously mentioned transaction cycles and management activities. The internal controls must also be operating as designed in order to be effective.

Cause: Monthly cash and investment reconciliations were not completely reconciled at the beginning of the year and were not reconciled to zero difference for each month.

During the audit we tested specific payroll cycles for proper documentation and calculations. It was noted during testing that payroll register totals did not agree to total pay amounts on the monthly bank statement.

Approval of the District budget was completed at a school board meeting prior to the start of fiscal year 2015. Records were not retained that match what was approved by the school board.

Effect: The lack of internal control and monitoring related to the previously mentioned areas increases the risk of fraud.

Recommendation: We recommend the District take the following actions to eliminate the deficiencies in internal control:

- For cash reconciliation, we recommend that management complete cash reconciliations with no unreconciled differences on a monthly basis.
- For payroll, we recommend a review of the payroll register by someone other than the bookkeeper for accuracy and reasonableness prior to payment.
- For budgeting, we recommend the District retain budget documentation that is provided to the board. This information should be added to the Districts accounting software and any adjustments should be reviewed by the Superintendent.

Management response:

The District is aware of the situation and plans to monitor staff members more closely.

B. Financial statement audit - continued

2015-003 Material audit adjustments

Condition: During our audit, adjustments noted below were needed to correct the year end trial balance.

1) Additional receivables relating to general education and taxes.
2) Adjustments to reconcile salaries payable withholding and accounts payable.
3) Adjustment to reconcile year end prepaid balances.
4) Adjustments to reconcile cash relating to payroll withholding, taxes and other accounts.

Criteria: The financial statements are the responsibility of the District's management; therefore, the District must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.

Cause: The District staff has not prepared a year-end trial balance reflecting all necessary accounting entries. This appears to be primarily a result of staff turnover during the fiscal year.

Effect: This indicates that a misstatement may occur and not be detected by the District's system of internal control over financial reporting. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entries were necessary and modify current procedures to ensure that future corrections are not needed.

Management response:

The District will continue monitor transactions and adjustments will be made in the future.

2015-004 Insufficient collateral

Condition: Auditing for legal compliance requires a review of the District's deposits. Our study indicated an instance of non-compliance that we believe is required to be remedied. The District had $138,128 of deposits uncollateralized on June 30, 2015.

Criteria: In accordance with Minnesota statute, section 118A.03, the District is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.

Cause: The District did not have a process in place to monitor collateral coverage in place as of June 30, 2015.

Effect: At year end, the District did not have sufficient collateral coverage.

Recommendation: We recommend that the District review collateral coverage each month when completing the bank reconciliation and when planning for cash flow. This will not result in any additional cost and will ensure that the District complies with the applicable statute.

Management response:

Management is aware of the situation and plans to monitor the coverage to ensure compliance in the future.

2015-005 Personnel activity reports

Condition: Employees working on multiple activities including the Title 1 Federal program, did not complete personnel activity reports that accounted for the total activity for which the employee was compensated for.

Criteria: In accordance with OMB Circular A-87, attachment B, where employees work on multiple federal activities or cost objective, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation.

Cause: The District employees signed annual certifications noting the percent of their time that was allocated to the federal program. This does not meet the requirements of OMB Circular A-87, attachment B.

Effect: The District did not have adequate support for some employees working in multiple activities that include Federal programs.

Recommendation: We recommend the school review requirements for employees working in multiple activities or cost objectives to ensure proper support is retained.

Management response:

Management is aware of the situation and plans to monitor the coverage to ensure compliance in the future.

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ISD#118 Northland Community Schools

316 Main Street East Rm#200 ~ Remer, MN 56672
www.isd118.k12.mn.us

Tim Mayclin
~Superintendent~
218-566-2351 Ext. 2011
Fax: 218-566-2053
mdoro@isd118.org

CORRECTIVE ACTION PLAN (CAP)

The following is our response to findings in the audit as of June 30, 2015.

FINDING 2015-001:

The auditors were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements.

