

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

**INDEPENDENT SCHOOL DISTRICT NO. 281
ROBBINSDALE AREA SCHOOLS
NEW HOPE, MINNESOTA**

**4148 Winnetka Avenue North
New Hope, Minnesota 55427-1288**



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

INDEPENDENT SCHOOL DISTRICT NO. 281
ROBBINSDALE AREA SCHOOLS
NEW HOPE, MINNESOTA

Prepared by:
Finance Department

Executive Director of Business Services
Dale Sundstrom

Fiscal Operations Director
Kristen Kratz

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INDEPENDENT SCHOOL DISTRICT NO. 281

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INTRODUCTORY SECTION



Individual Focus. Infinite Potential.

Education Service Center
4148 Winnetka Avenue North
New Hope MN 55427
763-504-8000

January 9, 2018

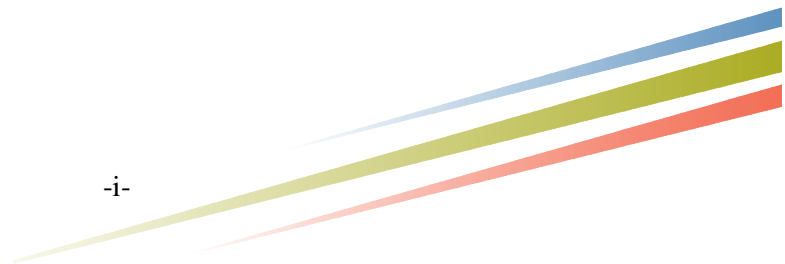
To the School Board, Citizens, Employees, and Students of
Independent School District 281, Robbinsdale Area Schools

INTRODUCTION

The following Comprehensive Annual Financial Report (CAFR) of Independent School District No. 281, Robbinsdale Area Schools (the District) presents the financial position of the District as of June 30, 2017 and the results of its operations for the fiscal year then ended. This report is prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. State law requires the District to publish a complete set of audited financial statements within six months of the close of the District's fiscal year.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established internal controls. The internal controls are designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not be more than the benefits, the District's internal controls are designed to provide reasonable rather than absolute assurance that these financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this CAFR is complete and reliable, in all material respects.

These financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2017, are fairly presented, in conformity with accounting principles generally accepted in the United States of America.



FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

The independent audit of the financial statements of the District was part of a broader, federally mandated, “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited district’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statutes, Section 6.65. These reports are available in a separate document.

REPORT FORMAT

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this letter of transmittal, organizational chart, information on the School Board and Administration, a map of the District, and the Certificate of Excellence in Financial Reporting Award. The financial section contains the independent auditor’s report, management’s discussion and analysis (MD&A), basic financial statements, required supplementary information, and combining and individual fund statements and schedules presented as supplemental information. The statistical section contains supplemental financial and other statistical data, generally presented on a multi-year basis.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.

DISTRICT GOALS

The Mission of the District is to inspire and educate all learners to develop their unique potential and positively contribute to their community.

Unified District Vision:

The District is committed to ensuring every student graduates career and college ready. We believe each student has limitless possibilities and we strive to ignite the potential in every student. We expect high intellectual performance from all our students. We are committed to ensuring an equitable and respectful educational experience for every student, family, and staff member, focusing on strengths related to: race, culture, ethnicity, home or first language, national origin, socioeconomic status, gender, sexual orientation, age, ability, religion, or physical appearance.

The Unified District Vision Consists of Four Key Goals:

- Implement policies and practices that open pathways to academic excellence for all students
- Utilize culturally relevant teaching and personalized learning for all students
- Engage family and community members as partners
- Engage and empower students by amplifying student voice

The School Board determines the mission and vision of the District and establishes goals. These goals are then monitored through workshops and frequent reports at public board meetings. The established district goals are used as guides in setting the annual superintendent goals. The School Board evaluates its performance and the performance of the superintendent annually.

The laws of the state of Minnesota give the authority to direct the District's business operations and educational functions to the District's School Board, whose members are elected officials. The School Board has the authority to levy taxes, set fees, approve budgets, and staff positions, along with other business and educational functions without prior approval from any other governmental unit. The School Board can issue debt generally with prior district voter approval. The Minnesota Department of Education does have some minor oversight responsibility over the District that is generally related to compliance and approval of certain laws and procedures, but not substantive in nature.

