



COMPREHENSIVE ANNUAL FINANCIAL REPORT

SPRING LAKE PARK SCHOOLS

Fiscal year ended June 30, 2019

*HIGH EXPECTATIONS.
HIGH ACHIEVEMENT FOR ALL.
NO EXCUSES.*



*Spring Lake Park Schools
1415 81st Avenue NE, Spring Lake Park, MN*

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2019

INDEPENDENT SCHOOL DISTRICT NO. 16
SPRING LAKE PARK, MINNESOTA

1415 – 81st Avenue Northeast
Spring Lake Park, MN 55432

Prepared by
Business Services Office

Jeffrey Ronneberg • Superintendent

Amy Schultz • Director of Business Services

Chris McGee • Finance Manager

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INDEPENDENT SCHOOL DISTRICT NO. 16

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SECTION I

Introductory Section | Annual Financial Report





December 9, 2019

Members of the School Board and
Citizens of Independent School District No. 16

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 16 (the District) submitted herein presents the financial position of the District as of June 30, 2019, and the results of its operations for the fiscal year then ended.

This report is prepared in conformance with accounting principles generally accepted in the United States of America for governments as promulgated by the Governmental Accounting Standards Board. This report is consistent with and satisfies legal reporting requirements of the state of Minnesota, including the requirement to publish a complete set of audited financial statements within six months of the close of the District's fiscal year. In addition to meeting accounting and legal requirements, this report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, employees, financial institutions, intergovernmental agencies, creditors, and the School Board.

REPORT FORMAT

The CAFR is presented in three sections:

- The introductory section contains this letter of transmittal, the organization chart, a list of the School Board and administration, and the Certificate of Excellence in Financial Reporting Award. The introductory section is not audited.
- The financial section begins with the independent auditor's report. This section includes management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and supplemental information consisting of combining and individual fund statements and schedules.
- The statistical section, which is not audited, includes selected financial, demographic, and economic data, generally presented on a multiyear basis.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures presented in this report. To provide a reasonable basis for making these assertions, management of the District has established a system of internal controls. The internal controls are designed to protect the District's assets from loss or misappropriation and to allow the compilation of sufficient reliable information to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. To the best of our knowledge and belief, the enclosed data reported as a whole and disaggregated to a fund level is accurate, in all material respects. This report is a complete disclosure of all financial activities of the District.

Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants, has performed an independent audit and has issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The District is required to undergo an annual Single Audit in accordance with the provisions of the Federal Single Audit Act and the U.S. Office of Management and Budget *Compliance Supplement*. Information related to the Single Audit is issued separately and is not included in this report.

REPORTING ENTITY

The legal name of the District is Independent School District No. 16 and it is often referred to as Spring Lake Park Schools. The District was incorporated in 1952 and is a suburban school district located on the north edge of the Minneapolis/St. Paul metropolitan area in Anoka County. The District serves students, families, and residents of all or a portion of the cities of Blaine, Fridley, and Spring Lake Park.

The District is organized as a political subdivision of the state of Minnesota and is governed by an elected seven-member School Board. The School Board has the power and duty to set budgets, certify tax levies, issue debt, and perform other tasks necessary to the operations of the District. The District is subject to the general oversight of the Minnesota Department of Education. This oversight generally includes an approval process that reviews compliance to standards enacted by legislative mandate.

The District serves a general population of approximately 32,000 in an area of 18.69 square miles. The average age of the District's buildings is approximately 31.2 years. The District operates three elementary schools (kindergarten through Grade 4), one Spanish Immersion Program (kindergarten through Grade 4), one intermediate and middle school (Grades 5 through 8), one high school (Grades 9 through 12), a school for highly-gifted students age 6–18, and an online distance-learning program. The District also operates an online distance learning academy and a Lighthouse Program for the motivated, highly-skilled student. In addition to providing a pre-kindergarten through Grade 12 education for students, the District operates a school Food Service Program and a Community Service Program. At the end of the school year, the District served 5,955 students in its pre-kindergarten through Grade 12 educational programs. The District is anticipating a steady-to-slight increase in enrollment in upcoming years.

LOCAL ECONOMY

The District is located in Anoka County, which is one of the seven counties included in the Twin Cities metropolitan area. This is the most populated area of Minnesota and has seen steady growth since 2000. The City of Blaine (the City) continues to see growth in both housing and commercial properties. Job growth in the City is strongest in the professional, managerial, and technical categories. Within this metropolitan area, health services, business services, and retail trade are the most significant industries.

Unemployment remained low at 2.9 percent in the Anoka County area in June 2019, from 2.5 percent in June 2018. The state-wide and national unemployment averages for June 2019 were 2.9 percent and 3.9 percent, respectively. These trends reflect a continual decrease in unemployment at the national and state levels from their high in 2009.

Reflecting this improved employment environment are some local indicators, such as growth of new private investment. The City is the largest geographic municipality located within the District and it is anticipated that the commercial and residential growth of this city will continue slowly during the next five years. According to the City and the Metropolitan Council, the City's population (Anoka County portion of the City) has grown from 57,186 in 2010 (U.S. Census) to an estimated 66,667 in 2018, an increase of 9,481, or 16.6 percent. Residential and commercial development are expected to continue during the next several years.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The state of Minnesota guarantees each school district a base amount of funding per pupil through the General Education Funding Program. With the exception of the voter-approved operating referendum (Levy for Learning) and bond referendum (Levy for Buildings), the District is dependent on the state of Minnesota for much of its revenue authority. This places a large reliance on the state to adequately fund the District's educational programs and creates a direct relationship to the state's economic outlook. At this time, the state of Minnesota is experiencing an upward trend from prior years in terms of its economic environment.

The 2017 Legislature authorized increases in the general education basic formula allowance for fiscal years 2018 and 2019, following increases in fiscal years 2016 and 2017 as well. Previously, the Legislature "shifted" the amount of cash the District would receive each year down to a low of 60.0 percent of its annual allocation in 2011, resulting in many districts needing to borrow cash to pay for current year expenses. For fiscal year 2013, this shift had been adjusted up to 86.4 percent, and at October 15, 2013, the full shift had been repaid to allocate 90.0 percent to school districts during their current year of operations.

District voters approved a capital projects referendum (technology levy) on November 8, 2011, amounting to almost \$1 million annually for eight years. At the same time, voters renewed an operating levy set to expire after fiscal year 2013, and extended it another seven years. The support of the technology levy will allow the District to maintain and update its technology and improve student learning through greater access to technology in the classroom. By renewing the operating levy, it continues to bring much needed revenue to the District for continuing its current programming, while looking at ways to improve student learning at the same time.

The combination of enrollment growth and voter support, along with a purposeful budget process, has allowed the District to maintain a healthy fund balance, while increasing learning opportunities for students.

OUR STRATEGIC PLAN FOR THE FUTURE

OUR DISTRICT PURPOSE

High Expectations. High Achievement. For all. No Excuses.

OUR VISION FOR THE FUTURE

The Spring Lake Park School District will be a world-class learning community aligned around...

- Fostering personalized experiences so that each student feels valued, inspired, and has a sense of belonging,
- Resulting in college readiness, and the development of academic, life, and career skills so that each student has aspirations for success.



OUR STRATEGIC ANCHORS

We will move towards our vision through a focus on continuous improvement, identifying annual and multi-year projects and initiatives within three Strategic Anchors. Each of these efforts are centered around raising our highest levels of learning while narrowing the achievement gap and ensuring equitable learning for all.

OUR OVER-ARCHING GOALS FOR ALL PLANNING AND FOR PROVIDING A FOCUS IN MOVING TOWARDS OUR VISION

- We will achieve greater levels of coherence and alignment throughout the system.
- We will proactively position the school district for the future in all planning and decision-making.

STUDENT ASSESSMENT AND TESTING

The District uses student assessment data in many ways. Two assessments that are critical are the Minnesota Comprehensive Assessment Series II (MCA-II) (which measures student progress toward state standards) and the Northwest Evaluation Association (NWEA) Measure of Academic Progress (MAP) (which measures student progress over time).

MINNESOTA COMPREHENSIVE ASSESSMENTS

Minnesota's accountability plan applies to all public schools. The MCA-IIs are the state tests in reading, mathematics, and science that meet federal and state legislative requirements. These tests are given every year to measure student performance on the Minnesota Academic Standards, which define what our students should know and do in a particular grade. The reading and mathematics MCA-IIs began in 2006, and the science MCA-II began in 2008.

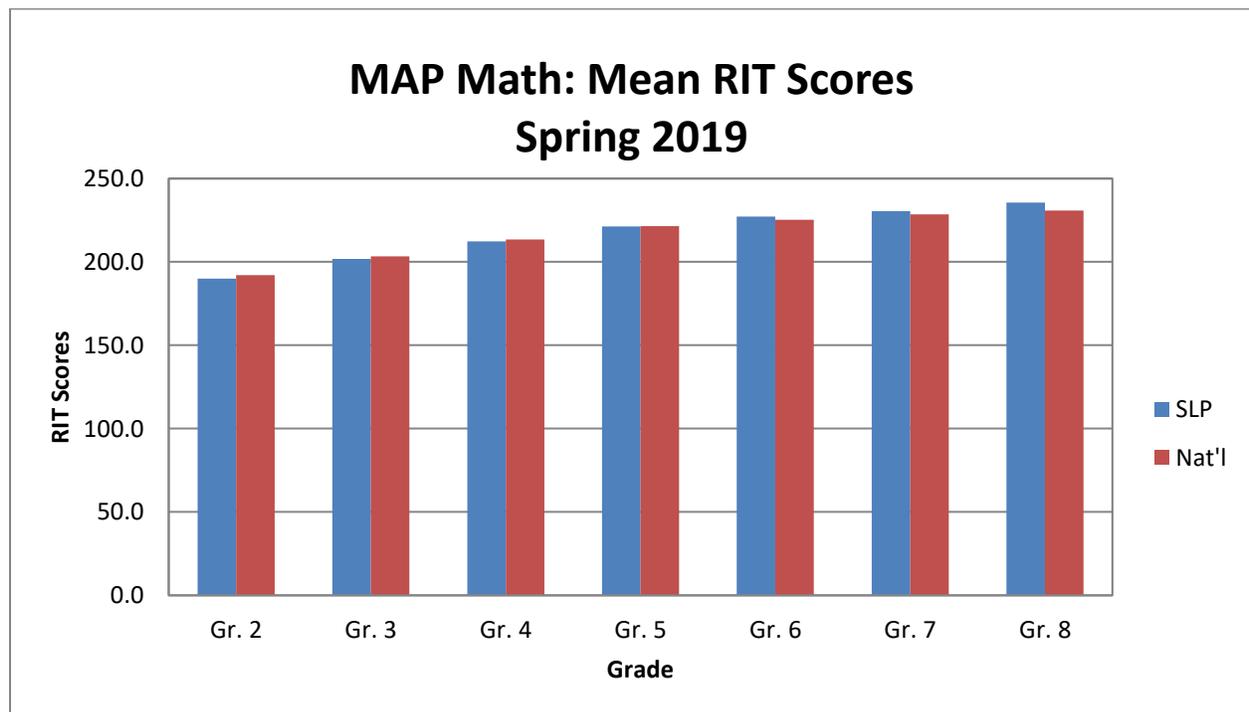
We use the MCA-IIs to determine how well students can apply the Minnesota Academic Standards in reading, mathematics, and science. The mathematics and reading tests are also used to determine whether schools and districts have made adequate yearly progress toward all students being proficient for the No Child Left Behind Act.

NORTHWEST EVALUATION ASSOCIATION (NWEA) MEASURE OF ACADEMIC PROGRESS (MAP)

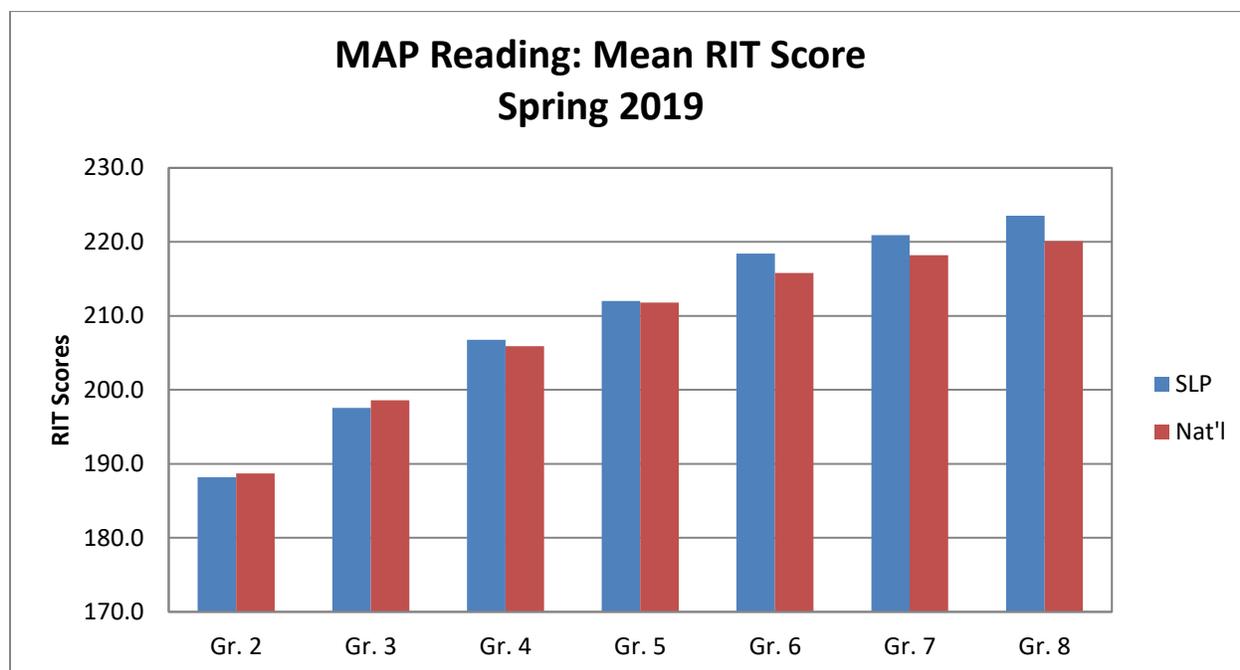
Measures of academic progress are state-aligned computerized adaptive tests that accurately reflect the instructional level of each student and measure growth over time. MAP tests provide highly accurate results that can be used to:

- Identify the skills and concepts individual students have learned.
- Diagnose instructional needs.
- Monitor academic growth over time.
- Make data-driven decisions at the classroom, school, and district levels.
- Place new students into appropriate instructional programs.

The District's MAP results for mathematics generally show higher than national scores across grade levels:



The District's MAP results for reading generally show higher than national scores across grade levels:



MANAGEMENT SYSTEMS AND CONTROLS

The District is committed to developing, maintaining, and improving effective management systems and controls. The District makes conscientious efforts to employ highly qualified employees through active recruitment and interview processes. Significant continuing professional education opportunities are provided to employees, and managers are encouraged to provide imbedded professional development activities as a means to ensure that an environment of continuous improvement is fostered. Further, operations are annually evaluated to assure they function effectively and provide appropriate levels of supervision and segregation of duties.

BUDGET AND FINANCIAL MANAGEMENT

The School Board adopts an annual budget for the following fiscal year for all governmental funds. The District's budget and financial management practices include the following district processes:

BUDGET TIMELINE

Establishes a timeline for the major processes related to the preparation, approval, execution, and review of the District's fiscal year financial budget. Each fiscal year's budget spans a three-year period and includes the following activities:

- **Budget Preparation** – The budget preparation cycle occurs during the 12 months prior to the District's upcoming fiscal year, which begins on the following July 1st. Major processes during the budget preparation cycle include the development of a projection model to accurately predict student enrollment, revenue resources, and programmatic expenditures. Enrollment and other data are submitted to the state to generate both the local property tax levy as well as state and federal aid entitlement amounts for the upcoming year. A budget guideline is established to determine the proper allocation of district resources to the various expenditure categories based upon budget parameters and district priorities as included in the District's mission and vision statements. Recommendations and actions taken by the administration and the School Board during the budget preparation cycle are also included in the completed budget. A proposed financial and operational budget document is then submitted to the School Board for review and subsequent approval prior to July 1st.
- **Budget Approval and Execution** – The School Board is required by Minnesota Statutes to adopt a preliminary budget prior to July 1st. Once the original budget is adopted, the District's administration begins its execution July 1st. During the 12-month period that the budget is executed, the administration is directed to update the budget to reflect changes that have taken place after the original approval of the budget occurred. The adopted budget is typically revised to reflect actual enrollment changes, grant awards, employee contract settlements, and changes in estimates and projections that may have occurred since the budget was originally approved. Monthly reports are provided to the School Board with "common sized" financial statements comparing the current year's year-to-date monthly results to the prior three years' historical year-to-date monthly results. This monthly reporting has proven to be invaluable to the School Board and management so that timely, reliable financial decisions can be made.
- **Budget Review** – During the fiscal year and upon completion, the actual financial results for the year are compared to the budgeted amounts. Significant variations are investigated to determine if subsequent financial projections should be adjusted. In addition, as several state aid formulas are not finalized until state-wide data is available, the District's administration is constantly reviewing historical and current data and trends to further refine its projection models for future budget cycles.

In addition to the annual budget cycle described above, the School Board and administration review a five-year budget projection several times during the year. This process involves reviewing the budget under five different sets of expenditure assumptions. This long-term view of the budget has allowed the District to make purposeful decisions with the understanding of how those decisions affect not only the upcoming year, but also the years following.

Budgetary control is decentralized to building locations or to program managers of each budgetary area. Overall, administrative responsibility rests with the Director of Educational Services, Director of Business Services, Director of Human Resources and Organizational Development, or Director of Community Education and Outreach under the direction of the Superintendent and consistent with School Board policy. School Board policy allows for limited reappropriation of budgets within a budgetary location by authority of budgetary program managers. Reappropriation of budget amounts between and among operating units requires authorization by the Director of Business Services. School Board approval is required to change appropriations at the fund level.

INDEPENDENT AUDIT

The District's policy and state law require an annual audit of the financial statements of the District by an independent certified public accountant. This requirement has been complied with and the auditor's opinion is included in this report. The District does not maintain an internal audit staff.

CERTIFICATE OF EXCELLENCE

This report will be submitted to the Association of School Business Officials (ASBO) International for consideration for the Certificate of Excellence in Financial Reporting Award.

In 2019, the District received the Certificate of Excellence in Financial Reporting Award from the ASBO International for the preparation and issuance of the District's CAFR for 2018. It was the thirteenth year the District has received the award, which was earned by less than 10 percent of all school districts in the state.

The District expects to continue to earn the recognition that accompanies the standards of accuracy and thoroughness of the Certificate of Excellence Program.