1. Explanation of Disagreement with Audit Findings:

   There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

   For now, the District accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

3. Official Responsible for Ensuring CAP:

   The Superintendent is responsible for establishing procedures.

4. Planned Completion Date for CAP:

   Not applicable

5. Plan to Monitor Completion of CAP:

   Not applicable

Sincerely,

Mr. Tim Mayclin
Superintendent
Independent School District No. 118
Northland Community Schools

ISD#118 Northland Community Schools

316 Main Street East Rm#200 ~ Remer, MN 56672
www.isd118.k12.mn.us

Tim Mayclin
~Superintendent~
218-566-2351 Ext. 2011
Fax: 218-566-2053
mdoro@isd118.org

CORRECTIVE ACTION PLAN (CAP)

FINDING 2015-002:

During our audit we reviewed procedures and related monitoring activities surrounding transactions cycles and other management activities performed during the year at the District. We discovered deficiencies of internal control over the following transaction cycles and management activities: cash reconciliation, payroll and benefits transactions, and budgeting.

1. Explanation of Disagreement with Audit Findings:

   There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

   The District will make an intense effort to address all items above in order to minimize financial statement risk in future years.

3. Official Responsible for Ensuring CAP:

   The Superintendent is responsible for establishing procedures.

4. Planned Completion Date for CAP:

   Not applicable.

5. Plan to Monitor Completion of CAP:

   Not applicable.

Sincerely,

Mr. Tim Mayclin
Superintendent
Independent School District No. 118
Northland Community Schools

ISD#118 Northland Community Schools

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www.isd118.k12.mn.us

Tim Mayclin
~Superintendent~
218-566-2351 Ext. 2011
Fax: 218-566-2053
mdoro@isd118.org

CORRECTIVE ACTION PLAN (CAP)

FINDING 2015-003:

During our audit, adjustments were needed to correct the year-end trial balance. The financial statements are the responsibility of the District's management; therefore, the District must be able to prevent or detect a material misstatement in the financial statements.

1. Explanation of Disagreement with Audit Findings:

   There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

   In the future the District will review a year end trial balance prior to completing the audit to ensure it is complete.

3. Official Responsible for Ensuring CAP:

   The Superintendent is responsible for establishing procedures.

4. Planned Completion Date for CAP:

   Not applicable

5. Plan to Monitor Completion of CAP:

   Not applicable

Sincerely,

Mr. Tim Mayclin
Superintendent
Independent School District No. 118
Northland Community Schools

ISD#118 Northland Community Schools

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Tim Mayclin
~Superintendent~
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mdoro@isd118.org

CORRECTIVE ACTION PLAN (CAP)

FINDING 2015-004:

Auditing for legal compliance requires a review of the District's deposits. Our study indicated an instance of non-compliance that we believe is required to be remedied. The District had $138,128 of deposits uncollateralized on June 30, 2015.

1. Explanation of Disagreement with Audit Findings:

   There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

   The District plans to monitor the pledged collateral amount on deposits on a monthly basis.

3. Official Responsible for Ensuring CAP:

   The Superintendent is responsible for establishing procedures.

4. Planned Completion Date for CAP:

   Continual

5. Plan to Monitor Completion of CAP:

   Superintendent will monitor procedures surrounding pledged collateral as part of the monthly reconciliation process.

Sincerely,

Mr. Tim Mayclin
Superintendent
Independent School District No. 118
Northland Community Schools

ISD#118 Northland Community Schools

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Tim Mayclin
~Superintendent~
218-566-2351 Ext. 2011
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mdoro@isd118.org

CORRECTIVE ACTION PLAN (CAP)

FINDING 2015-005:

Employees working on multiple activities including the Title 1 Federal program, did not complete personnel activity reports that accounted for the total activity for which the employee was compensated for.

1. Explanation of Disagreement with Audit Findings:

   There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

   The District has created a new form and process to ensure all employees complete necessary documentation for personal activity reporting.

3. Official Responsible for Ensuring CAP:

   The Superintendent is responsible for establishing procedures.

