INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2016

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INDEPENDENT SCHOOL DISTRICT NO. 280

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2016

SCHOOL BOARD

	Position
Peter Toensing	Chairperson
Christine Maleck	Vice Chairperson
Timothy Pollis	Treasurer
John Ashmead	Clerk
Crystal Brakke	Director
Paula Cole	Director

ADMINISTRATION

Steven Unowsky	Superintendent
Craig Holje	Chief Human Resources and Administrative Officer
Bernice Humnick	Director of Finance

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 280
Richfield, 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. 280 (the District) as of and for the year ended June 30, 2016, 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)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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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, 2016, 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 other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

The introductory section and other district information 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.

(continued)

Prior Year Comparative Information

We have previously audited the District's 2015 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 14, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 11, 2016

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As management of Independent School District No. 280 (the District), we have provided readers of the District's financial statements with this narrative overview and analysis of the District's financial activities during the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2016 by $23,647,664 (deficit net position). The District's total net position decreased $1,372,622 from operations during the fiscal year ended June 30, 2016.

- Government-wide revenues totaled $71,154,476 and were $1,372,622 less than expenses of $72,527,098.

- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of $5,864,846, an increase of $1,528,171 from the prior year. The unrestricted portion of the year-end fund balance was $4,439,866, which represents approximately 6.9 percent of annual General Fund expenditures based on fiscal 2016 expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements 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. Governmental funds (Food Service and Community Service Special Revenue Funds) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds are presented as supplemental information.

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.

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 statements provide a detailed *short-term* view that 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 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. 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 Fund to account for its medical self-insurance program. These services have been included within governmental activities in the government-wide financial statements. Proprietary fund financial statements 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:

Table 1
Summary of Net Position
as of June 30, 2016 and 2015

	2016	2015
Assets		
Current and other assets	$ 32,237,703	$ 30,056,899
Capital assets, net of depreciation	51,160,465	53,896,222
Total assets	**$ 83,398,168**	**$ 83,953,121**
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	**$ 7,206,257**	**$ 5,419,985**
Liabilities		
Current and other liabilities	$ 5,176,180	$ 4,099,175
Long-term liabilities, including due within one year	87,250,320	81,236,373
Total liabilities	**$ 92,426,500**	**$ 85,335,548**
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 17,675,124	$ 16,655,662
Pension plan deferments – PERA and TRA	4,150,465	9,656,938
Total deferred inflows of resources	**$ 21,825,589**	**$ 26,312,600**
Net position		
Net investment in capital assets	$ 20,029,484	$ 22,111,981
Restricted	1,308,712	686,237
Unrestricted	(44,985,860)	(45,073,260)
Total net position	**$ (23,647,664)**	**$ (22,275,042)**

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. The other major factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

Total net position decreased by $1,372,622 during the fiscal year ended June 30, 2016. The decrease was mainly in the District's net investment in capital assets due to depreciation.

Table 2 presents a condensed version of the change in net position of the District:

Table 2
Change in Net Position
for the Years Ended June 30, 2016 and 2015

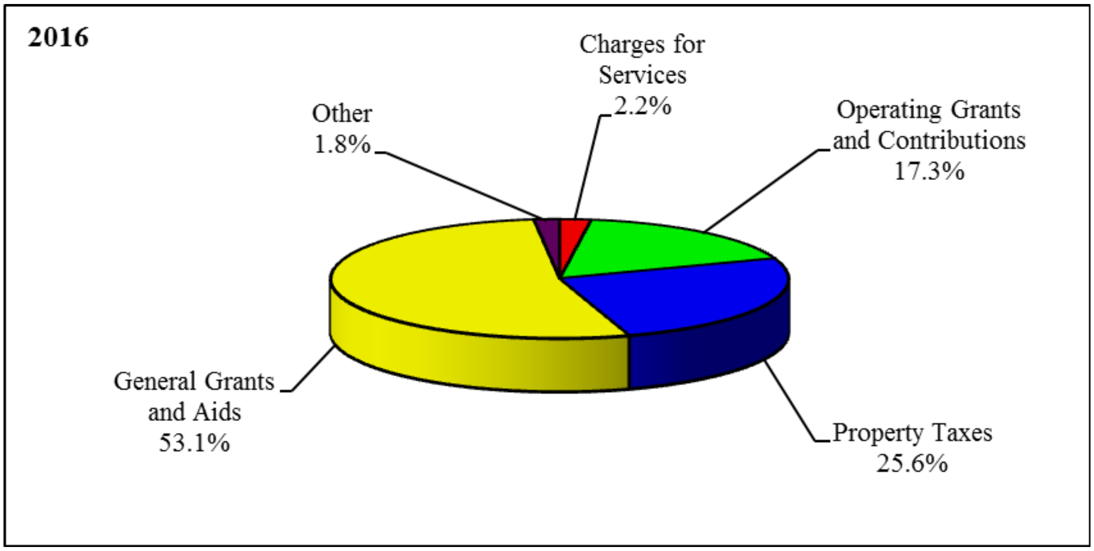
	2016	2015
Revenues		
Program revenues		
Charges for services	$ 1,584,189	$ 1,381,895
Operating grants and contributions	12,316,562	10,858,507
General revenues		
Property taxes	18,231,651	18,478,774
General grants and aids	37,777,017	36,866,254
Other	1,245,057	987,311
Total revenues	71,154,476	68,572,741
Expenses		
Administration	2,441,557	2,780,256
District support services	1,879,857	1,350,886
Elementary and secondary regular instruction	28,500,351	27,446,721
Vocational education instruction	499,839	439,443
Special education instruction	12,410,065	11,177,578
Instructional support services	5,673,182	2,855,239
Pupil support services	5,619,303	5,511,201
Sites and buildings	5,901,471	6,124,862
Fiscal and other fixed cost programs	268,482	318,428
Food service	2,675,729	2,390,570
Community service	1,519,388	1,344,766
Unallocated depreciation	3,234,815	3,246,459
Interest and fiscal charges	1,903,059	1,957,346
Total expenses	72,527,098	66,943,755
Change in net position	(1,372,622)	1,628,986
Net position – beginning	(22,275,042)	(23,904,028)
Net position – ending	**$ (23,647,664)**	**$ (22,275,042)**

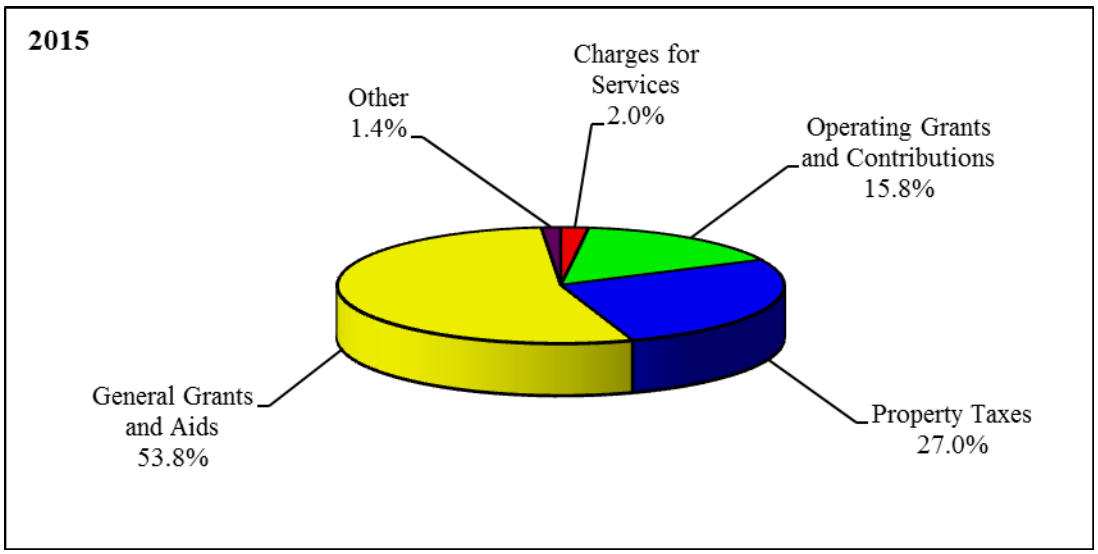
The Statement of Activities is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenue for the 2016 fiscal year was $2,581,735 higher than last year, mainly due to increased general education and special education state aid. The District also recognized $668,558 of state aid and an equal amount of additional pension benefit expense related to a contribution made by the state to the Teachers Retirement Association (TRA) pension plan on the District's behalf. The contribution is related to the merger of the Duluth Teachers Retirement Fund Association pension plan into the state-wide TRA pension plan. Expenditures were $5,583,343 higher than last year, with the largest increases in elementary and secondary regular instruction, special education instruction, and instructional support services.

Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2016 and 2015

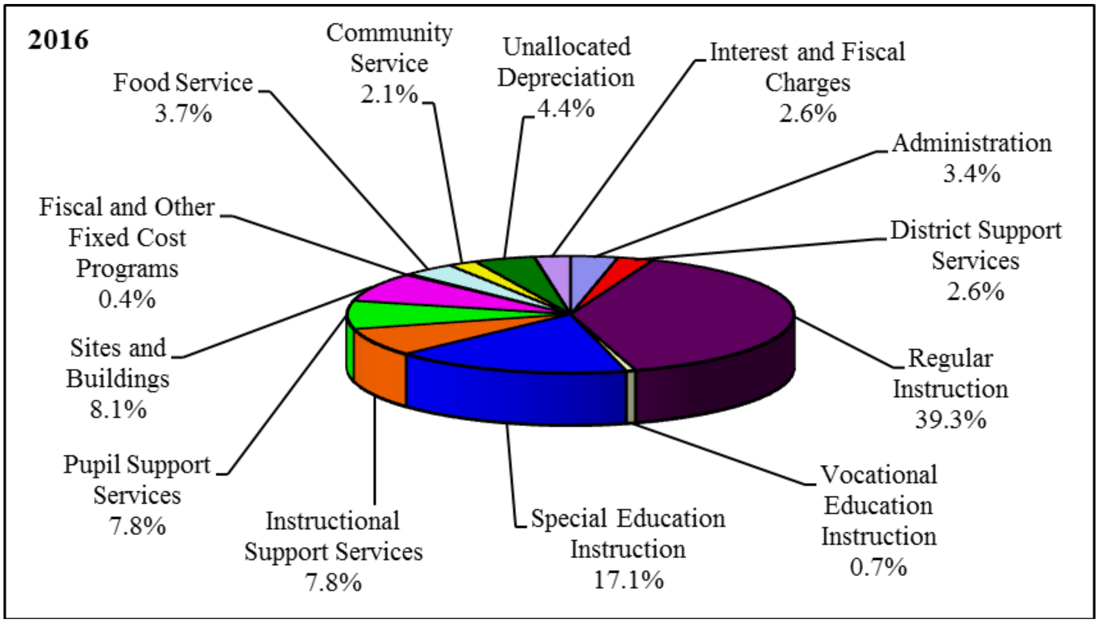


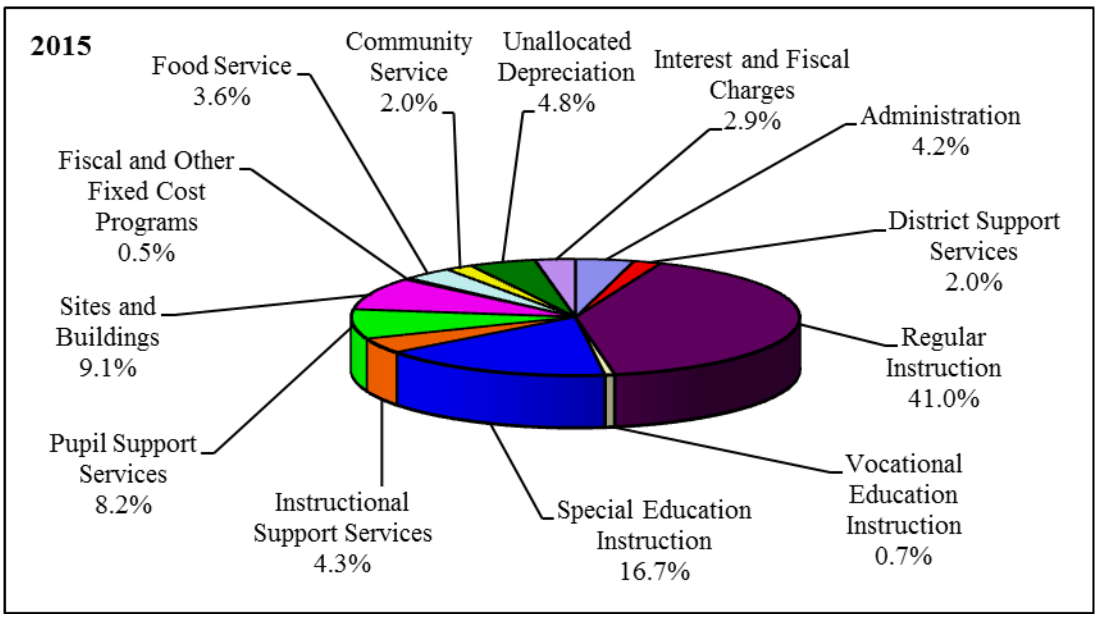


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts as a result of limited funding increases in recent years.