The financial reporting entity includes all the funds of the primary government (the District). Component units are legally separate entities for which the District (primary government) is financially accountable. There are no organizations considered to be component units of the District.

LOCATION AND LEARNING ENVIRONMENT

The District is located in Hennepin County, which is one of seven counties that make up the Twin Cities metropolitan area. This seven-county area is the most populated area of Minnesota with service division jobs constituting the greatest growth of the area's employment. Within the metropolitan area, health services, business services, and retail trade are the most significant industries.

As a Minneapolis suburban school district, the District serves a general population of approximately 104,207. The geographic boundary, spanning about 32 square miles, wholly covers the cities of Crystal, New Hope, and Robbinsdale, and partially the cities of Brooklyn Center, Brooklyn Park, Golden Valley, and Plymouth.

The District is Minnesota's ninth largest school district, in terms of student numbers, serving 12,422 students during the 2016–2017 fiscal year. The enrollment reflects a decline of 204 students. The District projects a similar decline in enrollment for the 2017–2018 school year. The decline is a reflection of expanded enrollment choice options in recent years.

The District owns and operates 20 facilities in Brooklyn Center, Crystal, Golden Valley, New Hope, Plymouth, and Robbinsdale. During Minnesota’s special legislative session in calendar year 2015, the FAIR School in Crystal, Minnesota was conveyed to the District. The District assumed operating responsibilities for this building in the 2015–2016 school year. For the audit period covered in this report, the District operated the following configuration of buildings; 2 senior high schools, 3 middle schools, 10 elementary schools, and 5 multi-purpose facilities:

Facility	Grades	Year Built
Cooper High School	9–12	1964
Armstrong High School	9–12	1970
Plymouth Middle School	6–8	1968
Robbinsdale Middle School	6–8	1956
FAIR School Crystal	K & 4–8	2000
Forest Elementary	K–5	2005
Lakeview Elementary	K–5	1964
Meadow Lake Elementary	K–5	1961
Neill Elementary	K–5	1957
Noble Elementary	K–5	1954
Northport Elementary	K–5	1956
Olson Elementary	K–5	1971
Sonnesyn Elementary	K–5	1962
Sunny Hollow Elementary	K–5	1960
Zachary Lane Elementary	K–5	1969
Multi-Purpose Facility	Use	Year Built
Sandburg	Various	1959
Pilgrim Lane	Vacant	1966
New Hope	Various	1960
Transportation		1966
Administration		1968

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic education, special education for exceptional children, and career/vocational education. Child nutrition, transportation, and before and after school care are provided as supporting programs. The District’s community education program also provides early childhood and family education programs, an adult basic education program, and a myriad of classes for lifelong learning and engagement experiences for children and adults within the community.

The District is an award-winning district committed to academic excellence. We take pride in the options we provide for families and for students.

- Robbinsdale Cooper High School is an International Baccalaureate (IB) site. The academic curriculum of an IB site must follow an international standard and, as such, our IB diplomas are recognized world-wide.
- Robbinsdale Armstrong High School has a full continuum of Advanced Placement (AP) courses, and has one of the largest selections of AP courses in the state of Minnesota.
- The District has five schools that have received the National School of Excellence Blue Ribbon designation.

- The District has a fully authorized K–12 IB Programme, including the Primary Years, Middle Years, and Diploma Programmes. The Middle Years Programme was recognized by the international organization in Geneva for outstanding program design. The District’s Middle Years Programme is the only one in Minnesota to achieve this distinction and was one of four schools chosen world-wide to be used as a model for a Harvard University publication on best practices of interdisciplinary teaching methods among IB Middle Years Programs.
- The District offers Advancement Via Individual Determination programming in both of our middle schools and both of our high schools. This program accelerates student learning, uses research-based methods of effective instruction, raises expectations of students, and puts in place a system of supports that help students succeed.
- Students in our district regularly achieve great success in enrichment programs. We have teams in *FIRST*, LEGO League, and Destination Imagination that have competed in national competitions; we have students who have placed nationally in competitions such as National History Day, and students in world language who consistently rank at the top in national exams.
- Teachers in our district have also been recognized for their dedication to excellence in teaching, representing Minnesota in national and international institutes in such areas as economics and history.