4. Planned Completion Date for CAP:

   Fiscal year 2016

5. Plan to Monitor Completion of CAP:

   Fiscal year 2016

Sincerely,

Mr. Tim Mayclin
Superintendent
Independent School District No. 118
Northland Community Schools

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INDEPENDENT SCHOOL DISTRICT NO. 118
NORTHLAND COMMUNITY SCHOOLS
REMER, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

The following is a schedule of our prior audit findings:

Finding Description

2014-001 Preparation of the financial statements

Condition: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint, we both prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken provide you with the completed financial statements.

Recommendation: Under these circumstances, the most effective controls lie in management's knowledge of the District's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from Smart Finance to the amounts reported in the financial statements.

Management response:

For now, the District accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

CURRENT STATUS

The finding will continue to be reported until the District adopts the recommendations provided in the finding above.

APPENDIX D

OFFICIAL NOTICE OF SALE AND BID FORM

OFFICIAL NOTICE OF SALE

$26,220,000*
ISD 118, NORTHLAND COMMUNITY SCHOOLS
GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2016A
DATED FEBRUARY 11, 2016

NOTICE IS HEREBY GIVEN that bids will be received by ISD 118, Northland Community Schools, Minnesota for the purchase of all but no part of its $26,220,000* General Obligation School Building Bonds, Series 2016A (the "Bonds") at the offices of the District's financial advisor, Robert W. Baird & Co. Incorporated ("Baird"), 25th Floor, 777 E. Wisconsin Avenue, Milwaukee, Wisconsin 53202, Attention: Katherine Voss, Assistant Vice President until:

11:00 a.m. (Central Time) on January 12, 2016

at which time the bids will be publicly opened and read. Bids may be mailed or delivered to Baird at the address set forth above, faxed to Baird at (414) 298-7354, or submitted electronically via PARITY, as described below. Signed bids, without final price or coupons, may be submitted to Baird prior to the time of sale. The bidder shall be responsible for submitting to Baird the final bid price and coupons, by telephone (414) 765-3827 or fax (414) 298-7354 for inclusion in the submitted bid. Bids which are mailed or delivered should be plainly marked "Bid for ISD 118, Northland 2016A Bonds". A meeting of the School Board will be held on said date for the purpose of taking action on such bids as may be received.

Dates and Maturities: The Bonds will be dated February 11, 2016 and will mature on February 1 of each year, in the years and principal amounts as follows:

Year	Principal Amount*	Year	Principal Amount*
2017	$545,000	2029	$1,190,000
2018	690,000	2030	1,230,000
2019	705,000	2031	1,265,000
2020	870,000	2032	1,300,000
2021	895,000	2033	1,340,000
2022	925,000	2034	1,380,000
2023	950,000	2035	1,425,000
2024	990,000	2036	1,470,000
2025	1,030,000	2037	1,515,000
2026	1,070,000	2038	1,565,000
2027	1,115,000	2039	1,600,000
2028	1,155,000		

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* Preliminary, subject to change. The District reserves the right, after bids are opened and prior to the award, to increase or reduce the principal amount of the individual serial or term maturities of the Bonds. Any such increase or reduction will be made in multiples of $5,000 within any of the maturities. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread per $1,000.

Interest: Interest on the Bonds will be payable semi-annually on February 1 and August 1 of each year, commencing on August 1, 2016 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB.

Optional Redemption: The Bonds maturing on February 1, 2025 and thereafter are subject to redemption, in whole or in part, on February 1, 2024 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the District. Notice of redemption shall be given by certified mail to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Term Bond Option: Bids for the Bonds may provide for term bonds.

Security and Purpose: The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, Section 123B.02 and a voter approved referendum held on November 9, 2015. Voters approved the issuance of G.O. School Building Bonds with an estimated par amount of $26,220,000 by a margin of 943 votes in favor (51%) and 909 votes opposed (49%).

The Bonds are valid and binding general obligations of the District. The District pledges its full faith and credit and power to levy direct ad valorem taxes to pay the principal and interest on the Bonds. In addition, the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (Minnesota School District Credit Enhancement Program), which provides for payment by the State of Minnesota, in the event of a potential default of a school district debt obligation, of the principal and interest on the Bonds when due.