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 – Expenses for Fiscal Years 2016 and 2015





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.

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:

Table 3
Governmental Fund Balances
as of June 30, 2016 and 2015

	2016	2015	Increase (Decrease)
Major funds			
General	$ 5,864,846	$ 4,336,675	$ 1,528,171
Debt Service	380,121	755,983	(375,862)
Nonmajor funds			
Food Service Special Revenue	192,919	132,611	60,308
Community Service Special Revenue	171,664	188,995	(17,331)
Total governmental funds	$ 6,609,550	$ 5,414,264	$ 1,195,286

In 2016, the General Fund balance increased $1,528,171, mainly due to conservative budgeting and cost containment measures, as well as the pursuit of additional revenue opportunities for which the District qualified.

The increase in the Food Service Special Revenue Fund of $60,308 was mainly due to additional participation in the program as well as participation in the Farm to School and Fresh Fruit and Vegetable Grant Programs.

The small decrease in the Community Service Special Revenue Fund was mainly due to higher than anticipated purchased services to meet the demand of participation in community education programming.

The Debt Service Fund decreased $375,862, which was within $18,918 of the decrease projected in the budget based on scheduled debt service payments.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 59,479,947	$ 59,953,246	$ 473,299	0.8%
Expenditures	$ 59,568,961	$ 59,678,436	$ 109,475	0.2%

The District was required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the District's practice to amend the General Fund budget during the year for known significant changes in circumstances such as: updated enrollment estimates, legislation changes, new or additional funding, staffing changes, employee contract settlements, adjustments to health insurance premiums, special education tuition changes, or utility rate changes.

The changes from the original revenue and expenditure budgets to the final budgets are due to additional grant awards, salary and benefit adjustments based on negotiated contract settlements, and recalculations of state aid and levy using updated enrollment numbers.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2016 Actual	Amount	Percent	Amount	Percent
Revenue	$ 62,143,442	$ 2,190,196	3.7%	$ 2,980,541	5.0%
Expenditures	64,188,208	$ 4,509,772	7.6%	$ 6,205,692	10.7%
Other financing sources	3,572,937	$ 3,572,937	100.0%	$ 3,105,891	665.0%
Net change in fund balances	$ 1,528,171				

The increase in 2016 actual revenue is largely due to increases in state general education and special education aids. The expenditure increase was mainly in salaries and benefits, which were about $2.8 million higher than last year due to contractual increases, increases to benefits participation, and the additional pension expenditures recognized related to the state contribution to the TRA on the District's behalf. Budget to actual variances in revenue were due to not factoring in the full funding formula increases for state aids or the state TRA contribution. Budget to actual variances in expenditures and other financing sources were mainly due to the purchase of technology equipment through a capital lease that was not included in the budget.

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, 2016 and 2015:

Table 6
Capital Assets

	2016	2015	Change
Land	$ 349,265	$ 349,265	$ –
Land improvements	6,573,702	6,566,870	6,832
Buildings	88,959,235	88,569,019	390,216
Equipment	7,573,711	7,371,759	201,952
Less accumulated depreciation	(52,295,448)	(48,960,691)	(3,334,757)
Total	$ 51,160,465	$ 53,896,222	$ (2,735,757)
Depreciation expense	$ 3,445,890	$ 3,452,690	$ (6,800)

The increases in buildings and equipment are due to a roof replacement project at the Richfield Dual Language School and a number of other vehicle purchases made by the District in addition to other small purchases throughout the District.

Long-Term Liabilities

Table 7 shows the components of the District's long-term liabilities and the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2016	2015	Change
General obligation bonds	$ 39,385,000	$ 43,085,000	$ (3,700,000)
Premiums	1,615,336	1,308,158	307,178
Discounts	(103,890)	(162,151)	58,261
Capital leases	4,515,393	2,168,275	2,347,118
Net pension liability – PERA	7,535,384	7,201,266	334,118
Net pension liability – TRA	30,830,969	23,878,283	6,952,686
Severance benefits	2,232,807	2,480,631	(247,824)
Compensated absences	364,852	470,224	(105,372)
Net pension benefits obligation	874,469	806,687	67,782
Total	$ 87,250,320	$ 81,236,373	$ 6,013,947

The decrease in general obligation bonds as shown in Table 7 are primarily due to the planned repayment schedules reflecting principal payments during fiscal year 2016. The change in capital leases is based on the District's technology plan to replace and update technology on a five-year cycle. Technology equipment is being purchased under a series of five-year lease agreements. The District is also replacing school buses using a series of seven-year lease agreements.

The differences in the Public Employees Retirement Association (PERA) and the TRA net pension liabilities reflects the change in the District's proportionate share of these state-wide pension obligations.

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).

Table 8
Limitations on Debt

District's market value	$ 3,921,490,879
Limit rate	15.0%
Legal debt limit	$ 588,223,632

Additional details of the District's capital assets and long-term debt activity can be found in 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. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

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. For the 2016 fiscal year, the Legislature added $117, or 2.0 percent, per pupil to the basic general education funding formula and an additional $119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

In August 2016, the District was one of 74 districts in the state to receive funding for a Voluntary Pre-Kindergarten Program. This funding provided the District the opportunity to offer an additional 126 4-year-old students the opportunity to participate in pre-school programming. Funding for these students is provided as part of the general education student formula allocation. The District received an additional $337,084 to further increase these opportunities through the Pathways Grant.

In November 2015, the voters renewed the 2005 excess operating referendum (84 percent supporting) for another 10 years and also added an annual inflationary increase on this portion of the voter-approved excess operating referendum to be capped at no more than $15 per adjusted pupil unit (79 percent supporting).

In November 2013, the community approved a renewal and increase to the capital projects referendum that provided the District with approximately $2.2 million annually over the next 10 years for technology purchases. The District has upgraded its technology infrastructure to provide for a robust Wi-Fi system. The District installed the new system in all seven buildings during the summer of 2015. An increase in the District's net tax capacity is projected to occur over the next several years as a result of the expiration of existing tax increment financing districts, as well as increased redevelopment within the community. This will result in access to increased financial resources for this capital project.

The District has continued its efforts to develop and implement a more transparent budgeting system which is aligned with the District's new Strategic Plan and priorities. Expansion of Professional Learning Communities (PLC) and the evaluation system for all certified staff that is based on the Alternative Teacher Compensation (Q Comp) plan continue to be priorities.

The District continues to expand its enrichment opportunities for all students and is enhancing its gifted and talented programs as well as dual-credit programs which provide opportunities for students to receive college credit while attending Richfield High School. In total, 171 students participated in College in the Schools programming, earning 1,226 credits from the University of Minnesota worth $557,164 in 2015–2016. In addition, the District has reorganized its Richfield College Experience Program (RCEP) alternative program to offer concurrent college programming onsite at Normandale Community College.

The District's enrollment leveled off in fiscal years 2014 and 2015 after three strong years of gains. In fiscal year 2016, the District realized an unanticipated reduction of 93 students in pre-kindergarten through 12th Grade, which was partially offset in average daily membership for the District by the addition of a fiscal host agreement with Intermediate District No. 287 for the South Education Center Academy (SECA) Program. Lower enrollment was realized at both the elementary and secondary programming. In addition, the District's community appears to be engaged in a period of redevelopment which includes factors of increased development and property values as well as transitions of residential developments. While the long-term net financial impact of this redevelopment is anticipated to be positive, the transitional timeline around this is anticipated to have a mixed impact on district enrollment and resources which the administration is actively reviewing and accounting for in planning activities. The District has also initiated a facility study to plan for ongoing facility maintenance and development needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are 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 these statements or need additional financial information, contact the Business Office, Independent School District No. 280, 7001 Harriet Avenue South, Richfield, Minnesota 55423.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Position
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	$ 14,682,525	$ 9,054,118
Receivables		
Current taxes	9,568,749	8,823,601
Delinquent taxes	183,845	163,022
Accounts and interest	605,576	1,764,646
Due from fiduciary fund	664,373	522,700
Due from other governmental units	5,697,243	7,114,888
Inventory	39,885	40,651
Prepaid items	76,999	119,971
Negative net other post-employment benefit obligations	718,508	2,453,302
Capital assets		
Not depreciated	349,265	349,265
Depreciated, net of accumulated depreciation	50,811,200	53,546,957
Total capital assets, net of accumulated depreciation	51,160,465	53,896,222
Total assets	83,398,168	83,953,121
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	7,206,257	5,419,985
Total assets and deferred outflows of resources	$ 90,604,425	$ 89,373,106
Liabilities		
Salaries payable	$ 396,647	$ 374,514
Accounts and contracts payable	1,035,677	798,338
Accrued interest payable	822,551	845,880
Due to other governmental units	1,306,108	427,533
Unearned revenue	902,557	969,387
Claims incurred, but not reported	712,640	683,523
Long-term liabilities		
Due within one year	4,937,167	4,635,997
Due in more than one year	82,313,153	76,600,376
Total long-term liabilities	87,250,320	81,236,373
Total liabilities	92,426,500	85,335,548
Deferred inflows of resources		
Property taxes levied for subsequent year	17,675,124	16,655,662
Pension plan deferments – PERA and TRA	4,150,465	9,656,938
Total deferred inflows of resources	21,825,589	26,312,600
Net position		
Net investment in capital assets	20,029,484	22,111,981
Restricted for		
Capital asset acquisition	834,940	360,546
Food service	192,919	132,611
Community service	176,135	193,080
Other state funding restrictions	104,718	–
Unrestricted	(44,985,860)	(45,073,260)
Total net position	(23,647,664)	(22,275,042)
Total liabilities, deferred inflows of resources, and net position	$ 90,604,425	$ 89,373,106

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Activities
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