ACCOMPLISHMENTS

The District takes pride in its focus on personalizing learning for each student, providing comprehensive instructional, co-curricular, and support programs. The District takes a systemic view of learning, recognizing the importance of providing coherence and alignment across all aspects of the District. Over the past few years, all principals and directors have participated in a leadership academy that has resulted in a shared philosophy of leadership throughout the District.

We are excited about the professional learning and continuous improvement efforts taking place in the District. The curriculum in the District is vertically aligned with a pre-kindergarten through Grade 12 perspective, and each staff member participates in a professional learning community team that meets at least weekly. In recent years, all staff has been engaged in ongoing learning on the topics of personalized learning, one-to-one technologies, effective assessment practices, and providing timely support to meet student learning needs. The District continues to focus in all of these areas to continually improve student learning.

The District has a vision of being a world-class learning community of choice. It is a great place to be.

ACKNOWLEDGMENTS

The time, effort, and attention that go into the timely preparation of a CAFR require the commitment and cooperation of many people. Special appreciation is hereby extended to the entire Business Services office staff for their dedication and to the School Board for their encouragement and leadership.



Dr. Jeff Ronneberg
Superintendent



Amy Schultz, CPA
Director of Business Services

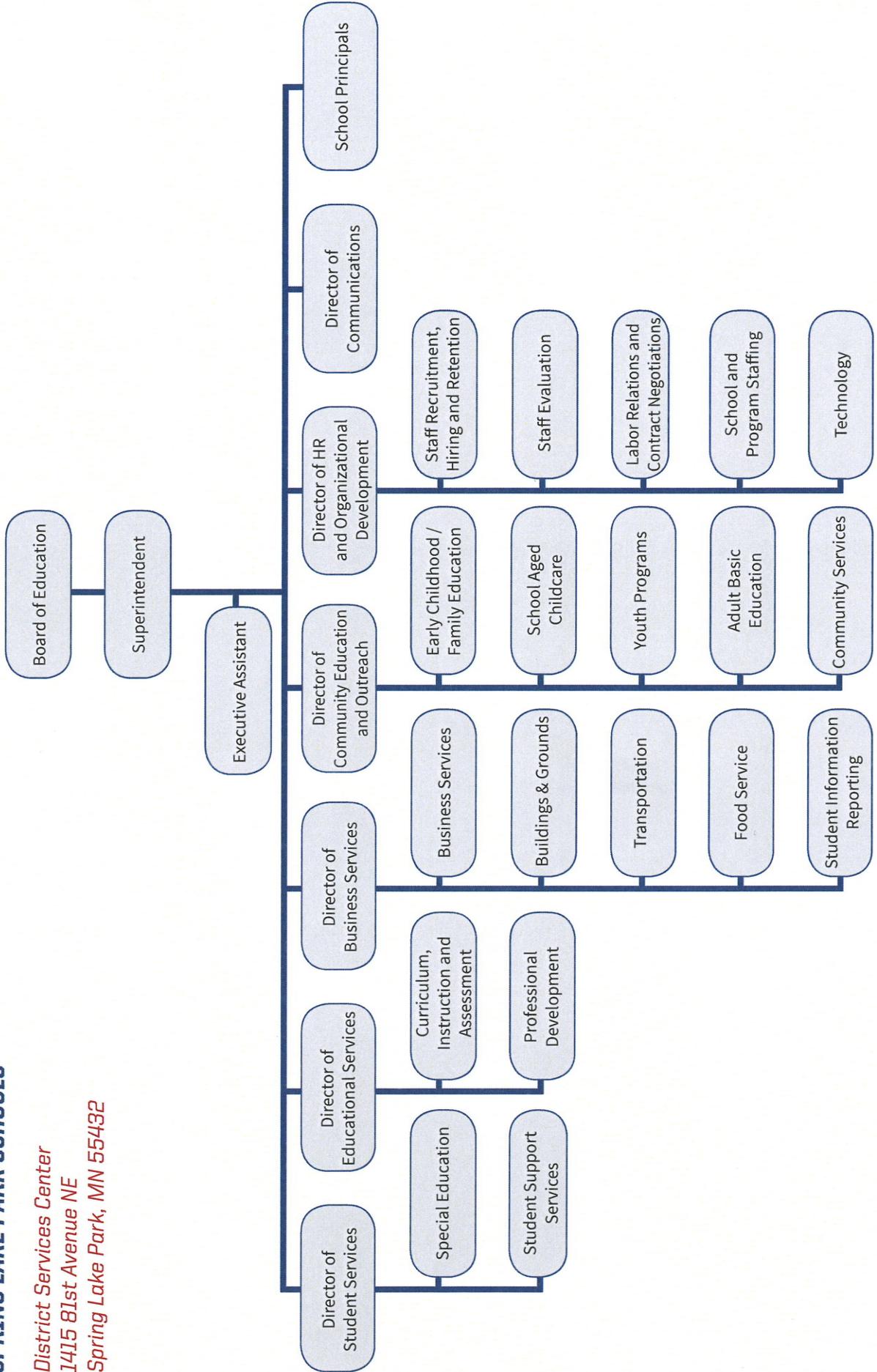


BLAINE | FRIDLEY
SPRING LAKE PARK

Spring Lake Park Schools - Organization Chart 2018-2019

SPRING LAKE PARK SCHOOLS

District Services Center
1415 81st Avenue NE
Spring Lake Park, MN 55432



INDEPENDENT SCHOOL DISTRICT NO. 16

School Board and Administration
Year Ended June 30, 2019

SCHOOL BOARD

Amy Hennen	Chairperson
John Stroebel	Vice Chairperson
Amy Wheaton	Treasurer
Tony Easter	Clerk
Jim Amundson	Director
Marilynn Forsberg	Director
Michael Kreun	Director

ADMINISTRATION

Jeffrey Ronneberg	Superintendent
Colleen Pederson	Director of Community Education and Outreach
Amy Schultz	Director of Business Services
Hope Rahn	Director of Educational Services
Ryan Stromberg	Director of Human Resources and Organizational Development
Anthony Mayer	Director of Student Services
Bob Noyed	Director of Communications



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

**The Certificate of Excellence in Financial Reporting
is presented to**

**Spring Lake Park
Independent School District No. 16**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSR
President

A handwritten signature in black ink, reading 'Siobhán McMahon'.

Siobhán McMahon, CAE
Chief Operating Officer

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BLAINE | FRIDLEY
SPRING LAKE PARK

SPRING LAKE PARK SCHOOLS



SECTION II

Financial Section | Annual Financial Report





PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 16
Spring Lake Park, 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. 16 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Prior Year Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 4, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 9, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 16

Management's Discussion and Analysis Year Ended June 30, 2019

This section of Independent School District No. 16's (the District) Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2019 by \$5,980,570. The District's total net position increased by \$18,624,766 during the fiscal year ended June 30, 2019.
- Government-wide revenues totaled \$85,484,173 and were \$18,624,766 more than expenses of \$66,859,407.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$698,211 from the prior year, compared to a decrease of \$4,924,642 planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except for the fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of the District employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 65,094,942	\$ 80,583,449
Capital assets, net of depreciation	<u>152,676,602</u>	<u>144,313,752</u>
Total assets	<u>\$ 217,771,544</u>	<u>\$ 224,897,201</u>
Deferred outflows of resources		
Pension plan deferments	\$ 46,142,483	\$ 57,859,155
OPEB plan deferments	188,795	348,696
Deferred charge on refunding	<u>474,265</u>	<u>521,691</u>
Total deferred outflows of resources	<u>\$ 46,805,543</u>	<u>\$ 58,729,542</u>
Liabilities		
Current and other liabilities	\$ 5,155,009	\$ 11,157,006
Long-term liabilities, including due within one year	<u>171,340,396</u>	<u>243,771,006</u>
Total liabilities	<u>\$ 176,495,405</u>	<u>\$ 254,928,012</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 22,504,834	\$ 21,953,812
Pension plan deferments	58,348,089	18,727,213
OPEB plan deferments	734,583	96,935
Deferred charge on refunding	<u>513,606</u>	<u>564,967</u>
Total deferred inflows of resources	<u>\$ 82,101,112</u>	<u>\$ 41,342,927</u>
Net position		
Net investment in capital assets	\$ 25,541,727	\$ 23,079,326
Restricted	2,158,339	1,662,151
Unrestricted	<u>(21,719,496)</u>	<u>(37,385,673)</u>
Total net position	<u>\$ 5,980,570</u>	<u>\$ (12,644,196)</u>

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the District adding capital assets and repaying debt at a faster rate than the assets being depreciated. The District's increase in net position restricted for capital asset acquisition and debt service contributed to the change in the restricted portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans also contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

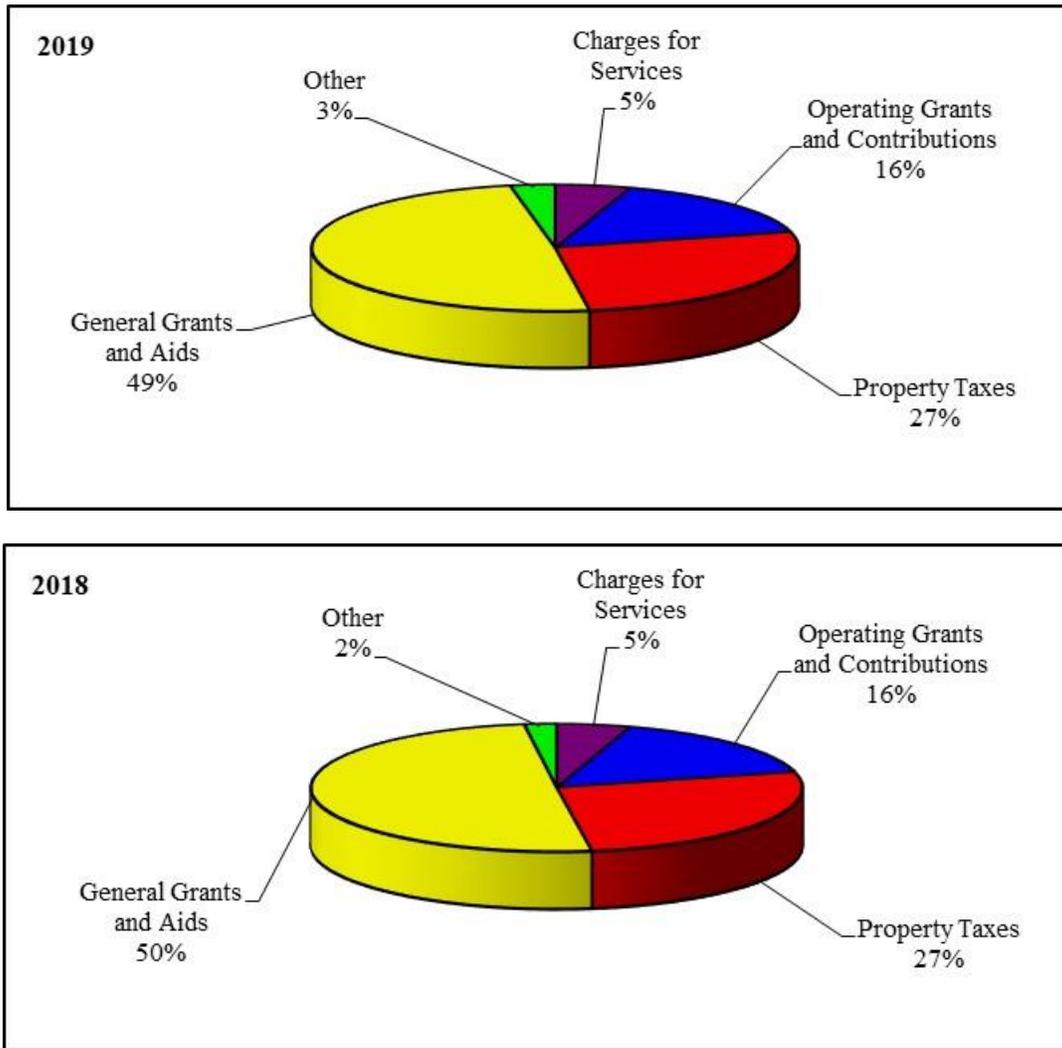
Table 2 presents a summarized version of the District's Statement of Activities:

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 4,285,330	\$ 4,061,791
Operating grants and contributions	13,688,345	13,658,939
General revenues		
Property taxes	22,837,296	22,335,685
General grants and aids	42,143,708	42,121,381
Other	2,529,494	1,774,765
Total revenues	<u>85,484,173</u>	<u>83,952,561</u>
Expenses		
Administration	1,721,904	2,482,866
District support services	2,740,306	2,744,469
Elementary and secondary regular instruction	20,740,744	39,158,924
Vocational education instruction	447,966	669,085
Special education instruction	8,144,461	12,124,558
Instructional support services	5,441,358	7,057,296
Pupil support services	7,101,894	7,328,994
Sites and buildings	9,344,210	6,625,257
Fiscal and other fixed cost programs	216,825	191,039
Food service	3,317,699	3,115,395
Community service	3,684,307	3,767,162
Interest and fiscal charges	3,957,733	4,179,846
Total expenses	<u>66,859,407</u>	<u>89,444,891</u>
Change in net position	18,624,766	(5,492,330)
Net position – beginning	<u>(12,644,196)</u>	<u>(7,151,866)</u>
Net position – ending	<u>\$ 5,980,570</u>	<u>\$ (12,644,196)</u>

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. Revenues increased with funding improvements in general and special education funding formulas. The significant decrease in expenses reflects the change in the PERA and the TRA multiple-employer defined benefit pension plans.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2019 and 2018

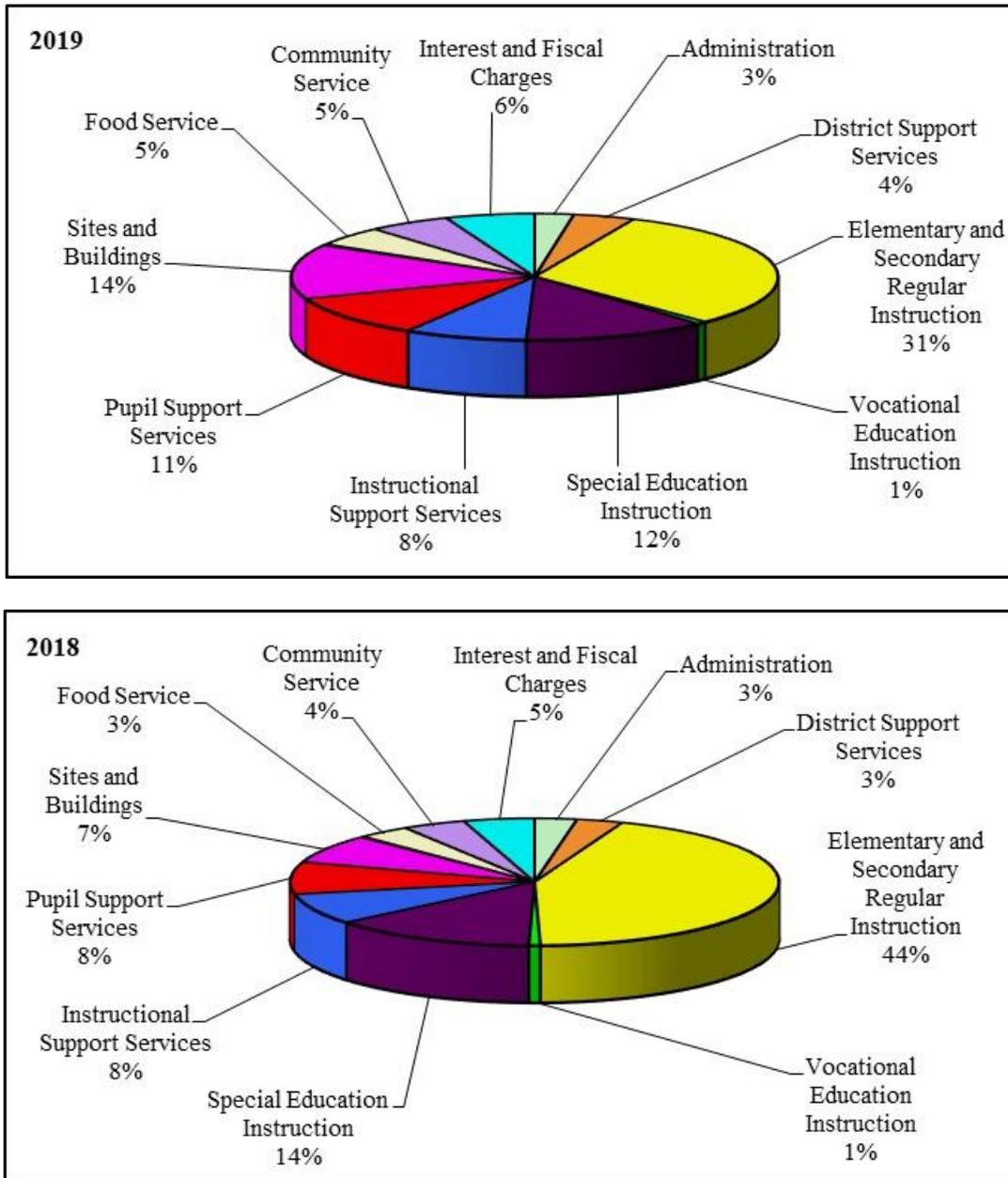


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding increases in recent years.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2019 and 2018



The District's expenses are predominately related to educating students. Programs (or functions) such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

The significant year-to-year change in the percentage of expenses incurred in several program areas shown above was attributable to the change in expenses related to the two state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Major funds			
General	\$ 29,963,516	\$ 29,265,305	\$ 698,211
Capital Projects – Building Construction	1,151,832	13,611,716	(12,459,884)
Debt Service	2,599,195	2,389,896	209,299
Nonmajor funds			
Food Service Special Revenue	87,346	399,499	(312,153)
Community Service Special Revenue	<u>44,389</u>	<u>160,560</u>	<u>(116,171)</u>
Total governmental funds	<u>\$ 33,846,278</u>	<u>\$ 45,826,976</u>	<u>\$ (11,980,698)</u>

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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2019, the District's governmental funds reported combined fund balances of \$33,846,278, a decrease of \$11,980,698 from the prior year. Approximately 54.8 percent of this amount (\$18,539,896) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$356,599), 2) restricted for particular purposes (\$5,131,491), or 3) assigned for particular purposes (\$9,818,292).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues	<u>\$ 65,309,358</u>	<u>\$ 67,613,760</u>	<u>\$ 2,304,402</u>	<u>3.5%</u>
Expenditures	<u>\$ 65,214,067</u>	<u>\$ 72,538,402</u>	<u>\$ 7,324,335</u>	<u>11.2%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended that budget for known significant changes in circumstances such as updated enrollment levels, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

	<u>2019 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 69,753,011	\$ 2,139,251	3.2%	\$ 4,411,597	6.8%
Expenditures	<u>69,077,409</u>	<u>(3,460,993)</u>	<u>(4.8%)</u>	<u>2,335,775</u>	<u>3.5%</u>
Excess (deficiency) of revenue over expenditures	675,602	5,600,244		2,075,822	
Other financing sources	<u>22,609</u>	<u>22,609</u>		<u>(3,275,118)</u>	
Net change in fund balances	<u>\$ 698,211</u>	<u>\$ 5,622,853</u>		<u>\$ (1,199,296)</u>	

The fund balance of the General Fund increased \$698,211, compared to a decrease of \$4,924,642 approved in the budget.