Proceeds of the Bonds will be used to (i) provide funds for the acquisition and betterment of school sites and facilities, including the demolition of portions of, the construction of an addition to, and the remodeling, repair, renovation and upgrading of the Northland Community School site and facility and (ii) to pay costs associated with the issuance of Bonds.

Registration: The Bonds will be issued as fully-registered Bonds without coupons and, when issued, will be registered only in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York ("DTC").

DTC Book Entry Only System: UTILIZATION OF DTC IS REQUIRED. BIDS FOR THE BONDS MAY NOT PROVIDE FOR THE BONDS TO BE ISSUED ON A NON-DTC BASIS. DTC will act as securities depository of the Bonds. A single Bond certificate for each maturity will be issued to DTC and immobilized in its custody. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Individual purchasers will not receive certificates evidencing their ownership of the Bonds purchased. The successful bidder shall be required to deposit the Bond certificates with DTC as a condition to delivery of the Bonds.

The District will make payments of principal and interest on the Bonds through U.S. Bank, N.A., Saint Paul, MN (the “Paying Agent”) to DTC or its nominee as registered owner of the Bonds in same-day funds. Transfer of those payments to participants of DTC will be the responsibility of DTC; transfer of the payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by DTC rules and procedures. No assurance can be given by the District that DTC, its participants and other nominees of beneficial owners will make prompt transfer of the payments as required by DTC rules and procedures. The District assumes no liability for failures of DTC, its participants or other nominees to promptly transfer payments to beneficial owners of the Bonds.

Depository: In the event that the securities depository relationship with DTC for the Bonds is terminated and the District does not appoint a successor depository, the District will prepare, authenticate and deliver, at its expense, fully-registered certificated Bonds in the denomination of $5,000 or any integral multiple thereof in the aggregate principal amount of Bonds of the same maturities and with the same interest rate or rates then outstanding to the beneficial owners of the Bonds.

Paying Agent: The District has selected U.S. Bank, National Association, St. Paul, Minnesota, to act as Paying Agent for the Bonds.

Not Qualified Tax-Exempt Obligations: The Bonds will not be designated as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Bid Specifications: Bids will be received on an interest rate basis in integral multiples of One-Twentieth (1/20) or One-Eighth (1/8) of One Percent (1%). All Bonds of the same maturity shall bear the same interest rate. No bid for less than Ninety Eight Percent (98%) of the principal amount of the Bonds ($25,695,600) plus accrued interest to the date of delivery will be considered. The Bonds will be awarded to a responsible bidder whose proposal results in the lowest true interest cost to the District, as calculated prior to any adjustments as described above.

The underwriter shall be responsible for paying all costs of issuance on behalf of the District. The costs shall be included in the Underwriter Discount and shall not exceed more than $19.60 per $1,000 of bonds issued in accordance with Minnesota Statute, Section 475.56. These costs include the financial advisor fee, paying agent fee, bond counsel fee, rating agency fee, and the fees for printing the Preliminary and Final Official Statement and other miscellaneous expenses of the District incurred in connection with the offering and delivery of the Bonds. The total of these costs is $98,900.

Type of Bid – Amount: Bids must be submitted either: (1) to Baird as set forth herein; or (2) electronically via PARITY, in accordance with this Official Notice of Sale, but no bids will be received after the time established above for the opening of bids. If any provisions in this Notice are conflicting with any instructions or directions set forth in PARITY, this Official Notice of Sale shall control. The normal fee for use of PARITY may be obtained from PARITY, and such fee shall be the responsibility of the bidder. For further information about PARITY, potential bidders may contact Baird, 25th Floor, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202 or PARITY, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, telephone (212) 849-5021. The District and Robert W. Baird & Co. Incorporated assume no responsibility or liability for bids submitted through PARITY. Each bidder shall be solely responsible for making necessary arrangements to access PARITY for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the District, its agents nor PARITY shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the District, its agents nor PARITY shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY. The District is using the services of PARITY solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY is not an agent of the District.