		2016			2015
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,441,557	$ 331,018	$ –	$ (2,110,539)	$ (2,430,201)
District support services	1,879,857	–	–	(1,879,857)	(1,350,859)
Elementary and secondary regular instruction	28,500,351	211,082	2,749,326	(25,539,943)	(25,037,014)
Vocational education instruction	499,839	–	–	(499,839)	(432,413)
Special education instruction	12,410,065	286,085	6,370,788	(5,753,192)	(5,120,290)
Instructional support services	5,673,182	–	–	(5,673,182)	(2,853,058)
Pupil support services	5,619,303	7,696	228,840	(5,382,767)	(5,062,723)
Sites and buildings	5,901,471	–	–	(5,901,471)	(6,124,785)
Fiscal and other fixed cost programs	268,482	–	–	(268,482)	(318,428)
Food service	2,675,729	426,417	2,239,415	(9,897)	(43,967)
Community service	1,519,388	321,891	728,193	(469,304)	(725,810)
Unallocated depreciation	3,234,815	–	–	(3,234,815)	(3,246,459)
Interest and fiscal charges	1,903,059	–	–	(1,903,059)	(1,957,346)
Total governmental activities	$ 72,527,098	$ 1,584,189	$ 12,316,562	(58,626,347)	(54,703,353)
	General revenues				
	Taxes				
	Property taxes, levied for general purposes			12,986,997	12,502,109
	Property taxes, levied for community service			421,712	442,106
	Property taxes, levied for debt service			4,822,942	5,534,559
	General grants and aids			37,777,017	36,866,254
	Other general revenues			1,209,963	898,179
	Investment earnings			35,094	89,132
	Total general revenues			57,253,725	56,332,339
	Change in net position			(1,372,622)	1,628,986
	Net position – beginning			(22,275,042)	(23,904,028)
	Net position – ending			$(23,647,664)	$(22,275,042)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	$ 6,866,531	$ 2,945,101	$ 580,514
Receivables			
Current taxes	6,791,094	2,560,867	216,788
Delinquent taxes	126,166	53,208	4,471
Accounts and interest	599,608	–	293
Due from other governmental units	5,598,973	19	98,251
Due from Fiduciary Fund	664,373	–	–
Inventory	26,119	–	13,766
Prepaid items	76,999	–	–
Total assets	$ 20,749,863	$ 5,559,195	$ 914,083
Liabilities			
Salaries payable	$ 348,202	$ –	$ 48,445
Accounts and contracts payable	992,785	–	42,892
Due to other governmental units	1,302,531	–	3,577
Unearned revenue	–	–	16,190
Total liabilities	2,643,518	–	111,104
Deferred inflows of resources			
Property taxes levied for subsequent year	12,115,333	5,125,866	433,925
Unavailable revenue – delinquent taxes	126,166	53,208	4,471
Total deferred inflows of resources	12,241,499	5,179,074	438,396
Fund balances			
Nonspendable	103,118	–	13,766
Restricted	1,321,862	380,121	350,817
Assigned	2,029,882	–	–
Unassigned	2,409,984	–	–
Total fund balances	5,864,846	380,121	364,583
Total liabilities, deferred inflows of resources, and fund balances	$ 20,749,863	$ 5,559,195	$ 914,083

See notes to basic financial statements

Total Governmental Funds	
2016	2015
$ 10,392,146	$ 5,384,853
9,568,749	8,823,601
183,845	163,022
599,901	1,754,169
5,697,243	7,114,888
664,373	522,700
39,885	40,651
76,999	119,971
$ 27,223,141	$ 23,923,855
$ 396,647	$ 374,514
1,035,677	798,338
1,306,108	427,533
16,190	90,522
2,754,622	1,690,907
17,675,124	16,655,662
183,845	163,022
17,858,969	16,818,684
116,884	160,622
2,052,800	2,054,327
2,029,882	1,371,388
2,409,984	1,827,927
6,609,550	5,414,264
$ 27,223,141	$ 23,923,855

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INDEPENDENT SCHOOL DISTRICT NO. 280

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	2016	2015
Total fund balances – governmental funds	$ 6,609,550	$ 5,414,264
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	103,455,913	102,856,913
Accumulated depreciation	(52,295,448)	(48,960,691)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance.		
General obligation bonds	(39,385,000)	(43,085,000)
Unamortized premium/discount	(1,511,446)	(1,146,007)
Capital leases	(4,515,393)	(2,168,275)
Net pension liability – PERA and TRA	(38,366,353)	(31,079,549)
Compensated absences	(364,852)	(470,224)
Severance benefits	(2,232,807)	(2,480,631)
Net pension benefits obligation	(874,469)	(806,687)
Net other post-employment benefit obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	718,508	2,453,302
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(822,551)	(845,880)
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.	2,697,047	2,117,354
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	7,206,257	5,419,985
Deferred inflows – PERA and TRA pension plans	(4,150,465)	(9,656,938)
Deferred inflows – delinquent property taxes	183,845	163,022
Total net position – governmental activities	$ (23,647,664)	$ (22,275,042)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	$ 12,969,947	$ 4,819,555	$ 421,326
Investment earnings	26,700	2,473	1,002
Other	2,021,508	–	772,644
State sources	45,073,735	175	798,547
Federal sources	2,051,552	–	2,169,570
Total revenue	62,143,442	4,822,203	4,163,089
Expenditures			
Current			
Administration	2,531,424	–	–
District support services	1,868,531	–	–
Elementary and secondary regular instruction	27,838,034	–	–
Vocational education instruction	484,356	–	–
Special education instruction	12,232,161	–	–
Instructional support services	5,628,717	–	–
Pupil support services	5,650,890	–	–
Sites and buildings	6,396,910	–	–
Fiscal and other fixed cost programs	268,482	–	–
Food service	–	–	2,558,522
Community service	–	–	1,493,656
Capital outlay	–	–	67,934
Debt service			
Principal	1,225,819	3,280,000	–
Interest and fiscal charges	62,884	1,969,406	–
Total expenditures	64,188,208	5,249,406	4,120,112
Excess (deficiency) of revenue over expenditures	(2,044,766)	(427,203)	42,977
Other financing sources (uses)			
Refunding bonds issued	–	4,880,000	–
Premiums on bonds issued	–	471,341	–
Bond refunding payments	–	(5,300,000)	–
Capital leases	3,572,937	–	–
Total other financing sources (uses)	3,572,937	51,341	–
Net change in fund balances	1,528,171	(375,862)	42,977
Fund balances			
Beginning of year	4,336,675	755,983	321,606
End of year	$ 5,864,846	$ 380,121	$ 364,583

See notes to basic financial statements

Total Governmental Funds	
2016	2015
$ 18,210,828	$ 18,370,774
30,175	88,013
2,794,152	2,255,163
45,872,457	43,491,367
4,221,122	4,185,021
71,128,734	68,390,338
2,531,424	2,562,193
1,868,531	1,307,061
27,838,034	27,005,565
484,356	417,657
12,232,161	11,046,981
5,628,717	2,816,864
5,650,890	5,537,272
6,396,910	6,402,196
268,482	318,428
2,558,522	2,339,223
1,493,656	1,318,495
67,934	37,210
4,505,819	3,801,767
2,032,290	2,267,999
73,557,726	67,178,911
(2,428,992)	1,211,427
4,880,000	–
471,341	–
(5,300,000)	–
3,572,937	467,046
3,624,278	467,046
1,195,286	1,678,473
5,414,264	3,735,791
$ 6,609,550	$ 5,414,264

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INDEPENDENT SCHOOL DISTRICT NO. 280

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016	2015
Total net change in fund balances – governmental funds	$ 1,195,286	$ 1,678,473
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	711,132	626,687
Depreciation expense	(3,445,890)	(3,452,690)
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.	(999)	(25,311)
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.	(8,452,937)	(467,046)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. 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.		
General obligation bonds	8,580,000	3,305,000
Unamortized premium/discount	(365,439)	123,529
Capital leases	1,225,819	496,767
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 – PERA and TRA	(7,286,804)	7,240,076
Compensated absences	105,372	(164,650)
Severance	247,824	70,814
Net pension benefit obligations	(67,782)	(105,539)
Net other post-employment benefit obligations	(1,734,794)	(1,753,841)
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.	23,329	187,124
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 Fund is included in the governmental activities on the Statement of Activities.	579,693	237,983
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	1,786,272	3,180,548
Deferred inflows – PERA and TRA pension plans	5,506,473	(9,656,938)
Deferred inflows – delinquent property taxes	20,823	108,000
Change in net position – governmental activities	$ (1,372,622)	$ 1,628,986

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 13,089,111	$ 12,553,399	$ 12,969,947	$ 416,548
Investment earnings	25,000	25,000	26,700	1,700
Other	1,393,513	1,504,257	2,021,508	517,251
State sources	42,734,060	43,631,909	45,073,735	1,441,826
Federal sources	2,238,263	2,238,681	2,051,552	(187,129)
Total revenue	59,479,947	59,953,246	62,143,442	2,190,196
Expenditures				
Current				
Administration	2,752,675	2,473,061	2,531,424	58,363
District support services	1,461,374	1,466,358	1,868,531	402,173
Elementary and secondary regular instruction	27,307,619	26,938,487	27,838,034	899,547
Vocational education instruction	482,760	471,524	484,356	12,832
Special education instruction	11,489,584	11,909,719	12,232,161	322,442
Instructional support services	2,749,050	2,716,091	5,628,717	2,912,626
Pupil support services	4,976,778	5,354,357	5,650,890	296,533
Sites and buildings	6,836,229	6,737,032	6,396,910	(340,122)
Fiscal and other fixed cost programs	290,051	290,051	268,482	(21,569)
Debt service				
Principal	1,137,092	1,226,556	1,225,819	(737)
Interest and fiscal charges	85,749	95,200	62,884	(32,316)
Total expenditures	59,568,961	59,678,436	64,188,208	4,509,772
Excess (deficiency) of revenue over expenditures	(89,014)	274,810	(2,044,766)	(2,319,576)
Other financing sources				
Capital leases	–	–	3,572,937	3,572,937
Net change in fund balances	$ (89,014)	$ 274,810	1,528,171	$ 1,253,361
Fund balances				
Beginning of year			4,336,675	
End of year			$ 5,864,846	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Position
Proprietary Fund
Internal Service Fund
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	2016	2015
Assets		
Current assets		
Cash and temporary investments	$ 4,290,379	$ 3,669,265
Receivables		
Accounts	5,675	10,477
Total assets	4,296,054	3,679,742
Liabilities		
Current liabilities		
Claims payable	712,640	683,523
Unearned revenue	886,367	878,865
Total liabilities	1,599,007	1,562,388
Net position		
Unrestricted	$ 2,697,047	$ 2,117,354

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016	2015
Operating revenue		
Contributions from governmental funds	$ 6,924,967	$ 6,592,314
Operating expenses		
Medical benefit claims	6,350,193	6,355,450
Operating income	574,774	236,864
Nonoperating revenue		
Investment earnings	4,919	1,119
Change in net position	579,693	237,983
Net position		
Beginning of year	2,117,354	1,879,371
End of year	$ 2,697,047	$ 2,117,354

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Cash Flows
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016	2015
Cash flows from operating activities		
Contributions from governmental funds	$ 6,937,271	$ 6,624,355
Payments for medical claims	(6,321,076)	(6,214,366)
Net cash flows from operating activities	616,195	409,989
Cash flows from investing activities		
Investment income received	4,919	1,119
Net change in cash and cash equivalents	621,114	411,108
Cash and cash equivalents		
Beginning of year	3,669,265	3,258,157
End of year	$ 4,290,379	$ 3,669,265
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 574,774	$ 236,864
Adjustments to reconcile operating income to cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	4,802	(5,790)
Claims payable	29,117	141,084
Unearned revenue	7,502	37,831
Net cash flows from operating activities	$ 616,195	$ 409,989

See notes to basic financial statements

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2016

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Deposits	$ 440,715	$ 4,655,600
Investments held by trustee, at fair value		
State and local obligations	–	3,743,338
Negotiable certificates of deposit	–	1,603,285
MNTrust Investment Shares Portfolio	–	1,369,436
Accounts and interest receivable	2,778	29,786
Total assets	443,493	11,401,445
Liabilities		
Due to district	–	664,373
Net position		
Held in trust for employee benefits and other purposes	$ 443,493	$ 10,737,072

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	$ 37,909	$ –
Investment earnings	13,861	186,407
Total additions	51,770	186,407
Deductions		
Benefits	–	664,373
Scholarships	41,137	–
Total deductions	41,137	664,373
Change in net position	10,633	(477,966)
Net position		
Beginning of year	432,860	11,215,038
End of year	$ 443,493	$ 10,737,072

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 280 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by the 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 (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the 2016 fiscal year, the District paid $511,397 to TIES for goods and services provided.

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

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 items are recognized when all eligibility requirements imposed by the provider have been met.

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

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. 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 to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Internal service funds are presented in proprietary fund financial statements. Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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 services. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds, such as the Scholarship Private-Purpose Trust Fund and Post-Employment Benefits Trust Fund, are presented in the fiduciary fund financial statements by type. 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 funds are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. 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.

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

Internal Service Funds – The District has established an Internal Service Fund to account for the District's liabilities for self-insured medical benefits.