General Fund revenues were 3.2 percent over budget with the largest variance occurring in state sources, which were \$1,206,969 more than projected in the budget. The increase from the prior year was mainly due to the District serving more students, additional special education revenue, improvements in the general education funding formula, and more funding from the long-term facilities maintenance program.

General Fund expenditures were 4.8 percent under budget, with the largest underspending in capital expenditures in the sites and buildings program area. Expenditures increased from the prior year, with an increase in salaries and benefits as anticipated with scheduled contract improvements, along with related costs of serving more students in the current year.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

In fiscal year 2019, the District had \$12,608,082 of spending in the Capital Projects – Building Construction Fund during the year and has \$1,151,832 of fund balance available for district projects at June 30, 2019.

Debt Service Fund

Debt Service Fund revenues exceeded expenditures by \$209,299 in the current year, compared to a \$144,493 fund balance increase anticipated in the budget. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of \$2,599,195 at June 30, 2019, is available for meeting future debt service obligations.

Food Service Special Revenue Fund

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, decreasing equity by \$312,153, compared to a balanced budget approved by the School Board.

Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, decreasing equity by \$116,171, compared to a balanced budget approved by the School Board.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds. These funds are used to account for the District's self-insured health and dental benefits insurance activities. The net position balance for all internal service funds as of June 30, 2019 was \$4,025,610, which represents a \$1,202,375 increase from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2019 and 2018:

	Table 6 Capital Assets		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 4,686,131	\$ 4,686,131	\$ –
Construction in progress	2,850,856	36,312,713	(33,461,857)
Improvements	24,828,263	10,428,558	14,399,705
Buildings	192,476,846	159,236,656	33,240,190
Furniture and equipment	7,924,246	7,798,175	126,071
Less accumulated depreciation	<u>(80,089,740)</u>	<u>(74,148,481)</u>	<u>(5,941,259)</u>
Total	<u>\$ 152,676,602</u>	<u>\$ 144,313,752</u>	<u>\$ 8,362,850</u>
Depreciation expense	<u>\$ 6,020,899</u>	<u>\$ 4,660,057</u>	<u>\$ 1,360,842</u>

By the end of 2019, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2019, consistent with the activity of the long-term facilities maintenance program in the General Fund and activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in Note 3 of the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
General obligation bonds payable	\$ 119,100,000	\$ 125,130,000	\$ (6,030,000)
Unamortized premium/discount	10,464,826	11,408,681	(943,855)
Capital leases payable	2,738,004	3,645,081	(907,077)
Net pension liability	38,439,785	102,897,766	(64,457,981)
Severance benefits payable	<u>597,781</u>	<u>689,478</u>	<u>(91,697)</u>
Total	<u><u>\$ 171,340,396</u></u>	<u><u>\$ 243,771,006</u></u>	<u><u>\$ (72,430,610)</u></u>

The change in general obligation bonds payable and unamortized premium/discounts reflects the District's scheduled debt payments and amortization occurring in the current year. The District also completed a current refunding in the current year on the taxable OPEB bonds to reduce future debt levies.

The change in capital leases is due to planned repayment schedules for principal payments made in fiscal 2019.

The differences in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA, as previously discussed.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

District's market value	\$ 3,734,223,200
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 560,133,480</u></u>

Additional details of the District's long-term debt activity can be found in Note 4 of the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$126, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2020, and an additional \$129, or 2 percent, per pupil to the formula for fiscal year 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide our 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. If you have questions about this report or need additional financial information, contact the Business Services Office, Independent School District No. 16, 1415 – 81st Avenue Northeast, Spring Lake Park, Minnesota 55432.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Net Position
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	Governmental Activities	
	2019	2018
Assets		
Cash and temporary investments	\$ 40,826,080	\$ 57,960,787
Receivables		
Current taxes	13,485,005	13,516,134
Delinquent taxes	194,484	218,111
Accounts and interest	598,786	196,329
Due from other governmental units	8,299,573	7,348,262
Due from OPEB trust	18,230	40,124
Inventory	60,888	141,580
Prepaid items	295,711	471,756
Net OPEB asset	1,316,185	690,366
Capital assets		
Not depreciated	7,536,987	40,998,844
Depreciated, net of accumulated depreciation	145,139,615	103,314,908
Total capital assets, net of accumulated depreciation	<u>152,676,602</u>	<u>144,313,752</u>
Total assets	217,771,544	224,897,201
Deferred outflows of resources		
Pension plan deferments	46,142,483	57,859,155
OPEB plan deferments	188,795	348,696
Deferred charge on refunding	474,265	521,691
Total deferred outflows of resources	<u>46,805,543</u>	<u>58,729,542</u>
Total assets and deferred outflows of resources	<u>\$ 264,577,087</u>	<u>\$ 283,626,743</u>
Liabilities		
Salaries payable	\$ 256,986	\$ 220,913
Accounts and contracts payable	2,085,560	7,576,767
Accrued interest payable	1,935,099	2,050,669
Due to other governmental units	346,871	919,218
Unearned revenue	158,108	147,519
Claims incurred, but not reported	372,385	241,920
Long-term liabilities		
Due within one year	6,975,075	7,055,330
Due in more than one year	164,365,321	236,715,676
Total long-term liabilities	<u>171,340,396</u>	<u>243,771,006</u>
Total liabilities	176,495,405	254,928,012
Deferred inflows of resources		
Property taxes levied for subsequent year	22,504,834	21,953,812
Pension plan deferments	58,348,089	18,727,213
OPEB plan deferments	734,583	96,935
Deferred charge on refunding	513,606	564,967
Total deferred inflows of resources	<u>82,101,112</u>	<u>41,342,927</u>
Net position		
Net investment in capital assets	25,541,727	23,079,326
Restricted for		
Capital asset acquisition	1,198,874	552,470
Debt service	753,342	431,275
Food service	87,346	399,499
Community service	48,247	164,357
Other purposes (state funding restrictions)	70,530	114,550
Unrestricted	(21,719,496)	(37,385,673)
Total net position	<u>5,980,570</u>	<u>(12,644,196)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 264,577,087</u>	<u>\$ 283,626,743</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Activities
 Year Ended June 30, 2019
 (With Partial Comparative Information for the Year Ended June 30, 2018)

Functions/Programs	2019			2018	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 1,721,904	\$ -	\$ -	\$ (1,721,904)	\$ (2,482,866)
District support services	2,740,306	-	-	(2,740,306)	(2,744,469)
Elementary and secondary regular instruction	20,740,744	519,664	5,501,777	(14,719,303)	(32,526,100)
Vocational education instruction	447,966	-	12,685	(435,281)	(662,892)
Special education instruction	8,144,461	-	5,810,134	(2,334,327)	(6,892,064)
Instructional support services	5,441,358	54,856	-	(5,386,502)	(7,010,100)
Pupil support services	7,101,894	-	126,657	(6,975,237)	(7,218,965)
Sites and buildings	9,344,210	-	-	(9,344,210)	(6,625,257)
Fiscal and other fixed cost programs	216,825	-	-	(216,825)	(191,039)
Food service	3,317,699	1,142,125	1,705,231	(470,343)	(297,989)
Community service	3,684,307	2,568,685	531,861	(583,761)	(892,574)
Interest and fiscal charges	3,957,733	-	-	(3,957,733)	(4,179,846)
Total governmental activities	<u>\$ 66,859,407</u>	<u>\$ 4,285,330</u>	<u>\$ 13,688,345</u>	(48,885,732)	(71,724,161)
General revenues					
Taxes					
Property taxes, levied for general purposes				11,511,034	10,428,008
Property taxes, levied for community service				482,829	411,439
Property taxes, levied for debt service				10,843,433	11,496,238
General grants and aids				42,143,708	42,121,381
Gain on sale of capital assets				-	367,463
Other general revenues				1,222,289	591,075
Investment earnings				1,307,205	816,227
Total general revenues				<u>67,510,498</u>	<u>66,231,831</u>
Change in net position				18,624,766	(5,492,330)
Net position – beginning				<u>(12,644,196)</u>	<u>(7,151,866)</u>
Net position – ending				<u>\$ 5,980,570</u>	<u>\$ (12,644,196)</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Balance Sheet
Governmental Funds
as of June 30, 2019

(With Partial Comparative Information as of June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 27,313,388	\$ 1,604,735	\$ 7,224,005
Receivables			
Current taxes	6,939,453	–	6,262,531
Delinquent taxes	96,839	–	93,392
Accounts and interest	524,396	2,700	–
Due from other governmental units	7,981,418	–	14,748
Due from other funds	66,192	–	–
Inventory	40,748	–	–
Prepaid items	295,176	–	–
	<u>43,257,610</u>	<u>1,607,435</u>	<u>13,594,676</u>
Total assets	\$ 43,257,610	\$ 1,607,435	\$ 13,594,676
Liabilities			
Salaries payable	\$ 155,365	\$ –	\$ –
Accounts and contracts payable	1,578,007	455,603	5,125
Due to other governmental units	344,011	–	–
Due to other funds	–	–	–
Unearned revenue	15,018	–	–
Total liabilities	2,092,401	455,603	5,125
Deferred inflows of resources			
Property taxes levied for subsequent year	11,112,672	–	10,901,110
Unavailable revenue – delinquent taxes	89,021	–	89,246
Total deferred inflows of resources	11,201,693	–	10,990,356
Fund balances			
Nonspendable	335,924	–	–
Restricted	1,269,404	1,151,832	2,599,195
Assigned	9,818,292	–	–
Unassigned	18,539,896	–	–
Total fund balances	29,963,516	1,151,832	2,599,195
	<u>43,257,610</u>	<u>1,607,435</u>	<u>13,594,676</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 43,257,610	\$ 1,607,435	\$ 13,594,676

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 317,210	\$ 36,459,338	\$ 54,950,788
283,021	13,485,005	13,516,134
4,253	194,484	218,111
58,667	585,763	181,297
303,407	8,299,573	7,348,262
–	66,192	–
20,140	60,888	141,580
535	295,711	471,756
<u>\$ 987,233</u>	<u>\$ 59,446,954</u>	<u>\$ 76,827,928</u>
\$ 101,621	\$ 256,986	\$ 220,913
46,825	2,085,560	7,576,767
2,860	346,871	919,218
66,192	66,192	–
143,090	158,108	147,519
<u>360,588</u>	<u>2,913,717</u>	<u>8,864,417</u>
491,052	22,504,834	21,953,812
3,858	182,125	182,723
<u>494,910</u>	<u>22,686,959</u>	<u>22,136,535</u>
20,675	356,599	613,336
111,060	5,131,491	17,076,878
–	9,818,292	8,523,970
–	18,539,896	19,612,792
<u>131,735</u>	<u>33,846,278</u>	<u>45,826,976</u>
<u>\$ 987,233</u>	<u>\$ 59,446,954</u>	<u>\$ 76,827,928</u>

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INDEPENDENT SCHOOL DISTRICT NO. 16

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Total fund balances – governmental funds	\$ 33,846,278	\$ 45,826,976
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	232,766,342	218,462,233
Accumulated depreciation	(80,089,740)	(74,148,481)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(119,100,000)	(125,130,000)
Unamortized premium/discount	(10,464,826)	(11,408,681)
Capital leases payable	(2,738,004)	(3,645,081)
Net pension liability	(38,439,785)	(102,897,766)
Severance benefits payable	(597,781)	(689,478)
Net other post-employment benefit assets (obligations) reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets in governmental funds until actually due.		
	1,316,185	690,366
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(1,935,099)	(2,050,669)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		
	4,025,610	2,823,235
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	46,142,483	57,859,155
Deferred outflows of resources – OPEB plan deferments	188,795	348,696
Deferred outflows of resources – deferred charge on refunding	474,265	521,691
Deferred inflows of resources – unavailable revenue – delinquent taxes	182,125	182,723
Deferred inflows of resources – pension plan deferments	(58,348,089)	(18,727,213)
Deferred inflows of resources – OPEB plan deferments	(734,583)	(96,935)
Deferred inflows of resources – deferred charge on refunding	(513,606)	(564,967)
Total net position – governmental activities	<u>\$ 5,980,570</u>	<u>\$ (12,644,196)</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2019
 (With Partial Comparative Information for the Year Ended June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 11,508,891	\$ –	\$ 10,846,235
Investment earnings	874,218	148,198	181,744
Other	1,768,775	–	–
State sources	53,743,035	–	157,115
Federal sources	1,858,092	–	–
Total revenue	<u>69,753,011</u>	<u>148,198</u>	<u>11,185,094</u>
Expenditures			
Current			
Administration	2,115,607	–	–
District support services	2,654,901	–	–
Elementary and secondary regular instruction	29,239,341	–	–
Vocational education instruction	555,954	–	–
Special education instruction	10,100,039	–	–
Instructional support services	5,867,649	–	–
Pupil support services	7,007,229	–	–
Sites and buildings	10,283,420	–	–
Fiscal and other fixed cost programs	216,825	–	–
Food service	–	–	–
Community service	54,069	–	–
Capital outlay	–	12,608,082	–
Debt service			
Principal	907,077	–	6,070,000
Interest and fiscal charges	75,298	–	4,945,795
Total expenditures	<u>69,077,409</u>	<u>12,608,082</u>	<u>11,015,795</u>
Excess (deficiency) of revenue over expenditures	675,602	(12,459,884)	169,299
Other financing sources (uses)			
Refunding debt issued	–	–	3,770,000
Payments to refunded bond escrow agent	–	–	(3,730,000)
Capital lease issued	–	–	–
Sale of capital assets	22,609	–	–
Total other financing sources (uses)	<u>22,609</u>	<u>–</u>	<u>40,000</u>
Net change in fund balances	698,211	(12,459,884)	209,299
Fund balances			
Beginning of year	<u>29,265,305</u>	<u>13,611,716</u>	<u>2,389,896</u>
End of year	<u>\$ 29,963,516</u>	<u>\$ 1,151,832</u>	<u>\$ 2,599,195</u>

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 482,768	\$ 22,837,894	\$ 22,376,353
12,881	1,217,041	795,633
3,710,810	5,479,585	4,652,866
699,192	54,599,342	52,504,630
1,537,900	3,395,992	3,290,448
<u>6,443,551</u>	<u>87,529,854</u>	<u>83,619,930</u>
—	2,115,607	1,858,370
—	2,654,901	2,547,138
—	29,239,341	28,198,408
—	555,954	497,274
—	10,100,039	9,114,622
—	5,867,649	5,922,473
—	7,007,229	6,568,746
—	10,283,420	10,796,189
—	216,825	191,039
3,106,100	3,106,100	2,886,196
3,674,348	3,728,417	3,230,368
96,852	12,704,934	31,072,882
—	6,977,077	7,113,646
—	5,021,093	5,025,573
<u>6,877,300</u>	<u>99,578,586</u>	<u>115,022,924</u>
(433,749)	(12,048,732)	(31,402,994)
—	3,770,000	—
—	(3,730,000)	—
—	—	856,425
5,425	28,034	2,441,302
<u>5,425</u>	<u>68,034</u>	<u>3,297,727</u>
(428,324)	(11,980,698)	(28,105,267)
<u>560,059</u>	<u>45,826,976</u>	<u>73,932,243</u>
<u>\$ 131,735</u>	<u>\$ 33,846,278</u>	<u>\$ 45,826,976</u>

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INDEPENDENT SCHOOL DISTRICT NO. 16

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2019

(With Partial Comparative Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Total net change in fund balances – governmental funds	\$ (11,980,698)	\$ (28,105,267)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	14,387,289	36,014,944
Depreciation expense	(6,020,899)	(4,660,057)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(3,540)	(2,073,839)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
	(3,770,000)	(856,425)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	9,800,000	6,210,000
Capital leases payable	907,077	903,646
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	115,570	(98,856)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	1,202,375	1,255,154
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	943,855	940,648
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	64,457,981	23,182,242
Severance benefits payable	91,697	(28,314)
Net OPEB asset	625,819	(323,237)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(11,716,672)	(20,630,651)
Deferred outflows of resources – OPEB plan deferments	(159,901)	193,649
Deferred outflows of resources – deferred charge on refunding	(47,426)	(47,426)
Deferred inflows of resources – unavailable revenue – delinquent taxes	(598)	(40,668)
Deferred inflows of resources – pension plan deferments	(39,620,876)	(17,282,299)
Deferred outflows of resources – OPEB plan deferments	(637,648)	(96,935)
Deferred inflows of resources – deferred charge on refunding	51,361	51,361
Change in net position – governmental activities	<u>\$ 18,624,766</u>	<u>\$ (5,492,330)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2019

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 11,585,694	\$ 11,565,694	\$ 11,508,891	\$ (56,803)
Investment earnings	150,000	300,000	874,218	574,218
Other	1,215,000	1,415,000	1,768,775	353,775
State sources	50,629,664	52,536,066	53,743,035	1,206,969
Federal sources	1,729,000	1,797,000	1,858,092	61,092
Total revenue	<u>65,309,358</u>	<u>67,613,760</u>	<u>69,753,011</u>	<u>2,139,251</u>
Expenditures				
Current				
Administration	2,153,611	2,149,267	2,115,607	(33,660)
District support services	2,438,243	2,391,982	2,654,901	262,919
Elementary and secondary regular instruction	27,798,118	28,470,900	29,239,341	768,441
Vocational education instruction	553,192	605,080	555,954	(49,126)
Special education instruction	10,688,713	11,001,382	10,100,039	(901,343)
Community service	65,000	65,000	54,069	(10,931)
Instructional support services	4,807,292	5,384,892	5,867,649	482,757
Pupil support services	6,653,252	6,913,700	7,007,229	93,529
Sites and buildings	8,750,920	14,250,473	10,283,420	(3,967,053)
Fiscal and other fixed cost programs	300,000	300,000	216,825	(83,175)
Debt service				
Principal	930,428	930,428	907,077	(23,351)
Interest and fiscal charges	75,298	75,298	75,298	—
Total expenditures	<u>65,214,067</u>	<u>72,538,402</u>	<u>69,077,409</u>	<u>(3,460,993)</u>
Excess (deficiency) of revenue over expenditures	95,291	(4,924,642)	675,602	5,600,244
Other financing sources				
Sale of capital assets	—	—	22,609	22,609
Net change in fund balances	<u>\$ 95,291</u>	<u>\$ (4,924,642)</u>	698,211	<u>\$ 5,622,853</u>
Fund balances				
Beginning of year			<u>29,265,305</u>	
End of year			<u>\$ 29,963,516</u>	