The District may regard the electronic transmission of the bid via the electronic service (including information about the purchase price for the Bonds and interest rate or rates to be borne by the Bonds and any other information included in such transmission) as though the same information were submitted on the bid form and executed on behalf of the bidder by a duly authorized signatory. If the bid is accepted by the District, the terms of the bid form, this Official Notice of Sale, and the information transmitted though the electronic service shall form a contract, and the bidder shall be bound by the terms of such contract.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the District, as described in this Official Notice of Sale and in the written form of Official Bid Form. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the form of Official Bid Form.

Good Faith Deposit: A good faith deposit in the amount of $262,200 shall be made by federal wire transfer (payable to the order of the District) and is only required from the winning bidder. The good faith deposit shall be received by the District within three hours after the time stated for receipt of bids. The apparent winning bidder will receive wire instructions from the Financial Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the District may choose to reject their bid and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original bid, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The good faith deposit will be applied to the purchase price of the Bonds. In the event the successful bidder fails to honor its accepted bid, the good faith deposit will be retained by the District. No interest shall be allowed on the good faith deposit. Payment for the balance of the purchase price of the Bonds shall be made at the closing.

Maturity Adjustments: The District reserves the right, after bids are opened and prior to the award, to increase or reduce the principal amount of the individual serial or term maturities of the Bonds. Any such increase or reduction will be made in multiples of $5,000 within any of the maturities. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread per $1,000. Such adjustments shall be made promptly after the sale and prior to award of bids and shall be at the sole discretion of the District.

The successful bidder may not withdraw or modify its bid once submitted for any reason, including post bond adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

Bond Insurance at Bidder's Option: If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder. Each bidder shall indicate if it is obtaining bond insurance and shall list the name of the bond insurer on the bidder's Official Bid Form. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

Delivery: The Bonds will be delivered in printed form, one Bond per maturity, registered in the name of CEDE & CO., as nominee of The Depository Trust Company, securities depository of the Bonds for the establishment of book-entry accounts at the direction of the successful bidder, within approximately forty-five (45) days after the award. Payment at the time of delivery must be made in federal or other immediately available funds. In the event delivery is not made within forty-five (45) days after the date of the sale of the Bonds, the successful bidder may, prior to tender of the Bonds, at its option, be relieved of its obligation under the contract to purchase the Bonds and its good faith deposit shall be returned, but no interest shall be allowed thereon.

Legality: The successful bidder will be furnished without cost, the unqualified approving legal opinion of Knutson, Flynn & Deans, P.A. of Mendota Heights, Minnesota. A transcript of the proceedings relative to the issuance of the Bonds (including an arbitrage certificate and a no-litigation certificate) will be furnished to the successful bidder without cost. A Continuing Disclosure Certificate will be delivered at closing setting forth the details and terms of the District's undertaking and such Certificate is a condition of closing.

CUSIP Numbers: The District will assume no obligation for the assignment of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon. The District will permit such numbers to be assigned and printed at the expense of the successful bidder, but neither the failure to print such numbers on any Bonds nor any error with respect thereto will constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

Reoffering Prices: Simultaneously with or before delivery of the Bonds, the successful bidder shall furnish to the District a certificate, made on the best knowledge, information and belief of the successful bidder, acceptable to bond counsel, stating the initial reoffering prices to the public of each maturity of the Bonds and further stating that a substantial amount of each maturity of the Bonds was sold to the public or final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at or below such initial reoffering prices.

Official Statement: Bidders may obtain a copy of the Preliminary Official Statement by request to the District's financial advisor prior to the bid opening. By submitting a bid, the successful bidder agrees to supply to the District within 24 hours after the award of the Bonds all necessary pricing information and any underwriter identification necessary to complete the Preliminary Official Statement. Within seven days of the award of the Bonds, the successful bidder will be provided with an electronic copy of the Official Statement in pdf format. If the successful bidder is the manager of an underwriting syndicate, the successful bidder shall be responsible for distributing copies of the Official Statement to syndicate members.