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 to award scholarships to former students of the District.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer assets held in an irrevocable trust to fund post-employment insurance benefits for eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for fiscal 2016 by $4,509,772 in the General Fund, $406,323 in the Food Service Special Revenue Fund, $158,650 in the Community Service Special Revenue Fund, and $5,230 in the Debt Service Fund. These variances were financed with revenues in excess of budget or 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.

Cash and investments in the Post-Employment Benefits Trust Fund represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from the investments of this trust are allocated directly to this fund. Earnings from the investments of the Scholarship Private-Purpose Trust Fund are allocated directly to that fund.

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

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; 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 June 30, 2016.

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

G. Receivables

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

H. Inventories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenditures/expenses when consumed.

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Minnesota 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 $1,476,385 of the property tax levy collectible in 2016 as revenue to the District in fiscal year 2015–2016. The remaining portion of the taxes collectible in 2016 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Generally, the District defines capital assets as those with an initial, individual cost of $3,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since 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 land improvements and buildings, and 5 to 15 years for equipment. Land is 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

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

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

M. Compensated Absences

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

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions of 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 that exceed one year’s salary.

Severance pay based on convertible sick leave is 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 as the liability matures due to employee retirement.

O. 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 (DTRFA) in 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Risk Management

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 it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2016.

2. **Self-Insurance** – The District has established an Internal Service Fund to account for and finance its uninsured risk of loss for its employee medial insurance plan. Under this plan, the Internal Service Fund provides coverage to participating employees and their dependents for various healthcare costs as described in the plans. The District makes premium payments to the Internal Service Fund on behalf of program participants based on provisional 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.

   Changes in the balance for health insurance claim liabilites for the last two years were as follows:

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2015	$ 542,439	$ 6,355,450	$ 6,214,366	$ 683,523
2016	$ 683,523	$ 6,350,193	$ 6,321,076	$ 712,640

Q. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

R. Interfund Balances

At June 30, 2016, the General Fund had a receivable of $664,373 due from the Post-Employment Benefits Trust Fund to reimburse other post-employment benefits (OPEB) costs paid from the General Fund. Interfund balances reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements.

S. Net Position

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

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

- **Restricted** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted** – 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)

T. 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 or Director of Finance and Operations is authorized to establish assignments of fund balance.

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

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

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

U. 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 amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

V. Prior Period Comparative Financial Information/Reclassification

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute 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, 2015, from which such partial 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	$	9,652,001
Investments		16,838,948
Cash on hand		3,950
Total	$	26,494,899

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

Cash and temporary investments		
Statement of Net Position	$	14,682,525
Deposits and investments		
Statement of Fiduciary Net Position		
Scholarship Private-Purpose Trust Fund		440,715
Post-Employment Benefits Trust Fund		11,371,659
Total	$	26,494,899

B. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was $9,652,001, while the balance on the bank records was $9,659,169. At June 30, 2016, all deposits were insured or collateralized by securities 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 Rating	Credit Risk Agency	Fair Value Measurements Using	Investment Risk – Maturity Duration in Years: Less Than 1	Investment Risk – Maturity Duration in Years: 1 to 5	Total
State and local obligations	AA	S&P	Level 1	$ 445,344	$ 3,297,994	$ 3,743,338
Negotiable certificates of deposit	Not rated		Level 1	$ 248,303	$ 1,820,028	2,068,331
Investment pools						
Minnesota School District Liquid Asset Fund	AAA	S&P	Net asset value	No maturity date		14,531
MNTrust Investment Shares Portfolio	AAA	S&P	Level 1	No maturity date		11,012,748
Total investments						$ 16,838,948

The Minnesota School District Liquid Asset Fund (MSDLAF) and Minnesota Trust Investment Shares Portfolio are external investment pools regulated by Minnesota Statutes not registered with the Securities Exchange Commission. The District's investment in the MSDLAF is measured at the net asset value (NAV) per share provided by the pool, which is based on an amortized cost method that approximates fair value. For MSDLAF investments valued at NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; redemption notice period is 14 days for the MAX Class.

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. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 Statute § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 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 policy limits the percentage of its total portfolio invested in certain instruments as follows: bankers' acceptances (25.0 percent), commercial paper (85.0 percent), repurchase agreements (25.0 percent), certificates of deposit (50.0 percent from commercial banks and 50.0 percent from savings and loan associations), and local government investment pools (75.0 percent). At June 30, 2016, the District's investment portfolio includes the following percentages of specific issuers: Independent School District No. 181, Brainerd, Minnesota (9.3 percent) and Monroe Township, New Jersey (7.9 percent).

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	$ 349,265	$ –	$ –	$ 349,265
Capital assets, depreciated				
Land improvements	6,566,870	6,832	–	6,573,702
Buildings	88,569,019	390,216	–	88,959,235
Equipment	7,371,759	314,084	(112,132)	7,573,711
Total capital assets, depreciated	102,507,648	711,132	(112,132)	103,106,648
Less accumulated depreciation for				
Land improvements	(3,020,048)	(338,809)	–	(3,358,857)
Buildings	(40,617,171)	(2,704,703)	–	(43,321,874)
Equipment	(5,323,472)	(402,378)	111,133	(5,614,717)
Total accumulated depreciation	(48,960,691)	(3,445,890)	111,133	(52,295,448)
Net capital assets, depreciated	53,546,957	(2,734,758)	(999)	50,811,200
Total capital assets, net	$ 53,896,222	$ (2,734,758)	$ (999)	$ 51,160,465

Depreciation expense was charged to the following governmental functions:

Administration	$ 98
District support services	2,348
Elementary and secondary regular instruction	18,709
Special education instruction	8,050
Instructional support services	1,778
Pupil support services	157,529
Sites and buildings	3,067
Food service	19,180
Community service	316
Unallocated depreciation	3,234,815
Total depreciation expense	$ 3,445,890

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2008B Alternative Facilities Bonds	07/16/2008	3.95–4.13%	$ 6,340,000	02/01/2025	$ 6,340,000
2009A Taxable OPEB Bonds	03/24/2009	5.00–5.75%	$ 15,885,000	02/01/2027	14,340,000
2013A Refunding Bonds	11/14/2013	3.00–4.00%	$ 16,765,000	02/01/2025	13,825,000
2016A Refunding Bonds	01/13/2016	2.00–5.00%	$ 4,880,000	02/01/2025	4,880,000
Total general obligation bonds					$ 39,385,000

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

B. Capital Leases

The District has entered into a number of capital leases for the purchase of equipment. At the end of each agreement, the District owns the assets or has the right to purchase them for $1. All lease agreements are being paid by the General Fund. Capital lease agreements outstanding at year-end are as follows:

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Buses, computers, and energy improvements	$ 1,234,000	4.86%	07/16/2007	07/16/2021	$ 365,642
Buses	$ 171,500	4.21%	07/17/2009	07/17/2016	27,632
Buses	$ 182,282	3.97%	08/16/2010	08/10/2017	43,389
Buses	$ 179,072	3.09%	07/01/2011	07/01/2018	81,658
Computers (1)	$ –	3.45%	07/01/2011	07/01/2016	33,527
Buses	$ 268,062	2.18%	07/01/2012	07/01/2019	158,152
Computers (1)	$ –	2.14%	07/01/2012	07/01/2017	70,919
Baseball field lights	$ 212,345	2.14%	07/31/2012	09/15/2017	73,475
Solar panels – Middle School	$ 33,490	4.00%	09/01/2012	09/01/2022	22,531
Solar panels – High School	$ 33,600	4.00%	11/01/2012	11/01/2022	23,130
Solar panels – STEM School	$ 34,220	4.00%	08/01/2013	08/01/2023	23,406
Buses	$ 266,862	1.91%	07/01/2013	07/01/2020	193,881
Computers (1)	$ –	1.91%	07/01/2013	07/01/2020	141,108
Bus	$ 48,607	2.58%	07/01/2014	07/01/2017	31,991
Buses	$ 197,094	2.11%	07/01/2014	07/01/2021	170,667
Computers (1)	$ –	1.80%	07/01/2014	07/01/2019	178,640
Buses	$ 197,022	2.19%	07/15/2015	07/15/2022	197,022
Computers (1)	$ –	1.64%	07/01/2015	07/01/2019	2,678,623
Total capital leases					$ 4,515,393

(1) The values of the individual assets acquired through these leases were below the District's capitalization threshold.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, compensated absences, pension benefits, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid from the General Fund and the Food Service and Community Service Special Revenue Funds.

D. Bond Refunding

In 2016, the District sold $4,880,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2016A, the proceeds of which were used to redeem, in advance of their stated maturities, the 2020 through 2025 maturities of its General Obligation Alternative Facilities Bonds, Series 2006B, on their February 1, 2016 call date. This refunding reduced the District's future debt service payments by $738,373 and produced a net present value savings of $739,676.

E. Minimum Debt Payments

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

Year Ending	General Obligation Bonds		Capital Leases	
June 30,	Principal	Interest	Principal	Interest
2017	$ 3,295,000	$ 1,745,024	$ 1,138,294	$ 96,758
2018	3,430,000	1,602,138	1,084,769	71,964
2019	3,565,000	1,462,069	999,881	49,625
2020	2,390,000	1,316,488	941,678	29,828
2021	4,000,000	1,210,971	174,356	11,439
2022–2026	19,880,000	3,253,161	176,415	6,604
2027	2,825,000	162,438	–	–
	$ 39,385,000	$ 10,752,289	$ 4,515,393	$ 266,218

F. Changes in Long-Term Liabilities

	June 30, 2015	Additions	Retirements	June 30, 2016	Due Within One Year
General obligation bonds	$ 43,085,000	$ 4,880,000	$ 8,580,000	$ 39,385,000	$ 3,295,000
Premiums	1,308,158	471,341	164,163	1,615,336	–
Discounts	(162,151)	–	(58,261)	(103,890)	–
Capital leases	2,168,275	3,572,937	1,225,819	4,515,393	1,138,294
Net pension liability – PERA	7,201,266	1,844,425	1,510,307	7,535,384	–
Net pension liability – TRA	23,878,283	8,905,752	1,953,066	30,830,969	–
Compensated absences	470,224	364,852	470,224	364,852	364,852
Severance benefits	2,480,631	80,688	328,512	2,232,807	139,021
Net pension benefits obligation	806,687	235,184	167,402	874,469	–
	$ 81,236,373	$ 20,355,179	$ 14,341,232	$ 87,250,320	$ 4,937,167

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds defined earlier in this report. Any such restrictions which 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. However, a description of these deficit balance restrictions is included herein since the District has specific authority to use future resources for such deficits.

A. Classifications

At June 30, 2016, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ 26,119	$ –	$ 13,766	$ 39,885
Prepaids	76,999	–	–	76,999
Total nonspendable	103,118	–	13,766	116,884
Restricted				
Capital projects levy	990,303	–	–	990,303
Operating capital	226,841	–	–	226,841
Achievement and integration	104,718	–	–	104,718
Debt service	–	380,121	–	380,121
Food service	–	–	179,153	179,153
Community education programs	–	–	159,096	159,096
Early childhood family education programs	–	–	3,905	3,905
School readiness	–	–	8,663	8,663
Total restricted	1,321,862	380,121	350,817	2,052,800
Assigned				
Wellness expo	2,880	–	–	2,880
Ship Grant	25,209	–	–	25,209
Kern Grant	1,805	–	–	1,805
Third party special education	335,399	–	–	335,399
Synthetic turf	244,560	–	–	244,560
Carryover spending	328,764	–	–	328,764
RDLS playground	1,431	–	–	1,431
Subsequent year's budget	179,032	–	–	179,032
Program initiative	805,027	–	–	805,027
Student activities	105,775	–	–	105,775
Total assigned	2,029,882	–	–	2,029,882
Unassigned				
Health and safety restricted deficit	(382,204)	–	–	(382,204)
Unassigned	2,792,188	–	–	2,792,188
Total unassigned	2,409,984	–	–	2,409,984
Total	$ 5,864,846	$ 380,121	$ 364,583	$ 6,609,550

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy that establishes a desired unassigned General Fund balance goal of between 4–8 percent of annual projected 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.