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Net Position
 Internal Service Funds
 as of June 30, 2019
 (With Partial Comparative Information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and temporary investments	\$ 4,366,742	\$ 3,009,999
Receivables		
Accounts and interest	13,023	15,032
Due from other funds	<u>18,230</u>	<u>40,124</u>
Total current assets	<u>4,397,995</u>	<u>3,065,155</u>
Liabilities		
Current liabilities		
Claims incurred, but not reported	<u>372,385</u>	<u>241,920</u>
Net position		
Unrestricted	<u>\$ 4,025,610</u>	<u>\$ 2,823,235</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Revenue, Expenses, and Changes in Net Position
 Internal Service Funds
 Year Ended June 30, 2019
 (With Partial Comparative Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 5,786,618	\$ 5,574,330
Operating expenses		
Health benefit claims	4,231,405	3,935,803
Dental benefit claims	443,002	403,967
Total operating expenses	<u>4,674,407</u>	<u>4,339,770</u>
Operating income	1,112,211	1,234,560
Nonoperating revenue		
Investment earnings	<u>90,164</u>	<u>20,594</u>
Change in net position	1,202,375	1,255,154
Net position		
Beginning of year	<u>2,823,235</u>	<u>1,568,081</u>
End of year	<u>\$ 4,025,610</u>	<u>\$ 2,823,235</u>

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INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2019

(With Partial Comparative Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 5,810,521	\$ 5,599,206
Payment for health claims	(4,098,028)	(4,074,344)
Payment for dental claims	(445,914)	(399,554)
Net cash flows from operating activities	<u>1,266,579</u>	<u>1,125,308</u>
Cash flows from investing activities		
Investment earnings received	<u>90,164</u>	<u>20,594</u>
Net change in cash and cash equivalents	1,356,743	1,145,902
Cash and cash equivalents		
Beginning of year	<u>3,009,999</u>	<u>1,864,097</u>
End of year	<u><u>\$ 4,366,742</u></u>	<u><u>\$ 3,009,999</u></u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 1,112,211	\$ 1,234,560
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	2,009	1,995
Due from other funds	21,894	22,881
Claims incurred, but not reported	<u>130,465</u>	<u>(134,128)</u>
Net cash flows from operating activities	<u><u>\$ 1,266,579</u></u>	<u><u>\$ 1,125,308</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Fiduciary Net Position
as of June 30, 2019

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u> </u>	<u> </u>
Assets		
Cash and temporary investments	\$ 145,231	\$ -
Investments held by trustee		
Mutual funds	-	6,514,406
Receivables		
Accounts and interest	142	-
Total assets	<u>145,373</u>	<u>6,514,406</u>
Liabilities		
Due to proprietary funds	<u>-</u>	<u>18,230</u>
Net position		
Held in trust for employee benefits and other purposes	<u>\$ 145,373</u>	<u>\$ 6,496,176</u>

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2019

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u> </u>	<u> </u>
Additions		
Contributions		
Private donations	\$ 56,900	\$ -
Investment earnings		
Investment earnings	2,176	509,548
Less investment expense	<u>-</u>	<u>(32,872)</u>
Net investment earnings	<u>2,176</u>	<u>476,676</u>
Total additions	59,076	476,676
Deductions		
Scholarships and other costs	53,250	-
Benefits	<u>-</u>	<u>18,230</u>
Total deductions	<u>53,250</u>	<u>18,230</u>
Change in fiduciary net position	5,826	458,446
Net position		
Beginning of year	<u>139,547</u>	<u>6,037,730</u>
End of year	<u>\$ 145,373</u>	<u>\$ 6,496,176</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Notes to Basic Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 16 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds are charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Description of Funds

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

Major Governmental Funds

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

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the taxable OPEB bond issues of the District.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

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

Proprietary Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Scholarship Private-Purpose Trust Fund – The Scholarship Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties for donor-directed purposes, such as to award scholarships to former students.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end.

Expenditures in the Food Service Special Revenue Fund, Community Service Special Revenue Fund, and Debt Service Fund exceeded budgeted appropriations by \$267,284, \$410,016, and \$3,288, respectively, for the year ended June 30, 2019. These variances were financed by revenues in excess of budget and available fund balance.

F. Cash and Temporary Investments

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

Cash and investments held by trustee include balances held in segregated accounts established for specific purposes. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the appropriate fund.

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

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

G. Receivables

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

At year-end, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 8,135,988
Due from other Minnesota school districts	125,078
Due from Anoka County and others	<u>38,507</u>
Total due from other governmental units	<u>\$ 8,299,573</u>

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Inventories also include the value of land and materials associated within the District's vocational program. Purchased food and supplies are recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$980,171 of the property tax levy collectible in 2019 as revenue to the District in fiscal year 2018–2019. The remaining portion of the taxes collectible in 2019 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for improvements and buildings, and 5 to 20 years for furniture and equipment. Land and construction in progress are not depreciated.

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

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

M. Vacation Pay

Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Unused vacation pay is accrued in governmental fund financial statements only when it has matured, due to employee termination or similar circumstances. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Sick leave is accrued in the governmental funds when used or matured prior to year-end. Unused sick leave enters into the calculation of an employee's severance pay upon termination for certain collective bargaining units.

O. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures, due to employee termination.

P. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	\$ 354,204	\$ 3,935,803	\$ 4,074,344	\$ 215,663
2019	\$ 215,663	\$ 4,231,405	\$ 4,098,028	\$ 349,040

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	\$ 21,844	\$ 403,967	\$ 399,554	\$ 26,257
2019	\$ 26,257	\$ 443,002	\$ 445,914	\$ 23,345

Q. State-Wide Pension Plans

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

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

R. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

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

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

The District reports deferred outflows and inflows of resources related to pensions and OPEB plans reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

The District reports deferred outflows and inflows of resources related to the deferred charge on refunding in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

T. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s superintendent and the director of business services are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, the District uses restricted resources first then uses unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, the District uses resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

V. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements during the reporting period. Actual results could differ from those estimates.

W. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2018, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$	1,716,854
Investments		<u>45,768,863</u>
Total	\$	<u><u>47,485,717</u></u>

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

Statement of Net Position		
Cash and temporary investments	\$	40,826,080
Statement of Fiduciary Net Position		
Cash and temporary investments		
Scholarship Private-Purpose Trust Fund		145,231
Investments held by trustee		
Post-Employment Benefits Trust Fund		<u>6,514,406</u>
Total	\$	<u><u>47,485,717</u></u>

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

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

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

At year-end, the carrying amount and bank balance of the District’s deposits was \$1,716,854. At June 30, 2019, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency		Less Than 1	1 to 5	6 to 10	
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ 2,858,734	\$ 2,103,019	\$ 247,747	\$ 5,209,500
Investment pools/mutual funds							
MSDLAF – Liquid Class	AAA	S&P	N/A	N/A	N/A	N/A	32,259
MSDLAF – MAX Class	AAA	S&P	N/A	N/A	N/A	N/A	10,234,057
MSDLAF – Term Series	AAA	Fitch	N/A	\$ 17,500,000	\$ –	\$ –	17,500,000
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	N/A	2,413,714
MNTrust Limited Term Duration	AAA	S&P	N/A	N/A	N/A	N/A	3,825,735
First American Government Obligations Fund	AAA	S&P	Level 2	N/A	N/A	N/A	8,856
Mutual funds	N/R	N/A	Level 2	N/A	N/A	N/A	6,505,550
U.S. Government Money Market Fund	AAA	S&P	Level 1	N/A	N/A	N/A	39,192
Total investments							<u>\$ 45,768,863</u>

N/A – Not Applicable

N/R – Not Rated

The District’s investments include investment pools managed by the Minnesota School District Liquid Asset Fund (MSDLAF) and MNTrust, which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District’s investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximates fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

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

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the District’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk.

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the current year ended is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 4,686,131	\$ –	\$ –	\$ –	\$ 4,686,131
Construction in progress	36,312,713	14,030,466	–	(47,492,323)	2,850,856
Total capital assets, not depreciated	40,998,844	14,030,466	–	(47,492,323)	7,536,987
Capital assets, depreciated					
Improvements	10,428,558	147,572	–	14,252,133	24,828,263
Buildings	159,236,656	–	–	33,240,190	192,476,846
Furniture and equipment	7,798,175	209,251	(83,180)	–	7,924,246
Total capital assets, depreciated	177,463,389	356,823	(83,180)	47,492,323	225,229,355
Less accumulated depreciation for					
Improvements	(2,326,570)	(1,524,774)	–	–	(3,851,344)
Buildings	(65,469,953)	(4,194,426)	–	–	(69,664,379)
Furniture and equipment	(6,351,958)	(301,699)	79,640	–	(6,574,017)
Total accumulated depreciation	(74,148,481)	(6,020,899)	79,640	–	(80,089,740)
Net capital assets, depreciated	103,314,908	(5,664,076)	(3,540)	47,492,323	145,139,615
Total capital assets, net	\$ 144,313,752	\$ 8,366,390	\$ (3,540)	\$ –	\$ 152,676,602

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

Administration	\$ 168,150
District support services	208,896
Elementary and secondary regular instruction	2,302,700
Vocational education instruction	44,145
Special education instruction	811,147
Instructional support services	465,694
Pupil support services	559,683
Sites and buildings	895,590
Food service	251,666
Community service	313,228
Total depreciation expense	\$ 6,020,899

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Remaining Maturities	Principal Outstanding
2014A Refunding Bonds	10/28/2014	4.00–5.00%	\$ 36,025,000	02/01/2020–02/01/2029	\$ 30,245,000
2015A Refunding Bonds	12/30/2015	3.00–4.00%	\$ 29,715,000	02/01/2020–02/01/2029	24,375,000
2016A Building Bonds	07/07/2016	3.00–5.00%	\$ 46,245,000	02/01/2020–02/01/2035	46,245,000
2017A Refunding Bonds	06/08/2017	3.00–5.00%	\$ 15,830,000	02/01/2020–02/01/2029	14,465,000
2018A Taxable OPEB Refunding Bonds	11/06/2018	2.95–3.45%	\$ 3,770,000	02/01/2020–02/01/2025	3,770,000
Total general obligation bonds payable outstanding					\$ 119,100,000

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

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

In November 2018, the District issued \$3,770,000 of General Obligation Taxable OPEB Refunding Bonds, Series 2018A. The proceeds of this issue were used to refund, in advance of their stated maturities, the 2020–2025 maturities of the District’s 2009A Taxable OPEB Bonds. This advance refunding will reduce the District’s total future debt service payments by \$153,816, and will result in a present value savings of \$135,604. The difference between the carrying amount of the refunded debt and its reacquisition price was not material, and was included in current year expense on the government-wide financial statements.

B. Capital Leases Payable

During fiscal year 2013, the District entered into a capital lease purchase to provide funds to finance the construction at various district facilities. The total amount of resources available to draw on this capital lease was \$3,815,000, at a 2.48 percent interest rate, with a final payment date of June 1, 2028. This lease will be repaid through the General Fund. The District reported \$3,815,000 in buildings and \$1,526,000 of accumulated depreciation at year-end related to this lease.

During fiscal year 2018, the District entered into a capital lease purchase to provide funds to finance the purchase of technology equipment. The total financed through this capital lease was \$856,425, at a 1.09 percent interest rate, with a final payment date of July 7, 2019. The assets acquired through this capital lease were not capitalized, as individual asset amounts did not meet the capitalization threshold requirements. This lease will be repaid through the General Fund.

The leases are secured by a ground lease and the equipment. If the District fails to make the rental payments specified in this agreement or otherwise defaults on the lease, the lessor may 1) declare all rental payments due or to become due, to be immediately due and payable, 2) take possession without terminating the lease, holding the District responsible for the difference in the net income derived from such possession and the rent due under this agreement, 3) exclude the District from possession of the property and attempt to sell or again lease the property, holding the District responsible for the rent due under the agreement until the property is sold or leased again, or 4) take legal action to force performance under the terms of the lease.

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits payable, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

District employees participate in two state-wide cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2019:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 7,788,817	\$ 1,830,876	\$ 2,038,193	\$ 391,197
TRA	30,650,968	44,311,607	56,309,896	(12,500,221)
Total	\$ 38,439,785	\$ 46,142,483	\$ 58,348,089	\$ (12,109,024)

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds payable and capital leases payable are as follows:

Year Ending June 30,	General Obligation Bonds Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2020	\$ 6,365,000	\$ 4,582,003	\$ 531,885	\$ 62,417
2021	6,675,000	4,270,858	252,570	53,155
2022	6,955,000	3,997,353	258,873	46,853
2023	7,280,000	3,685,965	265,332	40,393
2024	7,625,000	3,359,455	271,953	33,772
2025–2029	43,435,000	11,800,415	1,157,391	65,511
2030–2034	33,425,000	4,531,900	–	–
2035	7,340,000	220,200	–	–
	\$ 119,100,000	\$ 36,448,149	\$ 2,738,004	\$ 302,101

E. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	\$ 125,130,000	\$ 3,770,000	\$ 9,800,000	\$ 119,100,000	\$ 6,365,000
Unamortized premium/discount	11,408,681	–	943,855	10,464,826	–
Capital leases payable	3,645,081	–	907,077	2,738,004	531,885
Net pension liability	102,897,766	4,194,467	68,652,448	38,439,785	–
Severance benefits payable	689,478	9,360	101,057	597,781	78,190
	\$ 243,771,006	\$ 7,973,827	\$ 80,404,437	\$ 171,340,396	\$ 6,975,075

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions that have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District’s financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

At June 30, 2019, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 40,748	\$ –	\$ –	\$ 20,140	\$ 60,888
Prepaid items	295,176	–	–	535	295,711
Total nonspendable	335,924	–	–	20,675	356,599
Restricted					
Operating capital	216,002	–	–	–	216,002
Long-term facilities maintenance	982,872	–	–	–	982,872
Medical Assistance	70,530	–	–	–	70,530
Capital projects	–	1,151,832	–	–	1,151,832
Debt service	–	–	2,599,195	–	2,599,195
Food service	–	–	–	67,206	67,206
Community education programs	–	–	–	33,181	33,181
School readiness	–	–	–	4,516	4,516
Community service	–	–	–	6,157	6,157
Total restricted	1,269,404	1,151,832	2,599,195	111,060	5,131,491
Assigned					
Q Comp	198,292	–	–	–	198,292
Capital projects	9,300,000	–	–	–	9,300,000
Technology	320,000	–	–	–	320,000
Total assigned	9,818,292	–	–	–	9,818,292
Unassigned					
	18,539,896	–	–	–	18,539,896
Total	<u>\$ 29,963,516</u>	<u>\$ 1,151,832</u>	<u>\$ 2,599,195</u>	<u>\$ 131,735</u>	<u>\$ 33,846,278</u>

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the unassigned fund balance for the General Fund. The policy establishes the District will strive to maintain an unassigned General Fund balance of 5–8 percent of the General Fund operating expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul Public Schools or Minnesota State Colleges and Universities (MnSCU)). Educators first hired by MnSCU may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan within one year of eligible employment.

B. Benefits Provided

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

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years 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 age 66.

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

Benefit increases are provided to benefit recipients each January. GERP benefit recipients receive a future annual increase equal to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) Three percent per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2019, were \$782,657. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2017		2018		2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.50 %	11.00 %	11.50 %	11.00 %	11.71 %
Coordinated Plan	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %	7.71 %

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2019, were \$2,180,712. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

The following is a reconciliation of employer contributions in the TRA’s Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	<i>in thousands</i>
Employer contributions reported in the TRA’s CAFR Statement of Changes in Fiduciary Net Position	\$ 378,728
Add employer contributions not related to future contribution efforts	522
Deduct the TRA’s contributions not included in allocation	<u>(471)</u>
Total employer contributions	378,779
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 414,367</u>

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. The TRA has rounded percentage amounts to the nearest ten thousandths.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2019, the District reported a liability of \$7,788,817 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.1404 percent at the end of the measurement period and 0.1400 percent for the beginning of the period.

The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The amounts 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 the net pension liability	\$ 7,788,817
State’s proportionate share of the net pension liability associated with the District	\$ 255,478

For the year ended June 30, 2019, the District recognized pension expense of \$331,620 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$59,577 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

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

At June 30, 2019, the District reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 205,596	\$ 232,829
Changes in actuarial assumptions	762,577	873,451
Difference between projected and actual investment earnings	–	773,583
Changes in proportion	80,046	158,330
District’s contributions to the GERF subsequent to the measurement date	<u>782,657</u>	<u>–</u>
Total	<u>\$ 1,830,876</u>	<u>\$ 2,038,193</u>

A total of \$782,657 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 279,247
2021	\$ (482,126)
2022	\$ (624,528)
2023	\$ (162,567)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of \$30,650,968 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 0.4880 percent at the end of the measurement period and 0.4707 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 30,650,968
State’s proportionate share of the net pension liability associated with the District	\$ 2,879,488

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

For the year ended June 30, 2019, the District recognized negative pension expense of \$10,490,531. It also recognized \$2,009,690 as a decrease to pension expense (and grant revenue) for the support provided by direct aid.

At June 30, 2019, the District reported its proportionate share of the TRA’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 334,652	\$ 598,762
Changes in actuarial assumptions	38,626,335	51,876,691
Difference between projected and actual investment earnings	–	2,310,895
Changes in proportion	3,169,908	1,523,548
District’s contributions to the TRA subsequent to the measurement date	2,180,712	–
Total	\$ 44,311,607	\$ 56,309,896

A total of \$2,180,712 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 3,297,110
2021	\$ 1,600,931
2022	\$ 46,828
2023	\$ (11,415,869)
2024	\$ (7,708,001)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50%	2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25%	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year up to 1.50 percent annually for the TRA.

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

Actuarial assumptions used in the June 30, 2018 valuations were based on the results of actuarial experience studies. The most recent experience studies were completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2018:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

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

- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36 %	5.10 %
International stocks	17	5.30 %
Bonds (fixed income)	20	0.75 %
Alternative assets (private markets)	25	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate

1. GERF

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

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

2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 12,657,824	\$ 7,788,817	\$ 3,769,590
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 48,642,962	\$ 30,650,968	\$ 15,807,691

H. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District’s financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree’s premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these District-paid premium benefits must pay the full district premium rate for their coverage.