Certification Regarding Official Statement: The District hereby ratifies and approves the Preliminary Official Statement dated January 5, 2016 and consents to its distribution and use by the Underwriter in connection with the public offering and sale of the Bonds. The District confirms that the Preliminary Official Statement is "deemed final" as of its date for purposes of Rule 15c2 12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

Undertaking to Provide Continuing Disclosure: In order to assist bidders in complying with SEC Rule 15c2-12, as amended, the District will covenant to undertake (pursuant to a Resolution to be adopted by the School Board), to provide annual reports and timely notice of certain events for the benefit of holders of the Bonds. The details and terms of the undertaking are set forth in a Continuing Disclosure Certificate to be executed and delivered by the District, a form of which is included in the Preliminary Official Statement and in the Final Official Statement.

Irregularities: The District reserves the right to reject any and all bids and to waive any and all irregularities.

Information: Additional information may be obtained by addressing inquiries to: Robert W. Baird & Co. Incorporated, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202; Attention: Katherine Voss, (414) 765-3827 or Matt Rantapaa (651) 426-8533.

January 12, 2016

BID FORM
ISD 118, NORTHLAND COMMUNITY SCHOOLS
$26,220,000*
General Obligation School Building Bonds, Series 2016A

ISD 118, NORTHLAND COMMUNITY SCHOOLS
316 Main Street East
Remer, MN 56672

Dear Members of the School Board:

For all but no part of your issue of $26,220,000* General Obligation School Building Bonds, Series 2016A (the "Bonds"), said bid being no less than $25,695,600 (98% of par), we offer to pay a price of $_____________. The dated date and delivery date of the Bonds is February 11, 2016. The Bonds shall bear interest as follows:

(February 1)	Rate	(February 1)	Rate	(February 1)	Rate
2017	_________%	2025	_________%	2033	_________%
2018	_________%	2026	_________%	2034	_________%
2019	_________%	2027	_________%	2035	_________%
2020	_________%	2028	_________%	2036	_________%
2021	_________%	2029	_________%	2037	_________%
2022	_________%	2030	_________%	2038	_________%
2023	_________%	2031	_________%	2039	_________%
2024	_________%	2032	_________%		

This bid is made subject to all the terms and conditions of the Official Notice of Sale heretofore received and the Official Notice of Sale heretofore published, all terms and conditions which are made a part hereof as fully as though set forth in full in this bid.

The District reserves the right, after bids are opened and prior to the award, to increase or reduce the principal amount of the individual serial or term maturities of the Bonds. Any such increase or reduction will be made in multiples of $5,000 within any of the maturities. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread per $1,000.

The underwriter shall be responsible for paying all costs of issuance on behalf of the District. The costs shall be included in the Underwriter Discount and shall not exceed $19.60 per $1,000 of bonds issued in accordance with Minnesota Statute, Section 475.56. These costs include the financial advisor fee, paying agent fee, bond counsel fees, rating agency fee, and the fees for printing the Preliminary and Final Official Statement and other miscellaneous expenses of the District incurred in connection with the offering and delivery of the Bonds. The total of these costs is $98,900.

A good faith deposit in the amount of $262,200 shall be made by federal wire transfer (payable to the order of the District) and is only required from the winning bidder. The good faith deposit shall be received by the District within three hours after the time stated for receipt of bids. The apparent winning bidder will receive wire instructions from the Financial Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the District may choose to reject their bid and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original bid, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

____
Managing Underwriter

Direct Contact and Phone Number: ____

By: ____

- Please attach a list of account members -

For your information, but not as a condition of this bid, the above interest rates result in:

Net Interest Cost $__________ True Interest Percentage _________%

The foregoing offer is hereby accepted this 12th day of January 2016 by the Members of the School Board and in recognition therefore is signed by the Officers empowered and authorized to make such acceptance.

______________________________ ______________________________
School Board Chair School Board Clerk

* Preliminary, subject to change. The District reserves the right, after bids are opened and prior to the award, to increase or reduce the principal amount of the individual serial or term maturities of the Bonds. Any such increase or reduction will be made in multiples of $5,000 within any of the maturities. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread per $1,000.