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

- **PERA –** Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90.0 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

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

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

Tier I Benefits

Step Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2%
All years after	2.7%
Coordinated	
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 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. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for the Coordinated Plan. The District's contributions to the GERF for the year ended June 30, 2016 were $620,582. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Year Ended June 30,			
	2015		2016	
	Employee	Employer	Employee	Employer
Basic Plan	11.0%	11.5%	11.0%	11.5%
Coordinated Plan	7.5%	7.5%	7.5%	7.5%

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2016, were $2,035,062. 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 Non-Employer Pension Allocations:

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 340,207,590
Deduct employer contributions not related to future contribution efforts	(704,635)
Deduct the TRA's contributions not included in allocation	(435,999)
Total employer contributions	339,066,956
Total non-employer contributions	41,587,410
Total contributions reported in Schedule of Employer and Non-Employer Pension Allocations	$ 380,654,366

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. Merger of Duluth Teachers Retirement Fund Association (DTRFA)

Legislation enacted in 2014 merged the DTRFA with the TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of the DTRFA.

	June 30, 2014 CAFR	Restated
Total pension liability (a)	$ 24,901,612,000	$ 25,299,564,000
Plan fiduciary net position (b)	20,293,684,000	20,519,756,000
Net pension liability (a-b)	$ 4,607,928,000	$ 4,779,808,000

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

E. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of $7,535,384 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the District's proportion was 0.1454 percent, which was a decrease of 0.0079 percent from its proportion measured as of June 30, 2014.

The GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into the GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9 percent. The Legislature has since set the discount rate in statute at 8.0 percent. Beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB Statement No. 68 accounting requirements will be increased to 8.0 percent to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the District recognized pension expense of $703,477 for its proportionate share of the GERF's pension expense.

At June 30, 2016, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 69,881	$ 379,911
Changes in actuarial assumptions	469,278	–
Differences between projected and actual investment earnings	–	670,788
Changes in proportion	–	320,575
District's contributions to the GERF subsequent to the measurement date	620,582	–
Total	$ 1,159,741	$ 1,371,274

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

A total of $620,582 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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
2017	$ (246,957)
2018	$ (246,957)
2019	$ (516,536)
2020	$ 178,335

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of $30,830,969 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, 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 0.4984 percent at the end of the measurement period and 0.5182 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$ 30,830,969
State's proportionate share of the net pension liability associated with the District	$ 3,781,486

For the year ended June 30, 2016, the District recognized pension expense of $1,943,907. It also recognized $668,558 as an increase to pension expense for the support provided by direct aid.

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

At June 30, 2016, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,641,373	$ –
Differences between projected and actual investment earnings	–	2,573,147
Changes in assumptions	2,370,081	
Changes in proportion	–	206,044
District's contributions to the TRA subsequent to the measurement date	2,035,062	–
Total	$ 6,046,516	$ 2,779,191

A total of $2,035,062 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	$ (141,033)
2018	$ (141,033)
2019	$ (141,033)
2020	$ 1,655,362

F. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.00%
Active member payroll growth	3.50% per year	3.50–12.00% based on years of service
Investment rate of return	7.90%	8.00%

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

Actuarial assumptions used in the June 30, 2015, valuation for the GERF were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for the PERA's other plans, but assumptions are reviewed annually.

The actuarial assumptions used in the June 30, 2015, valuation for the TRA were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.0 percent annually with no increase to 2.5 percent projected. The prior year valuation assumed a 2.5 percent increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.90 percent for the GERF and 8.00 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

G. Discount Rate

The discount rate used to measure the total pension liability was 7.90 percent for the GERF and 8.00 percent for the TRA. This is a decrease from the discount rate at the prior measurement date of 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2016 contribution rates, 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, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 11,848,300	$ 7,535,384	$ 3,973,576
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	$ 46,928,726	$ 30,830,969	$ 17,396,926

I. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through the Independent School District No. 280 OPEB Plan, a single-employer defined benefit plan administered by 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 plan does not issue a publicly available financial report.

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays the eligible retiree's premiums for medical (single or family coverage premium at active employee rates), dental (single or family coverage premium at active employee rates), and/or life insurance (coverage to 2–3 times their basic annual salary to a maximum of $300,000), for some period after retirement. The length of the benefits to be paid by the District differ by bargaining unit, with some contracts specifying a number of months of coverage based on years of service (ranging from 48–120 months coverage for 15–30 years of continuous service), and some covering premium costs from the time of retirement until the employee reaches the age of eligibility for Medicare.

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, 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.

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation (asset) to the plan:

ARC	$ 1,689,545
Interest on net OPEB obligation	(85,866)
Adjustment to ARC	131,115
Annual OPEB cost (expense)	1,734,794
Contributions made	–
Change in net OPEB obligation	1,734,794
Net OPEB obligation (asset) – beginning of year	(2,453,302)
Net OPEB obligation (asset) – end of year	$ (718,508)

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the years ended June 30, 2014, 2015, and 2016 are as follows:

Fiscal Year Ended June 30,	Net OPEB Obligation – Beginning of Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2014	$ (5,941,245)	$ 1,734,102	$ –	–%	$ (4,207,143)
2015	$ (4,207,143)	$ 1,753,841	$ –	–%	$ (2,453,302)
2016	$ (2,453,302)	$ 1,734,794	$ –	–%	$ (718,508)

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 52.0 percent funded. The actuarial accrued liability for benefits was $21,575,668, and the actuarial value of assets was $11,215,038, resulting in an unfunded actuarial accrued liability (UAAL) of $10,360,630. The covered payroll (annual payroll of active employees covered by the plan) was $30,874,440 and the ratio of the UAAL to the covered payroll was 33.6 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; an annual healthcare cost trend rate of 7.5 percent in 2015 grading to 5.0 percent after nine years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. All rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2015 for the various amortization layers ranged from 22 to 30 years.

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

F. Post-Employment Benefits Trust Fund

The District administers a defined benefit OPEB Plan. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan.

The Post-Employment Benefits Trust Fund is reported using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

G. Membership

Membership in the plan consisted of the following as of July 1, 2015:

Retirees and beneficiaries receiving benefits	105
Active plan members	626
Total members	731

NOTE 8 – PENSION BENEFITS PLAN

A. Plan Description

The District provides pension benefits to certain eligible employees through the Independent School District No. 280 Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension 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 plan does not issue a publicly available financial report. These benefits are summarized as follows:

Teacher Pension Benefits – For eligible teachers (with at least 15 years of continuous service and at least 55 years of age), the District pays a lump sum pension benefit that ranges from $7,500 to $10,000, based on years of service at retirement. Eligible teachers can earn an additional lump sum benefit of $5,000 if they have unused sick leave of more than 150 days at retirement.

Other Pension Benefits – The District offers pension benefits to several other employee groups. Eligible employees (with at least 15 years of continuous service and at least 55 years of age) can earn a lump sum pension benefit that differs by bargaining unit, ranging from $3,500 up to 50 percent of their annual salary.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements.

NOTE 8 – PENSION BENEFITS PLAN (CONTINUED)

C. Annual Pension Cost and Net Pension Obligation

The District's annual pension cost (expense) is calculated based on the ARC of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 25, 27, and 50. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual pension cost for the year, the amount actually contributed, and the changes in the District's net pension obligation:

ARC	$	250,063
Interest on net pension obligation		28,234
Adjustment to ARC		(43,113)
Annual pension cost		235,184
Contributions made		167,402
Increase in net pension obligation		67,782
Net pension obligation – beginning of year		806,687
Net pension obligation – end of year	$	874,469

The District's annual pension cost, employer contributions, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the years ended June 30, 2014, 2015, and 2016 are as follows:

Fiscal Year Ended June 30,	Net Pension Obligation Beginning of Year	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2014	$ 607,317	$ 212,331	$ 118,500	55.8%	$ 701,148
2015	$ 701,148	$ 212,086	$ 106,547	50.2%	$ 806,687
2016	$ 806,687	$ 235,184	$ 167,402	71.2%	$ 874,469

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,887,303, and the actuarial value of assets was $0, resulting in a UAAL of $1,887,303. The covered payroll (annual payroll of active employees covered by the plan) was $30,702,040, and the ratio of the UAAL to the covered payroll was 6.1 percent.

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

NOTE 8 – PENSION BENEFITS PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.5 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members. All rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2015 for the various amortization layers ranged from 22 to 30 years.

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established the Richfield Employees' Flex-Benefits Plan (the Plan). The Plan is a flexible benefit plan classified as a "cafeteria plan" under § 125 of the Internal Revenue Code. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

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

The employee portion of insurance premiums (health, dental, and disability) are withheld and paid by the District directly to the designated insurance companies. The dependent care and medical expense reimbursement portions of the Plan are administered by an independent contact administrator. All plan activity is accounted for in the General Fund and special revenue funds. All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. Federal and State Receivables

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.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of District's Proportionate Share of Net Pension Liability
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

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 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	0.1533%	$ 7,201,266	$ 8,045,286	89.51%	78.70%
06/30/2016	06/30/2015	0.1454%	$ 7,535,384	$ 8,532,242	88.32%	78.20%

Schedule of District Contributions
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement 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	06/30/2015	$ 630,341	$ 630,341	$ –	$ 8,532,242	7.39%
06/30/2016	06/30/2016	$ 620,582	$ 620,582	$ –	$ 8,274,425	7.50%

Note 1: **Changes of Benefit Terms**. (1) The Minneapolis Employees Retirement Fund was merged into the GERF on January 1, 2015. (2) Revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

Note 2: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

District Fiscal Year-End Date	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	0.5182%	$ 23,878,283	$ 1,679,943	$ 25,558,226	$ 23,658,854	100.93%	81.50%
06/30/2016	06/30/2015	0.4984%	$ 30,830,969	$ 3,781,486	$ 34,612,455	$ 25,326,686	121.73%	76.80%

Schedule of District Contributions
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement 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	06/30/2015	$ 1,899,501	$ 1,899,501	$ –	$ 25,326,686	7.50%
06/30/2016	06/30/2016	$ 2,035,062	$ 2,035,062	$ –	$ 27,134,182	7.50%

Note 1: **Changes of Benefit Terms**. The DTRFA was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions.** The annual cost of living adjustment 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. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Funding Progress
Other Post-Employment Benefits Plan
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2011	$ 20,945,924	$ 13,223,909	$ 7,722,015	63.1 %	$ 28,037,573	27.5 %
July 1, 2013	$ 20,147,944	$ 12,148,731	$ 7,999,213	60.3 %	$ 27,822,941	28.8 %
July 1, 2015	$ 21,575,668	$ 11,215,038	$ 10,360,630	52.0 %	$ 30,874,440	33.6 %

Schedule of District Contributions
Other Post-Employment Benefits Plan
Year Ended June 30, 2016

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2011	$ 1,150,261	– %	$ (9,815,546)
2012	$ 1,642,290	– %	$ (7,853,526)
2013	$ 1,731,437	– %	$ (5,941,245)
2014	$ 1,578,442	– %	$ (4,207,143)
2015	$ 1,676,244	– %	$ (2,453,302)
2016	$ 1,689,545	– %	$ (718,508)

Schedule of Funding Progress
Pension Benefits Plan
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2011	$ 1,702,807	$ –	$ 1,702,807	– %	$ 28,037,573	6.1 %
July 1, 2013	$ 1,814,447	$ –	$ 1,814,447	– %	$ 27,822,941	6.5 %
July 1, 2015	$ 1,887,303	$ –	$ 1,887,303	– %	$ 30,702,040	6.1 %

<u>SUPPLEMENTAL INFORMATION</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2016