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	28
Active plan members	<u>633</u>
Total members	<u><u>661</u></u>

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability (Asset) of the District

The District’s net OPEB liability (asset) was based on the actuarial valuation performed as of July 1, 2018, and was rolled forward for a June 30, 2019 measurement date. The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	\$ 5,179,991
Plan fiduciary net position	<u>(6,496,176)</u>
The District’s net OPEB liability (asset)	<u><u>\$ (1,316,185)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>125.4%</u></u>

F. Actuarial Method and Assumptions

The total OPEB liability was determined using an actuarial valuation date of July 1, 2018 and a measurement date of June 30, 2019. The entry-age used, level percentage of pay actuarial cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.60%
Expected long-term investment return	4.00% (net of investment expenses)
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.50% in 2018 grading to 5.00% over 6 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The retirement and withdrawal assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District’s policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	100.00 %	4.00 %

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 8.00 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.60 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been taken into account. The District discount rate used in the prior measurement date was 3.80 percent.

I. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance	\$ 5,347,364	\$ 6,037,730	\$ (690,366)
Changes for the year			
Service cost	476,928	–	476,928
Interest	215,803	–	215,803
Assumption changes	139,380	–	139,380
Contributions – paid through operating funds	–	275,062	(275,062)
Projected investment return	–	241,509	(241,509)
Differences between expected and actual experience	(706,192)	238,502	(944,694)
Benefit payments – paid through trust	(18,230)	(18,230)	–
Benefit payments – paid through operating funds	(275,062)	(275,062)	–
Administrative expenses	–	(3,335)	3,335
Total net changes	<u>(167,373)</u>	<u>458,446</u>	<u>(625,819)</u>
Ending balance	<u>\$ 5,179,991</u>	<u>\$ 6,496,176</u>	<u>\$ (1,316,185)</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.80 percent to 3.60 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.60%	3.60%	4.60%
Net OPEB liability (asset)	\$ (862,331)	\$ (1,316,185)	\$ (1,738,981)

The following presents the net OPEB liability (asset) of the District, as well as what the District’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB healthcare trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Net OPEB liability (asset)	\$ (1,973,997)	\$ (1,316,185)	\$ (522,652)

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of \$839,027. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ –	\$ 647,342
Changes in actuarial assumptions	127,765	87,241
Difference between projected and actual investment earnings	61,030	–
Total	<u>\$ 188,795</u>	<u>\$ 734,583</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2020	\$ (7,765)
2021	\$ (7,766)
2022	\$ (46,528)
2023	\$ (104,627)
2024	\$ (56,929)
Thereafter	\$ (322,173)

NOTE 8 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the Plan year, which is from July 1 to June 30, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by an independent contract administrator for child care and medical expense reimbursements. The flexible benefit plan is included in the financial statements within the District’s General Fund.

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

NOTE 9 – INTERFUND BALANCES AND TRANSACTIONS

Interfund Receivables and Payables

The District had the following interfund receivables and payables at June 30, 2019:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 66,192	\$ –
Nonmajor funds	–	66,192
Internal service funds	18,230	–
Post-Employment Benefits Trust Fund	–	18,230
	<u>\$ 84,422</u>	<u>\$ 84,422</u>

These balances represent interfund amounts relating to temporary cash flow deficits and post-employment benefit costs to be reimbursed as of June 30, 2019. Such interfund balances are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

Because fiduciary fund activity is not included in the government-wide financial statements, this receivable is included as due from the OPEB trust in the governmental activities on the Statement of Net Position.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2019, the District had commitments totaling \$4,373,204 under various construction contracts for which the work was not yet completed.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 16

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2019

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Net Pension Liability	Proportionate Share of the District's State of Minnesota's Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1457%	\$ 6,844,256	\$ -	\$ 6,844,256	\$ 7,648,268	89.49%	78.70%
06/30/2016	06/30/2015	0.1392%	\$ 7,214,066	\$ -	\$ 7,214,066	\$ 8,226,387	87.69%	78.20%
06/30/2017	06/30/2016	0.1439%	\$ 11,683,965	\$ 152,514	\$ 11,836,479	\$ 9,150,283	127.69%	68.90%
06/30/2018	06/30/2017	0.1400%	\$ 8,937,508	\$ 112,417	\$ 9,049,925	\$ 9,253,893	96.58%	75.90%
06/30/2019	06/30/2018	0.1404%	\$ 7,788,817	\$ 255,478	\$ 8,044,295	\$ 9,644,579	80.76%	79.50%

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2019

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 603,458	\$ 603,458	\$ -	\$ 8,226,387	7.34%
06/30/2016	\$ 669,149	\$ 669,149	\$ -	\$ 9,150,283	7.31%
06/30/2017	\$ 676,646	\$ 676,646	\$ -	\$ 9,253,893	7.31%
06/30/2018	\$ 707,859	\$ 707,859	\$ -	\$ 9,644,579	7.34%
06/30/2019	\$ 782,657	\$ 782,657	\$ -	\$ 10,680,581	7.33%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 16

Teachers Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2019

District Fiscal Year-End	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5053%	\$ 23,283,860	\$ 1,637,846	\$ 24,921,706	\$ 23,066,641	100.94%	81.50%
06/30/2016	06/30/2015	0.4758%	\$ 29,432,936	\$ 3,610,491	\$ 33,043,427	\$ 24,331,811	120.96%	76.80%
06/30/2017	06/30/2016	0.4796%	\$ 114,396,043	\$ 11,481,522	\$ 125,877,565	\$ 25,221,123	453.57%	44.88%
06/30/2018	06/30/2017	0.4707%	\$ 93,960,258	\$ 9,082,818	\$ 103,043,076	\$ 25,513,807	368.27%	51.57%
06/30/2019	06/30/2018	0.4880%	\$ 30,650,968	\$ 2,879,488	\$ 33,530,456	\$ 27,138,338	112.94%	78.07%

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2019

District Fiscal Year-End	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,811,160	\$ 1,811,160	\$ -	\$ 24,331,811	7.44%
06/30/2016	\$ 1,870,955	\$ 1,870,955	\$ -	\$ 25,221,123	7.42%
06/30/2017	\$ 1,900,565	\$ 1,900,565	\$ -	\$ 25,513,807	7.45%
06/30/2018	\$ 2,022,310	\$ 2,022,310	\$ -	\$ 27,138,338	7.45%
06/30/2019	\$ 2,180,712	\$ 2,180,712	\$ -	\$ 28,462,506	7.66%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 16

Other Post-Employment Benefits Plan
 Schedule of Changes in the District's Net
 OPEB Liability and Related Ratios
 Year Ended June 30, 2019

	District Fiscal Year-End Date		
	2017	2018	2019
Total OPEB liability			
Service cost	\$ 445,316	\$ 436,541	\$ 476,928
Interest	175,983	189,292	215,803
Assumption changes	–	(106,629)	139,380
Difference between expected and actual experience	–	–	(706,192)
Benefit payments	(180,581)	(284,847)	(293,292)
Net change in total OPEB liability	440,718	234,357	(167,373)
Total OPEB liability – beginning of year	4,672,289	5,113,007	5,347,364
Total OPEB liability – end of year	5,113,007	5,347,364	5,179,991
Plan fiduciary net position			
Contributions	117,576	244,723	275,062
Investment earnings	51,930	(45,450)	480,011
Benefit payments	(180,581)	(284,847)	(293,292)
Administrative expenses	(5,760)	(3,306)	(3,335)
Net change in plan fiduciary net position	(16,835)	(88,880)	458,446
Plan fiduciary net position – beginning of year	6,143,445	6,126,610	6,037,730
Plan fiduciary net position – end of year	6,126,610	6,037,730	6,496,176
Net OPEB liability (asset)	\$ (1,013,603)	\$ (690,366)	\$ (1,316,185)
Fiduciary net position as a percentage of the total OPEB liability	119.82%	112.91%	125.41%
Covered-employee payroll	\$ 30,270,213	\$ 31,178,319	\$ 34,561,372
Net OPEB liability (asset) as a percentage of covered-employee payroll	(3.35%)	(2.21%)	(3.81%)

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 16

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2019

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	0.80 %
2018	(0.70) %
2019	8.00 %

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 16

Notes to Required Supplementary Information
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2017 CHANGES IN PLAN PROVISIONS

- The state's special funding contribution increased from \$6 million to \$16 million.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

INDEPENDENT SCHOOL DISTRICT NO. 16

Notes to Required Supplementary Information (continued)
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

INDEPENDENT SCHOOL DISTRICT NO. 16

Notes to Required Supplementary Information (continued)
June 30, 2019

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

INDEPENDENT SCHOOL DISTRICT NO. 16

Notes to Required Supplementary Information (continued)
June 30, 2019

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

INDEPENDENT SCHOOL DISTRICT NO. 16

Notes to Required Supplementary Information (continued)
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.80 percent to 3.60 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.80 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 4.00 percent to 3.50 percent.
- The percentage of future teachers who are assumed to continue medical coverage after retirement was reduced from 70.00 percent to 60.00 percent.

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SUPPLEMENTAL INFORMATION

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GOVERNMENTAL FUNDS

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental fund category for the District includes the General Fund, Capital Projects – Building Construction Fund, Debt Service Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

The statements and schedules that follow are to provide further detail and support additional analysis for the District's major and nonmajor governmental funds.

INDEPENDENT SCHOOL DISTRICT NO. 16

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2019

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ —	\$ 317,210	\$ 317,210
Receivables			
Current taxes	—	283,021	283,021
Delinquent taxes	—	4,253	4,253
Accounts and interest	1,035	57,632	58,667
Due from other governmental units	237,943	65,464	303,407
Inventory	20,140	—	20,140
Prepaid items	—	535	535
	<u>—</u>	<u>535</u>	<u>535</u>
Total assets	<u>\$ 259,118</u>	<u>\$ 728,115</u>	<u>\$ 987,233</u>
Liabilities			
Salaries payable	\$ 33,125	\$ 68,496	\$ 101,621
Accounts and contracts payable	10,175	36,650	46,825
Due to other governmental units	235	2,625	2,860
Due to other funds	66,192	—	66,192
Unearned revenue	62,045	81,045	143,090
Total liabilities	<u>171,772</u>	<u>188,816</u>	<u>360,588</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	—	491,052	491,052
Unavailable revenue – delinquent taxes	—	3,858	3,858
Total deferred inflows of resources	<u>—</u>	<u>494,910</u>	<u>494,910</u>
Fund balances			
Nonspendable	20,140	535	20,675
Restricted	67,206	43,854	111,060
Total fund balances	<u>87,346</u>	<u>44,389</u>	<u>131,735</u>
	<u>—</u>	<u>44,389</u>	<u>131,735</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 259,118</u>	<u>\$ 728,115</u>	<u>\$ 987,233</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2019

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 482,768	\$ 482,768
Investment earnings	5,200	7,681	12,881
Other	1,142,125	2,568,685	3,710,810
State sources	167,331	531,861	699,192
Federal sources	1,537,900	-	1,537,900
Total revenue	<u>2,852,556</u>	<u>3,590,995</u>	<u>6,443,551</u>
Expenditures			
Current			
Food service	3,106,100	-	3,106,100
Community service	-	3,674,348	3,674,348
Capital outlay	61,184	35,668	96,852
Total expenditures	<u>3,167,284</u>	<u>3,710,016</u>	<u>6,877,300</u>
Excess (deficiency) of revenue over expenditures	(314,728)	(119,021)	(433,749)
Other financing sources			
Sale of capital assets	<u>2,575</u>	<u>2,850</u>	<u>5,425</u>
Net change in fund balances	(312,153)	(116,171)	(428,324)
Fund balances			
Beginning of year	<u>399,499</u>	<u>160,560</u>	<u>560,059</u>
End of year	<u>\$ 87,346</u>	<u>\$ 44,389</u>	<u>\$ 131,735</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

General Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 27,313,388	\$ 27,575,058
Receivables		
Current taxes	6,939,453	6,732,572
Delinquent taxes	96,839	103,677
Accounts and interest	524,396	50,128
Due from other governmental units	7,981,418	7,249,095
Due from other funds	66,192	-
Inventory	40,748	117,732
Prepaid items	295,176	343,791
	<u> </u>	<u> </u>
Total assets	<u>\$ 43,257,610</u>	<u>\$ 42,172,053</u>
Liabilities		
Salaries payable	\$ 155,365	\$ 173,026
Accounts and contracts payable	1,578,007	1,198,781
Due to other governmental units	344,011	917,458
Unearned revenue	15,018	14,581
	<u> </u>	<u> </u>
Total liabilities	2,092,401	2,303,846
Deferred inflows of resources		
Property taxes levied for subsequent year	11,112,672	10,516,024
Unavailable revenue – delinquent taxes	89,021	86,878
	<u> </u>	<u> </u>
Total deferred inflows of resources	11,201,693	10,602,902
Fund balances (deficits)		
Nonspendable for inventory	40,748	117,732
Nonspendable for prepaid items	295,176	343,791
Restricted for operating capital	216,002	552,470
Restricted for long-term facilities maintenance	982,872	-
Restricted for Medical Assistance	70,530	114,550
Assigned for Q Comp	198,292	241,740
Assigned for capital projects	9,300,000	7,962,230
Assigned for technology	320,000	320,000
Unassigned – health and safety restricted account deficit	-	(6,105)
Unassigned	18,539,896	19,618,897
	<u> </u>	<u> </u>
Total fund balances	29,963,516	29,265,305
	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 43,257,610</u>	<u>\$ 42,172,053</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 11,565,694	\$ 11,508,891	\$ (56,803)	\$ 10,449,849
Investment earnings	300,000	874,218	574,218	373,207
Other	1,415,000	1,768,775	353,775	1,147,903
State sources	52,536,066	53,743,035	1,206,969	51,562,304
Federal sources	1,797,000	1,858,092	61,092	1,808,151
Total revenue	<u>67,613,760</u>	<u>69,753,011</u>	<u>2,139,251</u>	<u>65,341,414</u>
Expenditures				
Current				
Administration				
Salaries	1,575,841	1,578,201	2,360	1,359,802
Employee benefits	450,696	444,249	(6,447)	389,784
Purchased services	63,130	30,528	(32,602)	46,147
Supplies and materials	22,800	12,165	(10,635)	16,677
Capital expenditures	–	153	153	6,721
Other expenditures	36,800	50,311	13,511	39,239
Total administration	<u>2,149,267</u>	<u>2,115,607</u>	<u>(33,660)</u>	<u>1,858,370</u>
District support services				
Salaries	1,346,326	1,469,261	122,935	1,314,020
Employee benefits	438,741	427,849	(10,892)	404,797
Purchased services	511,450	585,577	74,127	649,754
Supplies and materials	82,265	131,205	48,940	105,276
Capital expenditures	1,000	15,967	14,967	55,585
Other expenditures	12,200	25,042	12,842	17,706
Total district support services	<u>2,391,982</u>	<u>2,654,901</u>	<u>262,919</u>	<u>2,547,138</u>
Elementary and secondary regular instruction				
Salaries	20,502,431	20,105,554	(396,877)	19,290,749
Employee benefits	5,771,689	6,154,163	382,474	5,735,390
Purchased services	946,334	1,484,472	538,138	1,395,692
Supplies and materials	1,198,516	1,234,194	35,678	682,687
Capital expenditures	38,630	113,154	74,524	956,820
Other expenditures	13,300	147,804	134,504	137,070
Total elementary and secondary regular instruction	<u>28,470,900</u>	<u>29,239,341</u>	<u>768,441</u>	<u>28,198,408</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	427,063	365,219	(61,844)	315,634
Employee benefits	148,017	119,692	(28,325)	101,605
Purchased services	30,000	45,476	15,476	68,082
Supplies and materials	—	15,693	15,693	9,825
Other expenditures	—	9,874	9,874	2,128
Total vocational education instruction	605,080	555,954	(49,126)	497,274
Special education instruction				
Salaries	6,964,754	6,430,162	(534,592)	5,922,056
Employee benefits	2,748,317	2,154,792	(593,525)	1,917,239
Purchased services	1,197,311	1,338,054	140,743	1,136,596
Supplies and materials	80,000	138,426	58,426	104,525
Capital expenditures	10,000	—	(10,000)	1,723
Other expenditures	1,000	38,605	37,605	32,483
Total special education instruction	11,001,382	10,100,039	(901,343)	9,114,622
Community service				
Salaries	50,000	47,450	(2,550)	45,000
Employee benefits	15,000	6,619	(8,381)	20,000
Total community service	65,000	54,069	(10,931)	65,000
Instructional support services				
Salaries	2,901,127	3,506,441	605,314	3,347,167
Employee benefits	963,705	924,486	(39,219)	901,477
Purchased services	717,300	511,046	(206,254)	645,668
Supplies and materials	473,842	616,941	143,099	507,704
Capital expenditures	316,218	222,853	(93,365)	232,231
Other expenditures	12,700	85,882	73,182	288,226
Total instructional support services	5,384,892	5,867,649	482,757	5,922,473
Pupil support services				
Salaries	1,492,446	1,487,132	(5,314)	1,353,215
Employee benefits	533,043	477,698	(55,345)	441,971
Purchased services	4,884,211	4,913,357	29,146	4,661,795
Supplies and materials	4,000	121,405	117,405	105,862
Capital expenditures	—	159	159	—
Other expenditures	—	7,478	7,478	5,903
Total pupil support services	6,913,700	7,007,229	93,529	6,568,746