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 260,794	$ 319,720	$ 580,514
Receivables			
Current taxes	–	216,788	216,788
Delinquent taxes	–	4,471	4,471
Accounts and interest	–	293	293
Due from other governmental units	–	98,251	98,251
Inventory	13,766	–	13,766
Total assets	$ 274,560	$ 639,523	$ 914,083
Liabilities			
Salaries payable	$ 32,254	$ 16,191	$ 48,445
Accounts and contracts payable	32,912	9,980	42,892
Due to other governmental units	285	3,292	3,577
Unearned revenue	16,190	–	16,190
Total liabilities	81,641	29,463	111,104
Deferred inflows of resources			
Property taxes levied for subsequent year	–	433,925	433,925
Unavailable revenue – delinquent taxes	–	4,471	4,471
Total deferred inflows of resources	–	438,396	438,396
Fund balances			
Nonspendable	13,766	–	13,766
Restricted	179,153	171,664	350,817
Total fund balances	192,919	171,664	364,583
Total liabilities, deferred inflows of resources, and fund balances	$ 274,560	$ 639,523	$ 914,083

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 421,326	$ 421,326
Investment earnings	99	903	1,002
Other	447,250	325,394	772,644
State sources	146,327	652,220	798,547
Federal sources	2,093,088	76,482	2,169,570
Total revenue	2,686,764	1,476,325	4,163,089
Expenditures			
Current			
Food service	2,558,522	–	2,558,522
Community service	–	1,493,656	1,493,656
Capital outlay	67,934	–	67,934
Total expenditures	2,626,456	1,493,656	4,120,112
Net change in fund balances	60,308	(17,331)	42,977
Fund balances			
Beginning of year	132,611	188,995	321,606
End of year	$ 192,919	$ 171,664	$ 364,583

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	$ 6,866,531	$ 1,643,316
Receivables		
Current taxes	6,791,094	6,247,162
Delinquent taxes	126,166	109,116
Accounts and interest	599,608	1,753,368
Due from other governmental units	5,598,973	6,966,554
Due from OPEB trust	664,373	522,700
Inventory	26,119	27,221
Prepaid items	76,999	119,842
Total assets	$ 20,749,863	$ 17,389,279
Liabilities		
Salaries payable	$ 348,202	$ 348,750
Accounts and contracts payable	992,785	754,885
Due to other governmental units	1,302,531	386,039
Unearned revenue	–	70,000
Total liabilities	2,643,518	1,559,674
Deferred inflows of resources		
Property taxes levied for subsequent year	12,115,333	11,383,814
Unavailable revenue – delinquent taxes	126,166	109,116
Total deferred inflows of resources	12,241,499	11,492,930
Fund balances (deficits)		
Nonspendable for inventory	26,119	27,221
Nonspendable for prepaids	76,999	119,842
Restricted for capital projects levy	990,303	548,043
Restricted for operating capital	226,841	442,254
Restricted for achievement and integration	104,718	–
Assigned for Wellness Expo	2,880	2,748
Assigned for Ship Grant	25,209	25,209
Assigned for Kern Grant	1,805	1,805
Assigned for third party special education	335,399	200,731
Assigned for synthetic turf	244,560	191,589
Assigned for carryover spending	328,764	298,940
Assigned for RLDS playground	1,431	–
Assigned for subsequent year’s budget	179,032	89,014
Assigned for program initiative	805,027	450,000
Assigned for student activities	105,775	111,352
Unassigned – health and safety restricted account deficit	(382,204)	(629,751)
Unassigned	2,792,188	2,457,678
Total fund balances	5,864,846	4,336,675
Total liabilities, deferred inflows of resources, and fund balances	$ 20,749,863	$ 17,389,279

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$12,553,399	$12,969,947	$ 416,548	$12,429,665
Investment earnings	25,000	26,700	1,700	86,931
Other	1,504,257	2,021,508	517,251	1,580,965
State sources	43,631,909	45,073,735	1,441,826	42,796,472
Federal sources	2,238,681	2,051,552	(187,129)	2,268,868
Total revenue	59,953,246	62,143,442	2,190,196	59,162,901
Expenditures				
Current				
Administration				
Salaries	1,621,913	1,623,685	1,772	1,712,178
Employee benefits	558,150	605,909	47,759	565,083
Purchased services	109,260	109,716	456	63,268
Supplies and materials	122,220	143,476	21,256	136,235
Capital expenditures	3,000	2,555	(445)	21,550
Other expenditures	58,518	46,083	(12,435)	63,879
Total administration	2,473,061	2,531,424	58,363	2,562,193
District support services				
Salaries	762,124	811,831	49,707	743,517
Employee benefits	335,523	267,124	(68,399)	210,435
Purchased services	279,441	398,296	118,855	296,898
Supplies and materials	80,149	374,448	294,299	29,806
Capital expenditures	–	1,418	1,418	11,470
Other expenditures	9,121	15,414	6,293	14,935
Total district support services	1,466,358	1,868,531	402,173	1,307,061
Elementary and secondary regular instruction				
Salaries	18,881,976	18,465,222	(416,754)	18,120,259
Employee benefits	6,720,493	7,076,237	355,744	6,671,338
Purchased services	1,012,214	1,464,610	452,396	1,278,985
Supplies and materials	630,399	722,609	92,210	619,678
Capital expenditures	88,953	99,092	10,139	287,050
Other expenditures	(395,548)	10,264	405,812	28,255
Total elementary and secondary regular instruction	26,938,487	27,838,034	899,547	27,005,565

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	261,113	238,289	(22,824)	256,348
Employee benefits	91,245	105,857	14,612	94,289
Purchased services	98,916	119,546	20,630	45,676
Supplies and materials	20,250	20,664	414	21,344
Total vocational education instruction	471,524	484,356	12,832	417,657
Special education instruction				
Salaries	8,084,424	8,240,225	155,801	7,215,429
Employee benefits	2,964,890	3,203,902	239,012	2,784,569
Purchased services	813,755	693,291	(120,464)	970,057
Supplies and materials	44,850	90,282	45,432	69,779
Capital expenditures	1,800	–	(1,800)	3,386
Other expenditures	–	4,461	4,461	3,761
Total special education instruction	11,909,719	12,232,161	322,442	11,046,981
Instructional support services				
Salaries	1,344,132	1,471,784	127,652	1,266,773
Employee benefits	466,310	521,993	55,683	464,756
Purchased services	377,236	149,446	(227,790)	213,034
Supplies and materials	248,230	57,758	(190,472)	433,970
Capital expenditures	277,683	3,424,716	3,147,033	438,331
Other expenditures	2,500	3,020	520	–
Total instructional support services	2,716,091	5,628,717	2,912,626	2,816,864
Pupil support services				
Salaries	2,437,673	2,394,886	(42,787)	2,248,938
Employee benefits	945,511	996,127	50,616	897,683
Purchased services	1,598,528	1,868,035	269,507	1,832,414
Supplies and materials	365,665	188,098	(177,567)	308,098
Capital expenditures	6,265	203,279	197,014	248,064
Other expenditures	715	465	(250)	2,075
Total pupil support services	5,354,357	5,650,890	296,533	5,537,272

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,691,619	1,774,873	83,254	1,760,142
Employee benefits	724,577	762,548	37,971	770,115
Purchased services	2,690,094	2,726,904	36,810	2,390,063
Supplies and materials	911,712	589,624	(322,088)	684,854
Capital expenditures	719,030	542,961	(176,069)	797,022
Total sites and buildings	6,737,032	6,396,910	(340,122)	6,402,196
Fiscal and other fixed cost programs				
Purchased services	277,051	252,735	(24,316)	305,072
Other expenditures	13,000	15,747	2,747	13,356
Total fiscal and other fixed cost programs	290,051	268,482	(21,569)	318,428
Debt service				
Principal	1,226,556	1,225,819	(737)	496,767
Interest and fiscal charges	95,200	62,884	(32,316)	71,532
Total debt service	1,321,756	1,288,703	(33,053)	568,299
Total expenditures	59,678,436	64,188,208	4,509,772	57,982,516
Excess (deficiency) of revenue over expenditures	274,810	(2,044,766)	(2,319,576)	1,180,385
Other financing sources				
Capital leases	–	3,572,937	3,572,937	467,046
Net change in fund balances	$ 274,810	1,528,171	$ 1,253,361	1,647,431
Fund balances				
Beginning of year		4,336,675		2,689,244
End of year		$ 5,864,846		$ 4,336,675

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	$ 260,794	$ 167,154
Receivables		
Accounts and interest	–	208
Due from other governmental units	–	16,990
Inventory	13,766	13,430
Total assets	$ 274,560	$ 197,782
Liabilities		
Salaries payable	$ 32,254	$ 10,872
Accounts and contracts payable	32,912	33,420
Due to other governmental units	285	357
Unearned revenue	16,190	20,522
Total liabilities	81,641	65,171
Fund balances		
Nonspendable for inventory	13,766	13,430
Restricted for food service	179,153	119,181
Total fund balances	192,919	132,611
Total liabilities and fund balances	$ 274,560	$ 197,782

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 99	$ 99	$ 78
Other – primarily meal sales	382,500	447,250	64,750	383,309
State sources	155,000	146,327	(8,673)	146,646
Federal sources	1,895,000	2,093,088	198,088	1,839,671
Total revenue	2,432,500	2,686,764	254,264	2,369,704
Expenditures				
Current				
Salaries	662,398	792,329	129,931	721,752
Employee benefits	249,435	375,481	126,046	296,897
Purchased services	102,850	84,676	(18,174)	95,749
Supplies and materials	1,115,950	1,305,044	189,094	1,223,278
Other expenditures	2,500	992	(1,508)	1,547
Capital outlay	87,000	67,934	(19,066)	37,210
Total expenditures	2,220,133	2,626,456	406,323	2,376,433
Net change in fund balances	$ 212,367	60,308	$ (152,059)	(6,729)
Fund balances				
Beginning of year		132,611		139,340
End of year		$ 192,919		$ 132,611

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	$ 319,720	$ 339,672
Receivables		
Current taxes	216,788	207,117
Delinquent taxes	4,471	4,085
Accounts and interest	293	593
Due from other governmental units	98,251	131,344
Prepaid items	–	129
Total assets	$ 639,523	$ 682,940
Liabilities		
Salaries payable	$ 16,191	$ 14,892
Accounts and contracts payable	9,980	10,033
Due to other governmental units	3,292	41,137
Total liabilities	29,463	66,062
Deferred inflows of resources		
Property taxes levied for subsequent year	433,925	423,798
Deferred revenue – delinquent taxes	4,471	4,085
Total deferred inflows of resources	438,396	427,883
Fund balances		
Nonspendable for prepaids	–	129
Restricted for community education programs	159,096	174,720
Restricted for early childhood family education programs	3,905	5,481
Restricted for school readiness	8,663	8,665
Total fund balances	171,664	188,995
Total liabilities, deferred inflows of resources, and fund balances	$ 639,523	$ 682,940

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 586,370	$ 421,326	$ (165,044)	$ 439,479
Investment earnings	–	903	903	208
Other – primarily tuition and fees	304,418	325,394	20,976	290,889
State sources	385,227	652,220	266,993	548,249
Federal sources	75,000	76,482	1,482	76,482
Total revenue	1,351,015	1,476,325	125,310	1,355,307
Expenditures				
Current				
Salaries	529,815	407,291	(122,524)	397,793
Employee benefits	124,620	183,066	58,446	150,130
Purchased services	579,753	802,367	222,614	674,231
Supplies and materials	87,818	96,467	8,649	85,598
Other expenditures	12,000	4,465	(7,535)	10,743
Capital outlay	1,000	–	(1,000)	–
Total expenditures	1,335,006	1,493,656	158,650	1,318,495
Net change in fund balances	$ 16,009	(17,331)	$ (33,340)	36,812
Fund balances				
Beginning of year		188,995		152,183
End of year		$ 171,664		$ 188,995

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2016
(With Comparative Totals as of June 30, 2015)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2016	Totals 2015
Assets				
Cash and temporary investments	$ 2,201,041	$ 744,060	$ 2,945,101	$ 3,234,711
Receivables				
Current taxes	2,039,130	521,737	2,560,867	2,369,322
Delinquent taxes	40,858	12,350	53,208	49,821
Due from other governmental units	15	4	19	–
Total assets	$ 4,281,044	$ 1,278,151	$ 5,559,195	$ 5,653,854
Deferred inflows of resources				
Property taxes levied for subsequent year	$ 4,081,550	$ 1,044,316	$ 5,125,866	$ 4,848,050
Deferred revenue – delinquent taxes	40,858	12,350	53,208	49,821
Total deferred inflows of resources	4,122,408	1,056,666	5,179,074	4,897,871
Fund balances				
Restricted for debt service	158,636	221,485	380,121	755,983
Total deferred inflows of resources and fund balances	$ 4,281,044	$ 1,278,151	$ 5,559,195	$ 5,653,854