INDEPENDENT SCHOOL DISTRICT NO. 16

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,750,020	1,619,143	(130,877)	1,558,190
Employee benefits	566,238	537,556	(28,682)	494,819
Purchased services	2,575,337	3,289,834	714,497	3,050,675
Supplies and materials	232,700	378,008	145,308	476,892
Capital expenditures	9,104,678	4,445,363	(4,659,315)	5,160,632
Other expenditures	<u>21,500</u>	<u>13,516</u>	<u>(7,984)</u>	<u>54,981</u>
Total sites and buildings	14,250,473	10,283,420	(3,967,053)	10,796,189
Fiscal and other fixed cost programs				
Purchased services	300,000	216,825	(83,175)	191,039
Debt service				
Principal	930,428	907,077	(23,351)	903,646
Interest and fiscal charges	<u>75,298</u>	<u>75,298</u>	<u>-</u>	<u>78,729</u>
Total debt service	<u>1,005,726</u>	<u>982,375</u>	<u>(23,351)</u>	<u>982,375</u>
Total expenditures	<u>72,538,402</u>	<u>69,077,409</u>	<u>(3,460,993)</u>	<u>66,741,634</u>
Excess (deficiency) of revenue over expenditures	(4,924,642)	675,602	5,600,244	(1,400,220)
Other financing sources				
Capital lease issued	-	-	-	856,425
Sale of capital assets	-	22,609	22,609	2,441,302
Total other financing sources	<u>-</u>	<u>22,609</u>	<u>22,609</u>	<u>3,297,727</u>
Net change in fund balances	<u>\$ (4,924,642)</u>	698,211	<u>\$ 5,622,853</u>	1,897,507
Fund balances				
Beginning of year		<u>29,265,305</u>		<u>27,367,798</u>
End of year		<u>\$ 29,963,516</u>		<u>\$ 29,265,305</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ -	\$ 510,501
Receivables		
Accounts and interest	1,035	954
Due from other governmental units	237,943	-
Inventory	<u>20,140</u>	<u>23,848</u>
Total assets	<u>\$ 259,118</u>	<u>\$ 535,303</u>
Liabilities		
Salaries payable	\$ 33,125	\$ 13,344
Accounts and contracts payable	10,175	55,112
Due to other governmental units	235	-
Due to other funds	66,192	-
Unearned revenue	<u>62,045</u>	<u>67,348</u>
Total liabilities	171,772	135,804
Fund balances		
Nonspendable for inventory	20,140	23,848
Restricted for food service	<u>67,206</u>	<u>375,651</u>
Total fund balances	<u>87,346</u>	<u>399,499</u>
Total liabilities and fund balances	<u>\$ 259,118</u>	<u>\$ 535,303</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ -	\$ 5,200	\$ 5,200	\$ 5,683
Other – primarily meal sales	1,212,000	1,142,125	(69,875)	1,177,962
State sources	170,000	167,331	(2,669)	157,147
Federal sources	1,518,000	1,537,900	19,900	1,482,297
Total revenue	<u>2,900,000</u>	<u>2,852,556</u>	<u>(47,444)</u>	<u>2,823,089</u>
Expenditures				
Current				
Salaries	843,202	1,016,804	173,602	859,917
Employee benefits	201,187	268,666	67,479	235,357
Purchased services	248,500	256,273	7,773	274,669
Supplies and materials	1,585,111	1,554,750	(30,361)	1,508,098
Other expenditures	10,000	9,607	(393)	8,155
Capital outlay	12,000	61,184	49,184	116,831
Total expenditures	<u>2,900,000</u>	<u>3,167,284</u>	<u>267,284</u>	<u>3,003,027</u>
Excess (deficiency) of revenue over expenditures	-	(314,728)	(314,728)	(179,938)
Other financing sources				
Sale of capital assets	-	2,575	2,575	-
Net change in fund balances	<u>\$ -</u>	<u>(312,153)</u>	<u>\$ (312,153)</u>	<u>(179,938)</u>
Fund balances				
Beginning of year		<u>399,499</u>		<u>579,437</u>
End of year		<u>\$ 87,346</u>		<u>\$ 399,499</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 317,210	\$ 416,343
Receivables		
Current taxes	283,021	281,360
Delinquent taxes	4,253	4,487
Accounts and interest	57,632	20,003
Due from other governmental units	65,464	75,854
Prepaid items	<u>535</u>	<u>2,965</u>
Total assets	<u>\$ 728,115</u>	<u>\$ 801,012</u>
Liabilities		
Salaries payable	\$ 68,496	\$ 34,543
Accounts and contracts payable	36,650	47,359
Due to other governmental units	2,625	1,760
Unearned revenue	<u>81,045</u>	<u>65,590</u>
Total liabilities	188,816	149,252
Deferred inflows of resources		
Property taxes levied for subsequent year	491,052	487,403
Unavailable revenue – delinquent taxes	<u>3,858</u>	<u>3,797</u>
Total deferred inflows of resources	494,910	491,200
Fund balances		
Nonspendable for prepaid items	535	2,965
Restricted for community education programs	33,181	14,302
Restricted for school readiness	4,516	47,443
Restricted for community service	<u>6,157</u>	<u>95,850</u>
Total fund balances	<u>44,389</u>	<u>160,560</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 728,115</u>	 <u>\$ 801,012</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 483,936	\$ 482,768	\$ (1,168)	\$ 412,706
Investment earnings	3,000	7,681	4,681	2,521
Other – primarily tuition and fees	2,271,736	2,568,685	296,949	2,327,001
State sources	541,328	531,861	(9,467)	547,587
Total revenue	<u>3,300,000</u>	<u>3,590,995</u>	<u>290,995</u>	<u>3,289,815</u>
Expenditures				
Current				
Salaries	2,208,998	2,478,340	269,342	2,143,563
Employee benefits	684,053	796,317	112,264	650,710
Purchased services	284,659	249,340	(35,319)	237,432
Supplies and materials	101,000	147,787	46,787	124,188
Other expenditures	4,190	2,564	(1,626)	9,475
Capital outlay	17,100	35,668	18,568	5,499
Total expenditures	<u>3,300,000</u>	<u>3,710,016</u>	<u>410,016</u>	<u>3,170,867</u>
Excess (deficiency) of revenue over expenditures	–	(119,021)	(119,021)	118,948
Other financing sources				
Sale of capital assets	–	2,850	2,850	–
Net change in fund balances	<u>\$ –</u>	<u>(116,171)</u>	<u>\$ (116,171)</u>	<u>118,948</u>
Fund balances				
Beginning of year		<u>160,560</u>		<u>41,612</u>
End of year		<u>\$ 44,389</u>		<u>\$ 160,560</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 1,604,735	\$ 19,652,019
Receivables		
Accounts and interest	2,700	110,212
Prepaid items	<u>–</u>	<u>125,000</u>
Total assets	<u>\$ 1,607,435</u>	<u>\$ 19,887,231</u>
Liabilities		
Accounts and contracts payable	\$ 455,603	\$ 6,275,515
Fund balances		
Nonspendable for prepaid items	–	125,000
Restricted for capital projects	<u>1,151,832</u>	<u>13,486,716</u>
Total fund balances	<u>1,151,832</u>	<u>13,611,716</u>
Total liabilities and fund balances	<u>\$ 1,607,435</u>	<u>\$ 19,887,231</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Capital Projects – Building Construction Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 100,000	\$ 148,198	\$ 48,198	\$ 355,090
Expenditures				
Capital outlay				
Salaries	–	12,638	12,638	155,700
Employee benefits	–	1,415	1,415	39,473
Purchased services	15,000,000	1,829,550	(13,170,450)	3,309,381
Supplies and materials	–	107,353	107,353	1,260
Capital expenditures	–	10,657,126	10,657,126	27,444,738
Total expenditures	<u>15,000,000</u>	<u>12,608,082</u>	<u>(2,391,918)</u>	<u>30,950,552</u>
Net change in fund balances	<u>\$ (14,900,000)</u>	<u>(12,459,884)</u>	<u>\$ 2,440,116</u>	<u>(30,595,462)</u>
Fund balances				
Beginning of year		<u>13,611,716</u>		<u>44,207,178</u>
End of year		<u>\$ 1,151,832</u>		<u>\$ 13,611,716</u>

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INDEPENDENT SCHOOL DISTRICT NO. 16

Debt Service Fund
 Balance Sheet by Account
 as of June 30, 2019
 (With Comparative Totals as of June 30, 2018)

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2019	2018
Assets				
Cash and temporary investments	\$ 6,627,854	\$ 596,151	\$ 7,224,005	\$ 6,796,867
Receivables				
Current taxes	5,731,387	531,144	6,262,531	6,502,202
Delinquent taxes	85,915	7,477	93,392	109,947
Due from other governmental units	14,748	—	14,748	23,313
Total assets	\$ 12,459,904	\$ 1,134,772	\$ 13,594,676	\$ 13,432,329
Liabilities				
Accounts and contracts payable	\$ 5,125	\$ —	\$ 5,125	\$ —
Deferred inflows of resources				
Property taxes levied for subsequent year	9,981,474	919,636	10,901,110	10,950,385
Unavailable revenue – delinquent taxes	82,240	7,006	89,246	92,048
Total deferred inflows of resources	10,063,714	926,642	10,990,356	11,042,433
Fund balances				
Restricted for debt service	2,391,065	208,130	2,599,195	2,389,896
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,459,904	\$ 1,134,772	\$ 13,594,676	\$ 13,432,329

INDEPENDENT SCHOOL DISTRICT NO. 16

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

	Budget	2019 Actual	
		Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 10,879,397	\$ 9,904,345	\$ 941,890
Investment earnings	90,128	157,519	24,225
State sources	147,475	157,115	—
Total revenue	<u>11,117,000</u>	<u>10,218,979</u>	<u>966,115</u>
Expenditures			
Debt service			
Principal	6,070,000	5,375,000	695,000
Interest	4,884,263	4,661,100	223,163
Fiscal charges and other	58,244	7,025	54,507
Total expenditures	<u>11,012,507</u>	<u>10,043,125</u>	<u>972,670</u>
Excess (deficiency) of revenue over expenditures	104,493	175,854	(6,555)
Other financing sources (uses)			
Refunding debt issued	3,770,000	—	3,770,000
Payments to refunded bond escrow agent	(3,730,000)	—	(3,730,000)
Total other financing sources (uses)	<u>40,000</u>	<u>—</u>	<u>40,000</u>
Net change in fund balances	<u>\$ 144,493</u>	175,854	33,445
Fund balances			
Beginning of year		<u>2,215,211</u>	<u>174,685</u>
End of year		<u>\$ 2,391,065</u>	<u>\$ 208,130</u>

		2018
Total	Over (Under) Budget	Actual
\$ 10,846,235	\$ (33,162)	\$ 11,513,798
181,744	91,616	59,132
157,115	9,640	237,592
<u>11,185,094</u>	<u>68,094</u>	<u>11,810,522</u>
6,070,000	—	6,210,000
4,884,263	—	4,940,844
61,532	3,288	6,000
<u>11,015,795</u>	<u>3,288</u>	<u>11,156,844</u>
169,299	64,806	653,678
3,770,000	—	—
(3,730,000)	—	—
<u>40,000</u>	<u>—</u>	<u>—</u>
209,299	<u>\$ 64,806</u>	653,678
<u>2,389,896</u>		<u>1,736,218</u>
<u>\$ 2,599,195</u>		<u>\$ 2,389,896</u>

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The District maintains two internal service funds. These funds are used to account for the District's self-insured health and dental benefits insurance activities.

The statements that follow are to provide further detail and support additional analysis for the District's internal service funds.

INDEPENDENT SCHOOL DISTRICT NO. 16

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2019

(With Comparative Totals as of June 30, 2018)

	Health Benefits	Dental	Totals	
	Self-Insurance	Self-Insurance	2019	2018
Assets				
Current assets				
Cash and temporary investments	\$ 4,061,683	\$ 305,059	\$ 4,366,742	\$ 3,009,999
Receivables				
Accounts and interest	8,450	4,573	13,023	15,032
Due from other funds	16,100	2,130	18,230	40,124
Total current assets	<u>4,086,233</u>	<u>311,762</u>	<u>4,397,995</u>	<u>3,065,155</u>
Liabilities				
Current liabilities				
Claims incurred, but not reported	<u>349,040</u>	<u>23,345</u>	<u>372,385</u>	<u>241,920</u>
Net position				
Unrestricted	<u>\$ 3,737,193</u>	<u>\$ 288,417</u>	<u>\$ 4,025,610</u>	<u>\$ 2,823,235</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

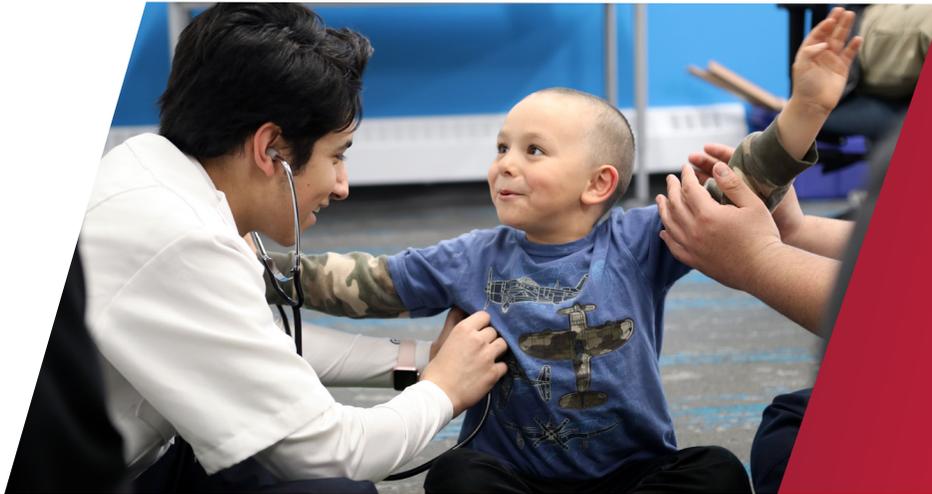
Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2019
 (With Comparative Totals for the Year Ended June 30, 2018)

	Health Benefits	Dental	Totals	
	Self-Insurance	Self-Insurance	2019	2018
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 5,326,973	\$ 459,645	\$ 5,786,618	\$ 5,574,330
Operating expenses				
Health benefit claims	4,231,405	–	4,231,405	3,935,803
Dental benefit claims	–	443,002	443,002	403,967
Total operating expenses	<u>4,231,405</u>	<u>443,002</u>	<u>4,674,407</u>	<u>4,339,770</u>
Operating income	1,095,568	16,643	1,112,211	1,234,560
Nonoperating revenue				
Investment earnings	<u>83,073</u>	<u>7,091</u>	<u>90,164</u>	<u>20,594</u>
Change in net position	1,178,641	23,734	1,202,375	1,255,154
Net position				
Beginning of year	<u>2,558,552</u>	<u>264,683</u>	<u>2,823,235</u>	<u>1,568,081</u>
End of year	<u>\$ 3,737,193</u>	<u>\$ 288,417</u>	<u>\$ 4,025,610</u>	<u>\$ 2,823,235</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2019
 (With Comparative Totals for the Year Ended June 30, 2018)

	Health Benefits	Dental	Total	
	Self-Insurance	Self-Insurance	2019	2018
Cash flows from operating activities				
Contributions from governmental funds	\$ 5,351,234	\$ 459,287	\$ 5,810,521	\$ 5,599,206
Payment for health claims	(4,098,028)	–	(4,098,028)	(4,074,344)
Payment for dental claims	–	(445,914)	(445,914)	(399,554)
Net cash flows from operating activities	<u>1,253,206</u>	<u>13,373</u>	<u>1,266,579</u>	<u>1,125,308</u>
Cash flows from investing activities				
Investment earnings received	<u>83,073</u>	<u>7,091</u>	<u>90,164</u>	<u>20,594</u>
Net change in cash and cash equivalents	1,336,279	20,464	1,356,743	1,145,902
Cash and cash equivalents				
Beginning of year	<u>2,725,404</u>	<u>284,595</u>	<u>3,009,999</u>	<u>1,864,097</u>
End of year	<u>\$ 4,061,683</u>	<u>\$ 305,059</u>	<u>\$ 4,366,742</u>	<u>\$ 3,009,999</u>
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 1,095,568	\$ 16,643	\$ 1,112,211	\$ 1,234,560
Adjustments to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	2,367	(358)	2,009	1,995
Due from other funds	21,894	–	21,894	22,881
Claims incurred, but not reported	<u>133,377</u>	<u>(2,912)</u>	<u>130,465</u>	<u>(134,128)</u>
Net cash flows from operating activities	<u>\$ 1,253,206</u>	<u>\$ 13,373</u>	<u>\$ 1,266,579</u>	<u>\$ 1,125,308</u>



SECTION III

Statistical Section | Annual Financial Report

(Unaudited)



STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 16's (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial statements relates to the services the District provides, and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the District's CAFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 16

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2010	2011	2012	Fiscal Year 2013
Governmental activities				
Net investment in capital assets	\$ 6,481,307	\$ 4,598,728	\$ 3,242,963	\$ 3,227,368
Restricted	1,324,641	1,436,954	1,504,512	1,495,340
Unrestricted	(4,108,831)	(474,216)	4,032,799	8,403,472
 Total governmental activities net position	\$ 3,697,117	\$ 5,561,466	\$ 8,780,274	\$ 13,126,180

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$33.5 million. Prior years were not restated.

Note 2: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$2.3 million. Prior years were not restated.

2014	2015	2016	2017	2018	2019
\$ 8,940,408	\$ 12,151,342	\$ 12,651,203	\$ 17,675,160	\$ 23,079,326	\$ 25,541,727
1,953,196	1,397,239	1,892,627	2,084,364	1,662,151	2,158,339
11,267,479	(17,216,760)	(11,365,538)	(26,911,390)	(37,385,673)	(21,719,496)
<u>\$ 22,161,083</u>	<u>\$ (3,668,179)</u>	<u>\$ 3,178,292</u>	<u>\$ (7,151,866)</u>	<u>\$ (12,644,196)</u>	<u>\$ 5,980,570</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year							
	2010		2011		2012		2013	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Governmental activities								
Expenses								
Administration	\$ 1,937,326	3.4 %	\$ 2,270,995	3.8 %	\$ 2,121,139	3.5 %	\$ 2,267,774	3.6 %
District support services	1,989,149	3.5	1,917,069	3.2	1,915,141	3.1	1,802,058	2.8
Elementary and secondary regular instruction	22,797,662	39.7	24,321,365	40.3	23,361,045	38.2	25,204,294	39.6
Vocational education instruction	1,345,957	2.3	972,491	1.6	785,658	1.3	796,322	1.3
Special education instruction	7,530,877	13.1	7,455,967	12.4	8,067,367	13.2	8,311,210	13.1
Instructional support services	4,096,434	7.1	3,526,360	5.9	4,916,913	8.0	4,646,026	7.3
Pupil support services	4,964,914	8.7	4,496,255	7.5	4,429,260	7.2	4,544,746	7.1
Sites and buildings	2,094,308	3.7	4,132,180	6.9	4,318,306	7.0	4,743,456	7.4
Fiscal and other fixed cost programs	123,003	0.2	233,066	0.4	182,492	0.3	190,313	0.3
Food service	2,192,389	3.8	2,310,024	3.8	2,540,061	4.1	2,765,437	4.3
Community service	2,671,356	4.6	2,848,073	4.7	3,062,562	5.0	3,432,478	5.4
Interest and fiscal charges on debt	5,707,686	9.9	5,732,273	9.5	5,580,278	9.1	4,953,054	7.8
Total governmental activities expenses	57,451,061	<u>100.0 %</u>	60,216,118	<u>100.0 %</u>	61,280,222	<u>100.0 %</u>	63,657,168	<u>100.0 %</u>
Program revenues								
Charges for services								
Elementary and secondary regular instruction	350,314		435,767		569,562		523,919	
Instructional support services	—		—		—		—	
Food service	1,045,255		1,055,523		1,082,307		1,105,062	
Community service	1,644,371		1,790,031		2,119,858		2,333,625	
Operating grants and contributions	10,035,483		10,012,509		11,080,073		11,243,596	
Total governmental activities program revenues	13,075,423		13,293,830		14,851,800		15,206,202	
Net (expense) revenue	(44,375,638)		(46,922,288)		(46,428,422)		(48,450,966)	
General revenues and other changes in net position								
Taxes								
Property taxes, levied for general purposes	9,258,118		11,631,235		8,681,625		10,014,928	
Property taxes, levied for capital projects	—		1,431,952		—		—	
Property taxes, levied for community service	406,682		595,866		420,717		458,789	
Property taxes, levied for debt service	7,731,018		8,313,033		8,530,214		9,274,242	
General grants and aids	27,630,494		26,185,512		31,572,954		32,600,990	
Gain on sale of capital assets	—		—		—		—	
Other general revenues	634,577		603,124		388,928		420,466	
Investment earnings	175,228		25,915		52,792		27,457	
Total general revenues and other changes in net position	45,836,117		48,786,637		49,647,230		52,796,872	
Change in net position	\$ 1,460,479		\$ 1,864,349		\$ 3,218,808		\$ 4,345,906	

2014		2015		2016		2017		2018		2019	
Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
\$ 2,443,292	3.9 %	\$ 2,000,118	3.0 %	\$ 2,142,397	3.0 %	\$ 2,782,494	3.1 %	\$ 2,482,866	2.8 %	\$ 1,721,904	2.6 %
2,950,163	4.7	2,880,485	4.3	2,555,546	3.6	2,778,795	3.1	2,744,469	3.1	2,740,306	4.1
24,386,405	39.2	24,691,702	36.9	27,119,057	38.0	40,848,212	46.1	39,158,924	43.8	20,740,744	31.0
801,469	1.3	741,544	1.1	678,090	1.0	1,007,149	1.1	669,085	0.7	447,966	0.7
8,572,352	13.7	8,545,167	12.8	8,570,155	12.0	11,729,151	13.2	12,124,558	13.6	8,144,461	12.2
4,676,092	7.5	5,935,999	8.9	7,264,022	10.2	6,853,108	7.7	7,057,296	7.9	5,441,358	8.1
5,114,047	8.2	4,971,500	7.4	5,727,763	8.0	6,314,609	7.1	7,328,994	8.2	7,101,894	10.6
1,918,958	3.0	4,537,852	6.8	4,644,930	6.5	4,108,121	4.6	6,625,257	7.4	9,344,210	14.0
158,443	0.3	265,168	0.4	179,921	0.3	141,819	0.2	191,039	0.2	216,825	0.3
2,892,206	4.6	3,225,187	4.8	3,177,702	4.5	3,172,797	3.6	3,115,395	3.5	3,317,699	5.0
3,567,356	5.7	3,441,499	5.1	3,649,195	5.1	4,227,143	4.8	3,767,162	4.2	3,684,307	5.5
4,902,942	7.9	5,650,508	8.5	5,566,543	7.8	4,734,217	5.4	4,179,846	4.7	3,957,733	5.9
62,383,725	<u>100.0 %</u>	66,886,729	<u>100.0 %</u>	71,275,321	<u>100.0 %</u>	88,697,615	<u>100.0 %</u>	89,444,891	<u>100.0 %</u>	66,859,407	<u>100.0 %</u>
598,363		613,638		577,201		668,081		509,632		519,664	
-		69,784		43,096		38,861		47,196		54,856	
1,117,760		1,119,719		1,270,499		1,243,190		1,177,962		1,142,125	
2,498,408		1,996,289		2,331,487		2,345,615		2,327,001		2,568,685	
12,430,780		12,479,689		12,137,627		13,363,894		13,658,939		13,688,345	
16,645,311		16,279,119		16,359,910		17,659,641		17,720,730		17,973,675	
(45,738,414)		(50,607,610)		(54,915,411)		(71,037,974)		(71,724,161)		(48,885,732)	
6,200,112		9,776,471		9,808,642		9,948,330		10,428,008		11,511,034	
-		-		-		-		-		-	
232,962		473,957		380,078		469,990		411,439		482,829	
9,469,476		9,789,787		10,190,445		9,810,131		11,496,238		10,843,433	
38,589,416		37,569,864		40,359,902		41,682,417		42,121,381		42,143,708	
-		14,800		-		-		367,463		-	
546,134		525,899		654,713		680,776		591,075		1,222,289	
7,064		98,240		368,102		434,540		816,227		1,307,205	
55,045,164		58,249,018		61,761,882		63,026,184		66,231,831		67,510,498	
\$ 9,306,750		\$ 7,641,408		\$ 6,846,471		\$ (8,011,790)		\$ (5,492,330)		\$ 18,624,766	

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INDEPENDENT SCHOOL DISTRICT NO. 16

Governmental Activities Tax Revenues by Source and Levy Type
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Fiscal Year	Property Tax				Total
	General Purposes	Community Service	Capital Projects	Debt Service	
2010	\$ 9,258,118	\$ 406,682	\$ –	\$ 7,731,018	\$ 17,395,818
2011	11,631,235	595,866	1,431,952	8,313,033	21,972,086
2012	8,681,625	420,717	–	8,530,214	17,632,556
2013	10,014,928	458,789	–	9,274,242	19,747,959
2014	6,200,112	232,962	–	9,469,476	15,902,550
2015	9,776,471	473,957	–	9,789,787	20,040,215
2016	9,808,642	380,078	–	10,190,445	20,379,165
2017	9,948,330	469,990	–	9,810,131	20,228,451
2018	10,428,008	411,439	–	11,496,238	22,335,685
2019	11,511,034	482,829	–	10,843,433	22,837,296

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 16

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Reserved	\$ 1,187,345	\$ -	\$ -	\$ -
Unreserved	1,364,543	-	-	-
Nonspendable	-	142,562	120,852	148,460
Restricted	-	846,833	723,751	731,754
Assigned	-	352,214	1,832,175	2,255,998
Unassigned	-	3,811,403	6,558,816	10,829,467
Total General Fund	<u>\$ 2,551,888</u>	<u>\$ 5,153,012</u>	<u>\$ 9,235,594</u>	<u>\$ 13,965,679</u>
All other governmental funds				
Reserved	\$ 2,067,115	\$ -	\$ -	\$ -
Unreserved, reported in				
Special revenue funds	441,167	-	-	-
Capital projects funds	(1,431,952)	-	-	-
Debt service funds	548,113	-	-	-
Nonspendable	-	24,506	20,098	25,861
Restricted	-	12,591,202	12,905,670	4,007,333
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 1,624,443</u>	<u>\$ 12,615,708</u>	<u>\$ 12,925,768</u>	<u>\$ 4,033,194</u>
Total all governmental funds	<u>\$ 4,176,331</u>	<u>\$ 17,768,720</u>	<u>\$ 22,161,362</u>	<u>\$ 17,998,873</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011. This required new classifications of fund balance.

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
126,670	240,909	151,183	520,147	461,523	335,924
1,127,192	1,020,553	1,036,832	1,458,251	667,020	1,269,404
3,078,505	3,048,575	5,467,187	6,799,600	8,523,970	9,818,292
12,062,267	15,521,686	17,508,558	18,589,800	19,612,792	18,539,896
<u>\$ 16,394,634</u>	<u>\$ 19,831,723</u>	<u>\$ 24,163,760</u>	<u>\$ 27,367,798</u>	<u>\$ 29,265,305</u>	<u>\$ 29,963,516</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
22,918	29,327	38,156	151,958	151,813	20,675
2,627,272	44,109,966	34,955,763	46,412,487	16,409,858	3,862,087
-	-	(19,370)	-	-	-
<u>\$ 2,650,190</u>	<u>\$ 44,139,293</u>	<u>\$ 34,974,549</u>	<u>\$ 46,564,445</u>	<u>\$ 16,561,671</u>	<u>\$ 3,882,762</u>
<u>\$ 19,044,824</u>	<u>\$ 63,971,016</u>	<u>\$ 59,138,309</u>	<u>\$ 73,932,243</u>	<u>\$ 45,826,976</u>	<u>\$ 33,846,278</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Local sources				
Taxes	\$ 17,318,260	\$ 21,904,980	\$ 17,651,210	\$ 19,822,408
Investment earnings	75,683	25,915	52,792	27,457
Other	3,674,517	3,884,445	4,160,655	4,383,072
State sources	31,690,949	32,980,484	39,073,061	40,577,574
Federal sources	5,975,028	3,217,537	3,579,966	3,267,012
Total revenues	<u>58,734,437</u>	<u>62,013,361</u>	<u>64,517,684</u>	<u>68,077,523</u>
Expenditures				
Current				
Administration	1,808,170	1,882,778	1,779,488	1,929,576
District support services	1,624,320	1,547,251	1,573,756	1,538,273
Elementary and secondary regular instruction	20,189,151	21,348,686	20,959,631	22,898,286
Vocational education instruction	989,378	610,909	442,614	466,432
Special education instruction	7,099,674	7,031,127	7,724,323	7,981,320
Instructional support services	4,113,451	3,479,624	4,581,637	4,311,145
Pupil support services	4,586,456	4,102,890	4,424,288	4,538,906
Sites and buildings	4,154,670	4,120,536	4,458,700	8,497,706
Fiscal and other fixed cost programs	123,003	233,066	182,492	190,313
Food service	1,831,509	1,938,754	2,191,775	2,385,262
Community service	2,268,044	2,399,086	2,648,743	3,035,533
Capital outlay	3,936,841	79,287	41,957	498,539
Debt service				
Principal	2,497,077	2,892,713	3,368,869	5,292,142
Interest and fiscal charges	5,821,785	5,829,210	5,849,964	5,666,679
Total expenditures	<u>61,043,529</u>	<u>57,495,917</u>	<u>60,228,237</u>	<u>69,230,112</u>
Excess (deficiency) of revenues over expenditures	(2,309,092)	4,517,444	4,289,447	(1,152,589)
Other financing sources (uses)				
Debt issued	-	8,795,000	97,094	5,647,100
Premium (discount) on debt issued	-	279,945	-	-
Payments to refunded bond escrow agent	-	-	-	(8,660,000)
Sale of capital assets	-	-	6,101	3,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>9,074,945</u>	<u>103,195</u>	<u>(3,009,900)</u>
Net change in fund balances	<u>\$ (2,309,092)</u>	<u>\$ 13,592,389</u>	<u>\$ 4,392,642</u>	<u>\$ (4,162,489)</u>
Debt service as a percentage of noncapital expenditures	<u>14.6%</u>	<u>15.3%</u>	<u>15.4%</u>	<u>17.0%</u>

2014	2015	2016	2017	2018	2019
\$ 15,899,333	\$ 20,075,118	\$ 20,402,303	\$ 20,299,810	\$ 22,376,353	\$ 22,837,894
7,064	98,240	367,096	427,299	795,633	1,217,041
4,760,665	4,253,881	4,876,996	4,976,523	4,652,866	5,479,585
48,047,812	46,969,603	49,290,709	50,350,091	52,504,630	54,599,342
2,972,384	3,079,950	3,206,820	3,244,050	3,290,448	3,395,992
71,687,258	74,476,792	78,143,924	79,297,773	83,619,930	87,529,854
2,102,120	1,704,277	1,830,720	1,845,411	1,858,370	2,115,607
2,624,583	2,579,370	2,327,488	2,336,900	2,547,138	2,654,901
21,997,094	23,216,153	25,478,678	27,235,887	28,198,408	29,239,341
467,331	432,110	359,630	516,381	497,274	555,954
8,238,214	8,401,713	8,340,987	8,524,741	9,114,622	10,100,039
4,332,088	5,778,405	7,003,629	5,416,062	5,922,473	5,867,649
5,105,645	4,983,452	5,734,854	5,946,322	6,568,746	7,007,229
6,295,186	7,032,245	5,512,913	8,020,847	10,796,189	10,283,420
158,443	265,168	179,921	141,819	191,039	216,825
2,518,755	2,827,933	2,851,174	2,769,706	2,886,196	3,106,100
3,145,981	3,079,462	3,295,908	3,336,109	3,230,368	3,728,417
1,724,273	167,873	45,184	5,919,716	31,072,882	12,704,934
6,888,713	5,663,474	5,673,286	6,751,931	7,113,646	6,977,077
5,053,830	4,975,435	6,906,407	5,946,495	5,025,573	5,021,093
70,652,256	71,107,070	75,540,779	84,708,327	115,022,924	99,578,586
1,035,002	3,369,722	2,603,145	(5,410,554)	(31,402,994)	(12,048,732)
–	36,025,000	29,715,000	63,227,846	856,425	3,770,000
–	5,596,062	2,394,914	5,897,954	–	–
–	–	(39,555,000)	(48,942,109)	–	(3,730,000)
10,949	14,800	9,234	20,797	2,441,302	28,034
–	(79,392)	–	–	–	–
10,949	41,556,470	(7,435,852)	20,204,488	3,297,727	68,034
\$ 1,045,951	\$ 44,926,192	\$ (4,832,707)	\$ 14,793,934	\$ (28,105,267)	\$ (11,980,698)
18.6%	15.6%	17.0%	17.0%	15.4%	14.1%

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INDEPENDENT SCHOOL DISTRICT NO. 16

General Governmental Tax Revenues by Source and Levy Type
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax					Total
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	OPEB Debt Service	
2010	\$ 9,214,244	\$ 404,865	\$ –	\$ 7,699,151	\$ –	\$ 17,318,260
2011	11,609,045	595,008	1,431,952	7,976,418	292,557	21,904,980
2012	8,698,528	421,033	–	8,238,829	292,820	17,651,210
2013	10,052,990	460,335	–	9,001,555	307,528	19,822,408
2014	6,197,170	233,069	–	9,162,019	307,075	15,899,333
2015	9,797,077	474,725	–	9,382,781	420,535	20,075,118
2016	9,821,867	381,235	–	9,514,612	684,589	20,402,303
2017	9,982,763	471,109	–	8,884,721	961,217	20,299,810
2018	10,449,849	412,706	–	10,577,715	936,083	22,376,353
2019	11,508,891	482,768	–	9,904,345	941,890	22,837,894

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 16

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Net Tax Capacities			
	Agricultural	Nonagricultural	Fiscal Disparities	
Contribution Valuation			Distribution Valuation	
2010	\$ -	\$ 45,487,550	\$ (8,040,935)	\$ 5,239,319
2011	32,200	41,330,430	(8,080,486)	5,395,153
2012	30,202	37,983,110	(7,122,240)	4,846,173
2013	111	34,432,459	(6,777,857)	4,662,940
2014	100	33,657,935	(5,846,912)	4,780,536
2015	-	37,198,274	(5,721,433)	4,924,374
2016	-	37,922,814	(5,913,629)	4,929,573
2017	-	41,261,389	(6,130,284)	5,222,127
2018	-	43,080,007	(6,653,547)	5,451,626
2019	-	46,136,787	(6,723,953)	5,698,364

Source: State of Minnesota School Tax Report

<u>Tax Increment</u>	<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ (1,317,395)	\$ 41,368,539	31.65	\$ 3,430,731,100	1.21 %
(1,098,078)	37,579,219	34.03	3,124,028,600	1.20
(1,042,981)	34,694,264	39.44	3,009,760,200	1.15
(545,861)	31,771,792	44.44	2,754,988,200	1.15
(522,234)	32,069,425	44.56	2,720,435,700	1.18
(529,962)	35,871,253	40.05	3,030,771,800	1.18
(250,642)	36,688,116	39.61	3,084,822,400	1.19
(293,661)	40,059,571	40.23	3,308,834,800	1.21
(313,157)	41,564,929	39.62	3,483,396,300	1.19
(292,525)	44,818,673	37.63	3,734,223,200	1.20

INDEPENDENT SCHOOL DISTRICT NO. 16

Tax Capacity Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Governmental Unit	Fiscal Year			
	2010	2011	2012	2013
ISD No. 16 (Spring Lake Park)	31.654 %	34.028 %	39.443 %	44.440 %
Overlapping governments				
Anoka County	35.189	39.952	41.146	44.410
City of Blaine	29.510	32.798	33.564	36.740
City of Fridley	32.258	36.986	39.615	47.362
City of Spring Lake Park	54.455	54.490	62.655	49.311
Anoka County RR Authority	1.281	1.332	0.650	0.777
Anoka County HRA	1.754	1.784	1.683	1.677
Fridley HRA	1.614	1.695	1.627	1.660
Rice Creek Watershed	1.511	1.639	2.309	2.333
North Suburban Hospital District	1.559	1.711	1.858	2.028
Metropolitan Council	0.811	0.854	0.983	1.053
Metropolitan Mosquito Control District	0.471	0.508	0.559	0.587
Metro Transit	1.420	1.521	1.721	1.840
Referendum market value rates				
ISD No. 16 (Spring Lake Park)	0.137	0.154	0.175	0.199
Overlapping governments				
City of Blaine	0.005	0.006	0.006	0.007
City of Fridley	0.012	0.013	0.014	0.016

Source: Anoka County

2014	2015	2016	2017	2018	2019
44.562 %	40.045 %	39.609 %	40.229 %	39.617 %	37.632 %
43.239	38.123	38.894	36.841	35.334	34.473
36.379	35.495	35.578	34.946	35.989	35.952
48.577	43.508	44.960	48.218	47.907	45.382
57.460	52.877	54.703	52.464	54.191	48.812
0.882	0.941	0.851	0.802	0.738	0.685
1.670	1.438	1.616	1.536	1.508	1.504
1.645	1.356	1.527	1.390	1.624	1.399
2.219	1.913	2.069	1.827	1.778	1.750
1.939	1.702	1.690	–	–	–
1.061	0.933	0.958	0.866	0.841	0.627
0.555	0.485	0.501	0.467	0.453	0.415
1.621	1.429	1.522	1.416	1.362	1.388
0.173	0.162	0.159	0.162	0.159	0.149
0.006	0.006	–	–	–	–
0.018	0.016	0.016	0.015	0.015	0.014

INDEPENDENT SCHOOL DISTRICT NO. 16

Principal Taxpayers
For Years 2010 and 2019

Taxpayer	Type of Property	2010	
		Net Tax Capacity	Percent of Total Net Tax Capacity
Glimcher Realty Trust (Northtown Mall)	Mall	\$ 1,101,532	2.66 %
Medtronic, Inc.	Manufacturing	924,734	2.24
Cummins Power Generation (Onan Corp.)	Manufacturing	306,654	0.74
University Avenue Associates	Apartments	263,463	0.64
Target Corporation (Dayton-Hudson Corp.)	Retail	643,610	1.56
Xcel Energy	Utility	–	–
HR Fridley, LLC	Commercial	–	–
Kraus-Anderson, LLC	Commercial	–	–
Menards, Inc.	Retail	270,198	0.65
CSM Properties, Inc.	Commercial/industrial	–	–
Northcourt Commons Retail, LLC	Commercial/industrial	349,250	0.84
Shamrock Investments	Commercial/industrial	296,020	0.72
Individual	Commercial/industrial	267,768	0.65
Victorville-Blaine, LLC	Commercial	263,560	0.64
		<u>\$ 4,686,789</u>	<u>11.33 %</u>
Total net tax capacity		<u>\$ 41,368,539</u>	

Sources: Current property valuations, net tax capacity by classification, trend of valuations, and principal taxpayers have been furnished by Anoka County Board of Equalization and Assessment.