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016					2015
		Actual				
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total	Over (Under) Budget	Actual
Revenue						
Local sources						
Property taxes	$ 4,847,396	$ 3,669,428	$ 1,150,127	$ 4,819,555	$ (27,841)	$ 5,501,630
Investment earnings	2,000	2,473	–	2,473	473	796
State sources	–	130	45	175	175	–
Total revenue	4,849,396	3,672,031	1,150,172	4,822,203	(27,193)	5,502,426
Expenditures						
Debt service						
Principal	3,280,000	2,940,000	340,000	3,280,000	–	3,305,000
Interest	1,914,176	1,119,410	795,306	1,914,716	540	2,190,642
Fiscal charges and other	50,000	54,238	452	54,690	4,690	5,825
Total expenditures	5,244,176	4,113,648	1,135,758	5,249,406	5,230	5,501,467
Excess (deficiency) of revenue over expenditures	(394,780)	(441,617)	14,414	(427,203)	(32,423)	959
Other financing sources (uses)						
Refunding bonds issued	–	4,880,000	–	4,880,000	4,880,000	–
Premiums on bonds issued	–	471,341	–	471,341	471,341	–
Bond refunding payments	–	(5,300,000)	–	(5,300,000)	(5,300,000)	–
Total other financing sources (uses)	–	51,341	–	51,341	51,341	–
Net change in fund balances	$ (394,780)	(390,276)	14,414	(375,862)	$ 18,918	959
Fund balances						
Beginning of year		548,912	207,071	755,983		755,024
End of year		$ 158,636	$ 221,485	$ 380,121		$ 755,983

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OTHER DISTRICT INFORMATION

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Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues		General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	Total
2007	$ 1,713,644	$ 8,625,652	$ 12,332,514	$ 29,313,277	$ 1,759,280	$ 53,744,367
	3.2%	16.1%	22.9%	54.5%	3.3%	100.0%
2008	1,477,447	8,581,588	13,856,102	30,186,960	2,249,216	56,351,313
	2.6%	15.2%	24.6%	53.6%	4.0%	100.0%
2009	1,336,533	8,756,114	14,821,178	31,124,669	1,484,407	57,522,901
	2.3%	15.2%	25.8%	54.1%	2.6%	100.0%
2010	1,317,261	9,590,517	15,565,797	29,656,010	1,148,554	57,278,139
	2.3%	16.7%	27.2%	51.8%	2.0%	100.0%
2011	1,351,240	10,298,601	20,230,069	27,076,258	1,021,567	59,977,735
	2.3%	17.2%	33.7%	45.1%	1.7%	100.0%
2012	1,323,815	9,293,298	15,535,989	32,608,548	1,140,976	59,902,626
	2.2%	15.5%	25.9%	54.5%	1.9%	100.0%
2013	1,424,268	9,746,687	16,830,692	33,166,877	1,332,852	62,501,376
	2.3%	15.6%	26.9%	53.1%	2.1%	100.0%
2014	1,583,759	10,968,097	13,361,381	39,261,648	1,060,054	66,234,939
	2.4%	16.5%	20.2%	59.3%	1.6%	100.0%
2015	1,381,895	10,858,507	18,478,774	36,866,254	987,311	68,572,741
	2.0%	15.8%	27.0%	53.8%	1.4%	100.0%
2016	1,584,189	12,316,562	18,231,651	37,777,017	1,245,057	71,154,476
	2.2%	17.3%	25.6%	53.1%	1.8%	100.0%

Note 1: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized were particularly significant in fiscal years 2011 and 2014. These changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Expenses by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2007	$ 2,805,805	$ 1,242,098	$ 23,423,221	$ 548,863	$ 8,528,487	$ 1,568,937	$ 3,883,555
	5.2%	2.3%	43.2%	1.0%	15.7%	2.9%	7.2%
2008	2,168,712	1,677,360	23,719,658	713,696	8,359,431	1,365,116	4,466,203
	3.9%	3.0%	42.7%	1.3%	15.1%	2.5%	8.0%
2009	2,325,051	1,352,282	24,404,170	811,352	8,683,632	1,476,300	4,725,255
	4.0%	2.3%	41.8%	1.4%	14.9%	2.5%	8.1%
2010	2,408,132	1,387,693	24,525,779	804,192	9,356,398	1,729,489	4,423,174
	4.0%	2.3%	40.8%	1.3%	15.6%	2.9%	7.4%
2011	2,364,391	1,365,550	25,498,288	752,047	9,275,816	1,439,697	4,514,682
	3.9%	2.2%	41.8%	1.2%	15.2%	2.4%	7.4%
2012	2,469,933	1,427,634	26,191,779	725,344	9,935,410	1,442,920	4,942,630
	3.9%	2.3%	41.5%	1.1%	15.7%	2.3%	7.8%
2013	2,463,144	1,344,273	26,204,800	552,076	10,325,009	1,315,674	5,014,798
	3.9%	2.1%	41.5%	0.9%	16.3%	2.1%	7.9%
2014	2,704,943	1,367,285	26,209,555	523,544	10,709,470	2,665,280	5,612,101
	4.2%	2.1%	40.5%	0.8%	16.5%	4.1%	8.7%
2015	2,780,256	1,350,886	27,446,721	439,443	11,177,578	2,855,239	5,511,201
	4.2%	2.0%	41.0%	0.7%	16.7%	4.3%	8.2%
2016	2,441,557	1,879,857	28,500,351	499,839	12,410,065	5,673,182	5,619,303
	3.4%	2.6%	39.3%	0.7%	17.1%	7.8%	7.8%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
$ 6,028,263	$ 142,414	$ 1,372,994	$ 1,117,676	$ 1,589,890	$ 1,956,655	$ 54,208,858
11.1%	0.3%	2.5%	2.1%	2.9%	3.6%	100.0%
5,917,173	221,147	1,471,722	1,271,519	2,356,446	1,825,296	55,533,479
10.7%	0.4%	2.7%	2.3%	4.2%	3.3%	100.0%
6,399,723	315,921	1,501,484	1,291,549	2,690,491	2,360,774	58,337,984
11.0%	0.5%	2.6%	2.2%	4.6%	4.0%	100.0%
6,803,508	216,135	1,570,841	1,289,240	3,014,043	2,606,195	60,134,819
11.3%	0.4%	2.6%	2.1%	5.0%	4.3%	100.0%
6,732,002	220,807	1,809,824	1,320,500	3,066,722	2,675,391	61,035,717
11.0%	0.4%	3.0%	2.2%	5.0%	4.4%	100.0%
6,635,565	233,039	1,985,798	1,307,059	3,216,881	2,613,772	63,127,764
10.5%	0.4%	3.1%	2.1%	5.1%	4.1%	100.0%
6,654,356	251,815	2,086,777	1,245,474	3,219,889	2,483,173	63,161,258
10.5%	0.4%	3.3%	2.0%	5.1%	3.9%	100.0%
5,136,435	279,042	2,372,816	1,335,512	3,296,138	2,577,800	64,789,921
7.9%	0.4%	3.7%	2.1%	5.1%	4.0%	100.0%
6,124,862	318,428	2,390,570	1,344,766	3,246,459	1,957,346	66,943,755
9.1%	0.5%	3.6%	2.0%	4.8%	2.9%	100.0%
5,901,471	268,482	2,675,729	1,519,388	3,234,815	1,903,059	72,527,098
8.1%	0.4%	3.7%	2.1%	4.4%	2.6%	100.0%

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INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2007	$ 8,724,707	$ 34,369,539	$ 2,069,251	$ 2,443,927	$ 47,607,424
	18%	72%	5%	5%	100%
2008	9,524,201	34,942,045	2,260,546	2,707,289	49,434,081
	19%	71%	5%	5%	100%
2009	10,545,970	35,683,368	2,361,394	2,036,664	50,627,396
	21%	70%	5%	4%	100%
2010	11,237,159	31,609,959	5,584,065	1,806,853	50,238,036
	22%	63%	11%	4%	100%
2011	14,917,502	31,958,208	3,358,156	1,845,918	52,079,784
	29%	61%	6%	4%	100%
2012	10,587,151	37,026,885	2,497,377	1,819,060	51,930,473
	20%	71%	5%	4%	100%
2013	11,353,435	38,123,440	2,391,684	2,088,697	53,957,256
	21%	71%	4%	4%	100%
2014	7,594,508	44,992,848	2,671,161	1,837,042	57,095,559
	13%	79%	5%	3%	100%
2015	12,429,665	42,796,472	2,268,868	1,667,896	59,162,901
	21%	72%	4%	3%	100%
2016	12,969,947	45,073,735	2,051,552	2,048,208	62,143,442
	21%	73%	3%	3%	100%

Note: The impact of legislative changes to the "tax shift" on the amount of tax revenue recognized were particularly significant in fiscal years 2011 and 2014. These changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2007	$ 1,967,668	$ 1,461,953	$ 23,241,106	$ 548,863	$ 8,527,056
	4%	3%	46%	1%	17%
2008	2,164,045	1,625,689	23,842,763	699,572	8,109,396
	4%	3%	44%	1%	15%
2009	2,991,419	1,637,303	31,655,973	997,170	11,003,461
	5%	3%	49%	1%	17%
2010	2,236,456	1,344,757	23,715,332	783,680	9,090,519
	4%	3%	46%	1%	18%
2011	2,371,106	1,339,401	25,134,023	731,005	9,100,333
	4%	3%	47%	1%	17%
2012	2,353,857	1,365,761	25,066,366	695,800	9,548,848
	4%	3%	46%	1%	18%
2013	2,352,202	1,333,360	25,418,747	531,952	10,195,144
	4%	3%	46%	1%	19%
2014	2,485,240	1,322,189	25,989,323	506,708	10,657,828
	4%	2%	46%	1%	19%
2015	2,562,193	1,307,061	27,005,565	417,657	11,046,981
	4%	2%	47%	1%	19%
2016	2,531,424	1,868,531	27,838,034	484,356	12,232,161
	4%	3%	43%	1%	19%

Note: In 2009, General Fund expenditures were increased due to the District issuing $15.9 million of general obligation OPEB bonds and contributing the proceeds to an irrevocable trust.