2019

<u>Net Tax Capacity</u>	<u>Percent of Total Net Tax Capacity</u>
\$ 1,232,418	2.75 %
985,418	2.20
678,468	1.51
335,693	0.75
318,162	0.71
263,250	0.59
257,914	0.58
236,662	0.53
227,816	0.51
221,522	0.49
—	—
—	—
—	—
—	—
<u>\$ 4,757,323</u>	<u>10.61 %</u>
<u>\$ 44,818,673</u>	

INDEPENDENT SCHOOL DISTRICT NO. 16

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	First Year Levy Recognized	
					Amount	Percentage of Levy
2010	\$ 15,768,254	\$ 2,119,094	\$ 423,499	\$ 18,310,847	\$ 17,863,944	97.56 %
2011	15,367,996	2,409,207	454,955	18,232,158	17,931,823	98.35
2012	17,114,297	2,371,571	–	19,485,868	19,189,660	98.48
2013	17,577,213	2,662,680	–	20,239,893	19,968,801	98.66
2014	16,947,624	3,092,099	–	20,039,723	19,816,718	98.89
2015	17,365,564	3,045,234	–	20,410,798	20,235,243	99.14
2016	17,545,728	2,754,942	–	20,300,670	20,241,476	99.71
2017	19,372,138	2,874,101	–	22,246,239	22,160,642	99.62
2018	19,981,649	3,034,485	–	23,016,134	22,910,804	99.54
2019	20,355,861	3,129,144	–	23,485,005	10,000,000	42.58

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids. Legislative changes beginning with taxes collectible in 2012 significantly changed the calculation of tax credits applied and paid through state aids.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report

		Uncollected Taxes Receivable as of June 30, 2019					
Received in Subsequent Years	Total to Date		Delinquent		Current		
	Amount	Percentage of Levy	Amount	Percent	Amount	Percent	
\$ 446,903	\$ 18,310,847	100.00 %	\$ -	- %	\$ -	- %	
300,335	18,232,158	100.00	-	-	-	-	
296,208	19,485,868	100.00	-	-	-	-	
259,563	20,228,364	99.94	11,529	0.06	-	-	
200,453	20,017,171	99.89	22,552	0.11	-	-	
159,160	20,394,403	99.92	16,395	0.08	-	-	
28,330	20,269,806	99.85	30,864	0.15	-	-	
77,783	22,238,425	99.96	7,814	0.04	-	-	
-	22,910,804	99.54	105,330	0.46	-	-	
-	10,000,000	42.58	-	-	<u>13,485,005</u>	57.4	
			<u>\$ 194,484</u>		<u>\$ 13,485,005</u>		

INDEPENDENT SCHOOL DISTRICT NO. 16

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Premium (Discount) on Bonds	Capital Leases			
2010	\$ 121,525,000	\$ 1,548,012	\$ 3,121,390	\$ 126,194,402	N/A	\$ 4,724
2011	127,655,000	1,663,131	2,893,677	132,211,808	N/A	4,421
2012	124,525,000	1,481,642	2,751,902	128,758,544	N/A	4,300
2013	112,225,000	1,013,180	6,746,860	119,985,040	N/A	3,923
2014	107,875,000	915,008	4,208,147	112,998,155	N/A	3,659
2015	139,065,000	6,151,096	3,379,673	148,595,769	N/A	4,767
2016	123,775,000	7,965,945	3,156,387	134,897,332	N/A	4,328
2017	131,340,000	12,349,329	3,692,302	147,381,631	N/A	4,667
2018	125,130,000	11,408,681	3,645,081	140,183,762	N/A	4,416
2019	119,100,000	10,464,826	2,738,004	132,302,830	N/A	4,110

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: Details regarding the District’s outstanding debt can be found in the notes to basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 16

Ratios of Net General Obligation Bonded Debt
to Market Value and Net General Obligation Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2010	\$ 123,073,012	\$ 548,113	\$ 122,524,899	\$ 3,430,731,100	3.57 %	26,712	\$ 4,587
2011	129,318,131	9,937,334	119,380,797	3,124,028,600	3.82	29,903	3,992
2012	126,006,642	10,070,658	115,935,984	3,009,760,200	3.85	29,944	3,872
2013	113,238,180	1,621,114	111,617,066	2,754,988,200	4.05	30,584	3,650
2014	108,790,008	1,856,735	106,933,273	2,720,435,700	3.93	30,884	3,462
2015	145,216,096	43,769,947	101,446,149	3,030,771,800	3.35	31,171	3,255
2016	131,740,945	34,555,806	97,185,139	3,084,822,400	3.15	31,171	3,118
2017	143,689,329	1,736,218	141,953,111	3,308,834,800	4.29	31,581	4,495
2018	136,538,681	2,389,896	134,148,785	3,483,396,300	3.85	31,747	4,226
2019	129,564,826	2,599,195	126,965,631	3,734,223,200	3.40	32,193	3,944

Source: District business office and related statistical table

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INDEPENDENT SCHOOL DISTRICT NO. 16

Direct and Overlapping Governmental Activities Debt
as of June 30, 2019

Governmental Unit	Total G.O. Debt	Percent in ISD No. 16	ISD No. 16's Proportionate Share
ISD No. 16 (Spring Lake Park)	\$ 129,564,826	100.0 %	\$ 129,564,826
Overlapping debt			
Taxing district			
Anoka County	143,067,360	11.8	16,881,948
City of Blaine	56,716,760	41.7	23,650,889
City of Fridley	56,250,000	23.1	12,993,750
City of Spring Lake Park	5,430,160	97.5	5,294,406
Metropolitan Council	1,549,087,966	1.0	15,490,880
Total overlapping debt			<u>74,311,873</u>
Total direct and overlapping debt			<u>\$ 203,876,699</u>

Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable assessed value that is within the District's boundaries and dividing it by the overlapping government's total taxable assessed value.

Note 2: Only those taxing jurisdictions with general obligation debt are included in this section. It does not include nongeneral obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

Note 3: The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Metropolitan Council also has general obligation transit, sewer revenue, wastewater revenue, and radio revenue bonds; and lease obligations outstanding, all of which are supported entirely by revenues and have not been included on the overlapping debt or debt ratios section.

Source: Anoka County

INDEPENDENT SCHOOL DISTRICT NO. 16

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
District's estimated market value	\$ 3,430,731,100	\$ 3,124,028,600	\$ 3,009,760,200	\$ 2,754,988,200
Debt limit (15 percent of estimated market value)	\$ 514,609,665	\$ 468,604,290	\$ 451,464,030	\$ 413,248,230
Amount of debt applicable to the limit	121,525,000	127,655,000	124,525,000	112,225,000
Legal debt margin at June 30	\$ 393,084,665	\$ 340,949,290	\$ 326,939,030	\$ 301,023,230
Legal debt margin as % of debt limit	76.39%	72.76%	72.42%	72.84%

Source: District business office and related statistical table

2014	2015	2016	2017	2018	2019
<u>\$ 2,720,435,700</u>	<u>\$ 3,030,771,800</u>	<u>\$ 3,084,822,400</u>	<u>\$ 3,308,834,800</u>	<u>\$ 3,483,396,300</u>	<u>\$ 3,734,223,200</u>
\$ 408,065,355	\$ 454,615,770	\$ 462,723,360	\$ 496,325,220	\$ 522,509,445	\$ 560,133,480
<u>107,875,000</u>	<u>139,065,000</u>	<u>123,775,000</u>	<u>131,340,000</u>	<u>125,130,000</u>	<u>119,100,000</u>
<u>\$ 300,190,355</u>	<u>\$ 315,550,770</u>	<u>\$ 338,948,360</u>	<u>\$ 364,985,220</u>	<u>\$ 397,379,445</u>	<u>\$ 441,033,480</u>
<u>73.56%</u>	<u>69.41%</u>	<u>73.25%</u>	<u>73.54%</u>	<u>76.05%</u>	<u>78.74%</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Average Employment (1)</u>	<u>Average Unemployment (1)</u>	<u>Average Unemployment State of Minnesota</u>
2010	26,712	N/A	N/A	179,786	7.6 %	6.8 %
2011	29,903	N/A	N/A	177,397	7.2	6.9
2012	29,944	N/A	N/A	180,797	6.0	5.8
2013	30,584	N/A	N/A	182,790	4.8	5.6
2014	30,884	N/A	N/A	184,588	3.7	5.1
2015	31,171	N/A	N/A	184,079	3.3	4.1
2016	31,171	N/A	N/A	185,464	3.8	3.7
2017	31,581	N/A	N/A	190,864	2.9	3.6
2018	31,747	N/A	N/A	193,259	2.5	3.5
2019	32,193	N/A	N/A	194,512	2.9	2.9

N/A – Not Available

(1) Information presented is for Anoka County, the county in which Spring Lake Park is included.

Sources: U.S. Census, Minnesota Department of Administration, and United States Bureau of Economic Analysis

INDEPENDENT SCHOOL DISTRICT NO. 16

Principal Employers
For Years 2010 and 2019

Employer	2010 (1)		2019 (2)	
	Employees	Percent of Employment	Employees	Percent of Employment
City of Blaine	–	– %	1,600	19.78 %
Cummins Power Generation	1,635	14.37	1,500	18.54
Glimcher Realty Trust (Northtown Mall)	1,600	14.07	850	10.51
Mercy Hospital – Unity Campus	1,320	11.61	839	10.37
ISD No. 16 (Spring Lake Park)	675	5.93	800	9.89
Mid-City Cleaners	–	–	800	9.89
Minco (Products, Inc.)	600	5.28	700	8.65
Rise, Inc.	360	3.17	250	3.09
Fridley Medical Center	–	–	250	3.09
I-State Truck Center	–	–	200	2.47
The Home Depot	–	–	150	1.85
Kurt Die Casting	–	–	150	1.85
Medtronic, Inc.	3,800	33.41	–	–
Target Corporation	894	7.86	–	–
Walmart	240	2.11	–	–
Ralcorp Frozen Bakery Products	250	2.20	–	–
Total	11,374	100.00 %	8,089	100.00 %

(1) Source: Telephone survey of individual employers.

(2) Source: 2018 Refunding Bond documents.

Note: The statistics for total employment are not available; therefore, the percentage represents the percentage of the top employers listed.

INDEPENDENT SCHOOL DISTRICT NO. 16

Cost per Pupil Based on Weighted Average Daily Membership
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year							
	2009–2010		2010–2011		2011–2012		2012–2013	
	Cost	Cost per Pupil						
District and school administration	\$ 1,808,170	\$ 335	\$ 1,882,778	\$ 338	\$ 1,779,488	\$ 305	\$ 1,929,576	\$ 319
District support services	1,624,320	301	1,547,251	278	1,573,756	270	1,538,273	254
Elementary and secondary regular instruction	20,189,151	3,746	21,348,686	3,838	20,959,631	3,592	22,898,286	3,784
Vocational education instruction	989,378	184	610,909	110	442,614	76	466,432	77
Special education instruction	7,099,674	1,317	7,031,127	1,264	7,724,323	1,324	7,981,320	1,319
Community education and services	2,268,044	421	2,399,086	431	2,648,743	454	3,035,533	502
Instructional support services	4,113,451	763	3,479,624	626	4,581,637	785	4,311,145	712
Pupil support services	4,586,456	851	4,102,890	738	4,424,288	758	4,538,906	750
Sites, buildings, and capital outlay	8,091,511	1,501	4,199,823	755	4,500,657	771	8,996,245	1,487
Fiscal and other fixed cost programs	123,003	23	233,066	42	182,492	31	190,313	31
Food service	1,831,509	340	1,938,754	349	2,191,775	376	2,385,262	394
Principal, interest, and fiscal charges on debt	8,318,862	1,543	8,721,923	1,568	9,218,833	1,580	10,958,821	1,811
Totals	<u>\$61,043,529</u>	<u>\$11,325</u>	<u>\$57,495,917</u>	<u>\$10,337</u>	<u>\$60,228,237</u>	<u>\$10,322</u>	<u>\$69,230,112</u>	<u>\$11,440</u>
Weighted ADM		<u>5,390</u>		<u>5,563</u>		<u>5,836</u>		<u>6,051</u>

Note: Includes all governmental funds.

Source: District business office and Minnesota Department of Education – District ADM Report

2013–2014		2014–2015		2015–2016		2016–2017		2017–2018		2018–2019	
Cost	Cost per Pupil	Cost	Cost per Pupil	Cost	Cost per Pupil						
\$ 2,102,120	\$ 338	\$ 1,704,277	\$ 285	\$ 1,830,720	\$ 301	\$ 1,845,411	\$ 298	\$ 1,858,370	\$ 296	\$ 2,115,607	\$ 327
2,624,583	422	2,579,370	431	2,327,488	383	2,336,900	378	2,547,138	406	2,654,901	411
21,997,094	3,535	23,216,153	3,882	25,478,678	4,187	27,235,887	4,401	28,198,408	4,492	29,239,341	4,522
467,331	75	432,110	72	359,630	59	516,381	83	497,274	79	555,954	86
8,238,214	1,324	8,401,713	1,405	8,340,987	1,371	8,524,741	1,378	9,114,622	1,452	10,100,039	1,562
3,145,981	506	3,079,462	515	3,295,908	542	3,336,109	539	3,230,368	515	3,728,417	577
4,332,088	696	5,778,405	966	7,003,629	1,151	5,416,062	875	5,922,473	943	5,867,649	907
5,105,645	821	4,983,452	833	5,734,854	943	5,946,322	961	6,568,746	1,046	7,007,229	1,084
8,019,459	1,289	7,200,118	1,204	5,558,097	913	13,940,563	2,253	41,869,071	6,670	22,988,354	3,555
158,443	25	265,168	44	179,921	30	141,819	23	191,039	30	216,825	34
2,518,755	405	2,827,933	473	2,851,174	469	2,769,706	448	2,886,196	460	3,106,100	480
11,942,543	1,919	10,638,909	1,779	12,579,693	2,068	12,698,426	2,052	12,139,219	1,934	11,998,170	1,856
<u>\$70,652,256</u>	<u>\$11,355</u>	<u>\$71,107,070</u>	<u>\$11,889</u>	<u>\$75,540,779</u>	<u>\$12,417</u>	<u>\$84,708,327</u>	<u>\$13,689</u>	<u>\$ 115,022,924</u>	<u>\$18,323</u>	<u>\$ 99,578,586</u>	<u>\$15,401</u>
	<u>6,222</u>		<u>5,981</u>		<u>6,084</u>		<u>6,188</u>		<u>6,278</u>		<u>6,466</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Food Service Information
Last Ten Fiscal Years

Meals	Number of Meals Served									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lunches served										
Full-price lunch	299,425	296,310	311,874	316,115	320,143	359,834	350,277	336,863	333,580	348,870
Reduced-price lunch	47,860	50,947	45,510	51,418	56,468	58,541	62,012	68,575	43,189	77,925
Free lunch	170,336	179,741	206,225	214,810	217,349	225,579	221,343	210,349	198,332	187,991
Adult lunch	13,190	8,326	5,587	9,461	4,902	12,242	7,674	7,785	8,600	5,904
Total lunches served	530,811	535,324	569,196	591,804	598,862	656,196	641,306	623,572	583,701	620,690
Breakfasts served										
Full-price breakfast	28,948	32,250	33,973	40,266	39,487	55,098	61,224	61,843	63,842	74,029
Reduced-price breakfast	13,988	14,948	14,727	16,912	16,961	19,201	20,246	25,075	26,457	26,513
Free breakfast	63,796	71,099	85,209	91,913	87,744	97,908	95,555	93,602	85,564	82,930
Adult breakfast	3,860	293	339	1,261	566	751	465	439	486	491
Total breakfasts served	110,592	118,590	134,248	150,352	144,758	172,958	177,490	180,959	176,349	183,963
Percentage of students eligible for free lunch	29%	28%	29%	29%	29%	30%	28%	33%	28%	26%
Percentage of students eligible for reduced-price lunch	7%	8%	8%	7%	7%	7%	8%	8%	10%	10%

Source: District business office

INDEPENDENT SCHOOL DISTRICT NO. 16

School Facilities
as of June 30, 2019

<u>Facility</u>	<u>Year Construction Completed</u>	<u>Years of Addition</u>	<u>Grades Housed</u>	<u>Square Footage</u>
Northpoint Elementary	2008	2014	K-4	87,600
Park Terrace Elementary	1969	1995, 2007, and 2014	K-4	93,630
Woodcrest Elementary	1950	1962, 1965, 1995, and 2007	K-4	67,000
Centerview Elementary	2018		K-4	98,000
Westwood Middle School	1971	1995 and 2007-2009	5-8	210,000
Spring Lake Park High School	1962	1964, 1995, and 2007-2009	9-12	376,000

Source: District business office

INDEPENDENT SCHOOL DISTRICT NO. 16

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
District directors/superintendent	4	6	5	5	6	7	7	8	7	7
Principals	9	9	9	9	9	9	9	9	10	10
Teachers, nurses, and counselors	343	346	359	359	375	408	403	406	414	432
Coordinators, supervisors, specialists, and technical support	57	61	59	63	64	64	63	68	69	70
Paraprofessionals	95	103	110	110	111	91	90	91	90	95
Food service	34	33	33	33	36	37	38	38	39	40
Custodians	34	33	33	35	35	36	36	35	34	38
Community education leads and assistants	43	45	45	45	47	56	51	51	55	60
Total	<u>619</u>	<u>636</u>	<u>653</u>	<u>659</u>	<u>683</u>	<u>708</u>	<u>697</u>	<u>706</u>	<u>718</u>	<u>752</u>

(1) This schedule is a headcount based on contract group; if an employee has multiple contract groups, they are reflected multiple times. Full-time and part-time employees count the same.

Source: District business office

INDEPENDENT SCHOOL DISTRICT NO. 16

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (Including Enrollment Option)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2010	71.31	383.48	2,171.33	2,085.56	4,711.68	5,389.94
2011	64.21	362.54	2,311.29	2,115.78	4,853.82	5,562.80
2012	74.82	431.65	2,481.25	2,140.71	5,128.43	5,835.68
2013	73.26	427.68	2,560.93	2,240.93	5,302.80	6,050.75
2014	67.71	446.88	2,635.04	2,307.56	5,457.19	6,221.95
2015	92.45	436.29	2,732.67	2,266.18	5,527.59	5,980.80
2016	107.22	424.75	2,748.39	2,336.74	5,617.10	6,084.47
2017	98.31	430.97	2,767.31	2,409.71	5,706.30	6,188.24
2018	109.67	363.92	2,842.06	2,468.30	5,783.95	6,277.60
2019	135.40	416.13	2,847.28	2,556.16	5,954.97	6,466.20

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2010 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2019	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: District business office

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