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
$ 1,598,976	$ 4,197,915	$ 8,553,120	$ 443,802	$ 50,540,459
3%	8%	17%	1%	100%
1,494,843	4,404,722	11,085,772	748,213	54,175,015
3%	8%	20%	1%	100%
1,811,565	5,270,777	8,358,322	820,050	64,546,040
3%	8%	13%	1%	100%
1,615,364	4,525,761	7,349,636	816,402	51,477,907
3%	9%	14%	2%	100%
1,324,449	4,565,045	7,979,702	907,385	53,452,449
2%	9%	15%	2%	100%
1,312,859	4,880,377	8,306,378	894,205	54,424,451
2%	9%	15%	2%	100%
1,255,126	5,096,974	7,905,507	847,840	54,936,852
2%	9%	14%	2%	100%
2,633,320	5,470,787	6,160,962	935,255	56,161,612
5%	10%	11%	2%	100%
2,816,864	5,537,272	6,402,196	886,727	57,982,516
5%	10%	11%	1%	100%
5,628,717	5,650,890	6,396,910	1,557,185	64,188,208
9%	9%	10%	2%	100%

INDEPENDENT SCHOOL DISTRICT NO. 280

School Tax Levies and Tax Capacity Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2007	$ 9,559,671	$ 471,854	$ 4,104,279	$ 14,135,804
	2008	10,660,102	378,705	4,050,896	15,089,703
	2009	11,023,528	441,038	4,111,718	15,576,284
	2010	11,061,218	426,230	4,911,509	16,398,957
	2011	10,915,132	437,571	5,016,610	16,369,313
	2012	10,894,520	443,325	5,195,929	16,533,774
	2013	11,681,439	448,603	5,517,081	17,647,123
	2014	12,413,561	440,121	5,510,138	18,363,820
	2015	12,781,122	423,798	4,848,050	18,052,970
	2016	13,591,717	433,925	5,125,866	19,151,508
Tax capacity rates					
	2007	9.714	1.212	10.542	21.468
	2008	10.912	0.937	10.022	21.871
	2009	11.605	1.112	10.366	23.083
	2010	10.511	1.045	12.041	23.597
	2011	12.251	1.164	13.344	26.759
	2012	12.690	1.274	14.930	28.894
	2013	13.710	1.301	16.000	31.011
	2014	16.834	1.280	16.024	34.138
	2015	14.207	1.001	11.451	26.659
	2016	15.664	1.023	12.084	28.771

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Tax Capacities
Last Ten Fiscal Years

For Taxes Collectible	Non-Agricultural	Fiscal Disparities Contribution	Fiscal Disparities Distribution	Tax Increment	Total Tax Capacity
2007	$ 52,364,328	$ (6,137,733)	$ 4,062,540	$ (11,254,758)	$ 39,034,377
2008	55,347,795	(6,993,569)	4,541,436	(12,350,950)	40,544,712
2009	55,428,070	(7,867,269)	5,172,026	(12,812,496)	39,920,331
2010	51,590,968	(8,248,701)	5,840,702	(8,257,111)	40,925,858
2011	47,080,701	(7,864,995)	5,837,868	(7,011,033)	38,042,541
2012	43,229,608	(6,938,495)	6,030,051	(7,016,169)	35,304,995
2013	41,734,658	(5,994,792)	5,395,576	(6,266,994)	34,868,448
2014	42,259,288	(6,684,990)	5,690,941	(6,640,874)	34,624,365
2015	46,463,214	(6,982,700)	5,553,498	(4,097,780)	40,936,232
2016	49,828,563	(7,775,655)	5,480,389	(4,809,613)	42,723,684

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Property Tax Levies and Receivables
Last Ten Fiscal Years

	Original Levy			
For Taxes Collectible	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2007	$ 12,299,572	$ 1,438,017	$ 398,215	$ 14,135,804
2008	13,059,904	1,648,768	381,031	15,089,703
2009	13,256,011	1,930,717	389,556	15,576,284
2010	13,654,333	2,293,410	451,214	16,398,957
2011	13,543,572	2,346,823	478,918	16,369,313
2012	13,908,410	2,625,364	–	16,533,774
2013	15,083,955	2,563,168	–	17,647,123
2014	15,451,538	2,912,282	–	18,363,820
2015	15,087,402	2,965,568	–	18,052,970
2016	16,814,889	2,336,619	–	19,151,508

Note 1: Delinquent taxes receivable are written off after seven years.

Note 2: Through 2011, a portion of the total spread levy was paid through tax credits for residential homestead properties which were paid through state aids. Homestead tax credits were discontinued by the State Legislature beginning in 2012.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2016			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
–	–	–	–
5,578	0.03	–	–
13,630	0.08	–	–
39,255	0.22	–	–
42,360	0.23	–	–
83,022	0.46	–	–
–	–	9,568,749	49.96
$ 183,845		$ 9,568,749	

INDEPENDENT SCHOOL DISTRICT NO. 280

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2007	46.86	311.20	1,635.50	2,168.15	4,161.71	4,823.84
2008	56.82	294.75	1,678.48	2,052.78	4,082.83	4,743.93
2009	86.06	297.94	1,671.79	2,002.86	4,058.65	4,705.49
2010	89.40	299.62	1,711.45	1,914.15	4,014.62	4,638.40
2011	81.61	354.20	1,861.51	1,858.49	4,155.81	4,753.31
2012	82.28	403.87	1,978.34	1,844.21	4,308.70	4,893.13
2013	97.00	407.88	2,063.44	1,853.72	4,422.04	5,017.11
2014	78.03	373.05	2,094.56	1,838.06	4,383.70	4,991.76
2015	90.27	369.00	2,151.30	1,761.09	4,371.66	4,723.88
2016	84.61	329.48	2,135.99	1,813.11	4,363.19	4,725.82

Note 1: Student enrollment for the most recent year is an estimate.

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

	Early Childhood and Kindergarten – Handicapped	Part-Time/All-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2007	Various	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	Various	0.612	1.115	1.060	1.300
Fiscal 2015 through 2016	1.000	0.550/1.000	1.000	1.000	1.200

OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures		Passed Through to Subrecipients	Noncash Assistance
U.S. Department of Agriculture					
Passed through Minnesota Department of Education					
Child nutrition cluster					
School Breakfast Program	10.553	$ 479,755			
National School Lunch Program	10.555	1,396,799			$ 133,983
Summer Food Service Program for Children	10.559	83,952			
Total child nutrition cluster			$ 1,960,506		
Fresh Fruit and Vegetable Program	10.582		132,582		
U.S. Department of Education					
Passed through Minnesota Department of Education					
Title I Grants to Local Educational Agencies	84.010		878,523	$ 31,460	
Special education cluster					
Special Education – Grants to States	84.027	839,040			
Special Education – Preschool Grants	84.173	32,118			
Total special education cluster			871,158		
Special Education Grants for Infants and Families	84.181		45,519		
English Language Acquisition State Grants	84.365		81,203	3,281	
Supporting Effective Instruction State Grant	84.367		149,112	21,656	
Race to the Top – Early Learning Challenge	84.412		76,482		
Passed through Southwest Metro Educational Cooperative					
Career and Technical Education – Basic Grants to States	84.048		19,911		
U.S. Department of Health and Human Services					
Passed through Minnesota Department of Education					
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		6,126		
Total federal awards			$ 4,221,122		

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with both OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations,* and the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* when applicable. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

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

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 11, 2016

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 280's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, which we consider to be a significant deficiency.

DISTRICT'S RESPONSE TO FINDING

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 11, 2016

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2016.

MINNESOTA LEGAL COMPLIANCE

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts.* However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 11, 2016

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?	X Unmodified ___ Qualified ___ Adverse ___ Disclaimer	
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	X Yes	___ None reported
Type of auditor's report issued on compliance for major programs?	X Unmodified ___ Qualified ___ Adverse ___ Disclaimer	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	___ No

Programs tested as major programs:

Program or Cluster	CFDA No.
Title I Grants to Local Educational Agencies	84.010

Threshold for distinguishing type A and B programs.	$ 750,000	
Does the auditee qualify as a low-risk auditee?	X Yes	___ No

B. FINANCIAL STATEMENT FIINDINGS

None.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – ALL FEDERAL PROGRAMS AWARDED UNDER UNIFORM GUIDANCE

2016-001 Internal Controls Over Compliance With Cash Management, Allowable Costs, Subrecipient Monitoring, and Standards for Financial Management

Criteria – 2 CFR § 200.302(b)(5), (6), and (7) requires Independent School District No. 280 (the District) to have written cash management procedures, which includes procedures for determining the allowability of costs in accordance with 2 CFR 200 Subpart E – Cost Principles, as well as a required written budget to actual comparison of expenditures for each federal award. In instances where the District grants subawards, 2 CFR § 200.331 requires the District, as a pass-through entity, to have written subrecipient monitoring policies and procedures that include a written risk assessment of each subrecipient and documentation of the District's monitoring of the subrecipient.

Condition – During our audit, we noted that the District did not have documented written controls to ensure compliance with the U.S. Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) cash management, allowable costs, subrecipient monitoring, and financial management standards.

Questioned Costs – None. Our testing did not indicate any instances of noncompliance.

Context – The lack of written controls pertains to all federal grants, except those grants that remained under OMB A-133 guidance, if any. This was not a statistically valid sample.

Repeat Finding – This is a current year finding only.

Cause – This is the first year of implementation of the new Uniform Guidance requirements for federal awards, and some internal control policies, including cash management, allowable costs, subrecipient monitoring, and financial management were not updated to reflect the necessary changes.

Effect – This could be viewed as a violation of the award agreement.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – ALL FEDERAL PROGRAMS AWARDED UNDER UNIFORM GUIDANCE (CONTINUED)

2016-001 Internal Controls Over Compliance With Cash Management, Allowable Costs, Subrecipient Monitoring, and Standards for Financial Management (continued)

Recommendation – We recommend that the District review its internal control procedures relating to cash management, allowable costs, subrecipient monitoring, and financial management for all federal programs. The District should review the new Uniform Guidance to obtain a better understanding of the new requirements and identify any needed policy and procedure changes, in addition to those already referenced above. We also recommend the District adopt written policies pertaining to cash management, allowable costs, subrecipient monitoring, and financial management for all federal programs. The District should also document and perform regular budget to actual comparison of expenditures for each federal award. Finally, we recommend the District identify subrecipients and perform written risk assessments as well as documenting ongoing monitoring of each subrecipient.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District is in the process of reviewing and updating its written policies and procedures relating to cash management, allowable costs, subrecipient monitoring, and financial management standards for its federal programs to ensure compliance with Uniform Guidance in the future. The District has separately issued a Corrective Action Plan related to this finding.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2016

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 62,143,442	$ 62,143,441	$ 1
Total expenditures		$ 64,188,208	$ 64,188,208	$ –
Nonspendable				
460	Nonspendable fund balance	$ 103,118	$ 103,119	$ (1)
Restricted				
403	Staff development	$ –	$ –	$ –
405	Deferred maintenance	$ –	$ –	$ –
406	Health and safety	$ (382,204)	$ (382,205)	$ 1
407	Capital projects levy	$ 990,303	$ 990,303	$ –
408	Cooperative revenue	$ –	$ –	$ –
409	Alternative facility program	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ 226,841	$ 226,841	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
445	Career and technical programs	$ –	$ –	$ –
448	Achievement and integration	$ 104,718	$ 104,718	$ –
449	Safe schools levy	$ –	$ –	$ –
450	Pre-kindergarten	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 2,029,882	$ 2,029,882	$ –
Unassigned				
422	Unassigned fund balance	$ 2,792,188	$ 2,792,187	$ 1
Food Service				
Total revenue		$ 2,686,764	$ 2,686,764	$ –
Total expenditures		$ 2,626,456	$ 2,626,456	$ –
Nonspendable				
460	Nonspendable fund balance	$ 13,766	$ 13,766	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 179,153	$ 179,153	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 1,476,325	$ 1,476,325	$ –
Total expenditures		$ 1,493,656	$ 1,493,656	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 159,096	$ 159,096	$ –
432	ECFE	$ 3,905	$ 3,905	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 8,663	$ 8,663	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2016

		Audit		UFARS		Audit – UFARS	
Building Construction							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
407	Capital projects levy	$	–	$	–	$	–
409	Alternative facility program	$	–	$	–	$	–
413	Project funded by COP	$	–	$	–	$	–
467	Long-term facilities maintenance	$	–	$	–	$	–
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Debt Service							
Total revenue		$	3,672,031	$	3,672,031	$	–
Total expenditures		$	4,113,648	$	4,113,648	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
464	Restricted fund balance	$	158,636	$	158,636	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Trust							
Total revenue		$	51,770	$	51,770	$	–
Total expenditures		$	41,137	$	41,137	$	–
422	Net position	$	443,493	$	443,493	$	–
Internal Service							
Total revenue		$	6,929,886	$	6,929,885	$	1
Total expenditures		$	6,350,193	$	6,350,193	$	–
422	Net position	$	2,697,047	$	2,697,047	$	–
OPEB Revocable Trust Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Irrevocable Trust Fund							
Total revenue		$	186,407	$	186,406	$	1
Total expenditures		$	664,373	$	664,373	$	–
422	Net position	$	10,737,072	$	10,737,072	$	–
OPEB Debt Service Fund							
Total revenue		$	1,150,172	$	1,150,171	$	1
Total expenditures		$	1,135,758	$	1,135,756	$	2
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
464	Restricted fund balance	$	221,485	$	221,485	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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