BUDGETARY PROCESS

The District’s budgeting process begins with a review and estimation of the projected student enrollment. Student enrollment is the main driver of the allocation of the unrestricted revenue resources. A majority of the budgeting decisions are made centrally, including staffing, capital expenditures, and infrastructure improvements. Budget managers receive an allocation for site or department specific needs. The plan is developed as a partnership between the School Board members and the District’s administration, which follows a timeline with completion and adoption in June, prior to the start of the school year.

Enrollment is a critical factor in determining funding levels. Approximately 70 percent of the General Fund revenue is enrollment driven and, as such, the administration places a high premium on enrollment projections as a determinant of both funding and, staffing levels needed for the forthcoming year. A preliminary financial forecast is prepared by the executive director of business services and staffing levels are determined keeping the financial projection in focus. The administration then recommends staffing and other budgetary changes in line with the District’s mission to the School Board for approval.

The executive director of business services has responsibility for the financial integrity of the District. The District utilizes an integrated payroll/finance system for all financial record keeping. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. To accurately track and report financial activities with a focus on site-based accounting, approximately 15,000 accounts have been defined within the District’s chart of accounts. Each site and department administrator have access to the finance system to extract reports and review detailed budget activity specific to their area of responsibility.

The district administration receives and reviews monthly financial reports. These reports are also presented to the School Board and are publicly available as part of the School Board’s meeting materials. The revenue and expenditure budgets are monitored and modified as conditions change. All revisions to the budget are approved by the School Board.

ECONOMIC FACTORS

The state of Minnesota guarantees each school district a base amount of funding per pupil unit through the General Education Funding Program. This funding relationship intertwines the District’s economic outlook to that of the state. The funding increases in the biennium, while modest, still fall short of the inflationary costs incurred by school districts. The formula allowance was increased 2.0 percent for the 2016–2017 school year.

Minnesota school districts also have the ability to raise additional revenue through voter-approved excess levy referendums. The referendum formula determines the amount of the referendum that is state aid as compared to local levy, a process called equalization. For fiscal 2017, the District had voter-approved authority of \$1,419 per pupil unit of excess levy authority, which raises a total of approximately \$20.1 million. All of this revenue is provided from property taxes.

Taxable market value in the District increased 6.3 percent for taxes payable in 2017 to \$8,497,124,725.

CONFORMANCE WITH STATE ACCOUNTING REGULATIONS

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota schools. UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report must be provided to the Minnesota Department of Education by December 31, subsequent to year-end on June 30.

FINANCIAL POLICIES

The cash management policy of the District is to invest idle funds. Cash is invested in certificates of deposit, repurchase agreements, and interest-bearing checking accounts. Short-term borrowing, which is sometimes needed by the District, was not utilized for fiscal year 2017.

The District has adopted a formal fund balance policy that establishes the District will strive to maintain a minimum unassigned General Fund balance of 6.5 percent of the annual projected expenditures. At June 30, 2017, the unassigned fund balance of the General Fund (excluding any restricted account deficits) was 4.8 percent of the annual budgeted expenditures for the year then ended. The enrollment decline of 204 students in fiscal 2017 was uncharacteristic of recent years. The District reduced the 2017–2018 budget by \$6.2 million to obtain a balanced budget. The District plans to maintain a balanced budget each year.

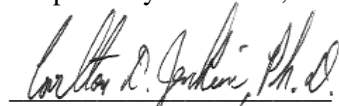
AWARDS AND ACKNOWLEDGEMENTS

The Association of School Business Officials (ASBO) International awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Excellence, the District published an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Excellence is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Excellence Program's requirements and we are submitting it to the ASBO to determine its eligibility for another certificate.


This report could not have been completed without the dedicated services of the District's Business Services Team. We would like to express our sincere thanks to all members of the District who assisted and contributed to the preparation of this report.

Our appreciation is also given to the School Board for its continued support in leading the District in sound and responsible financial management as well as academic excellence.

Respectfully submitted,

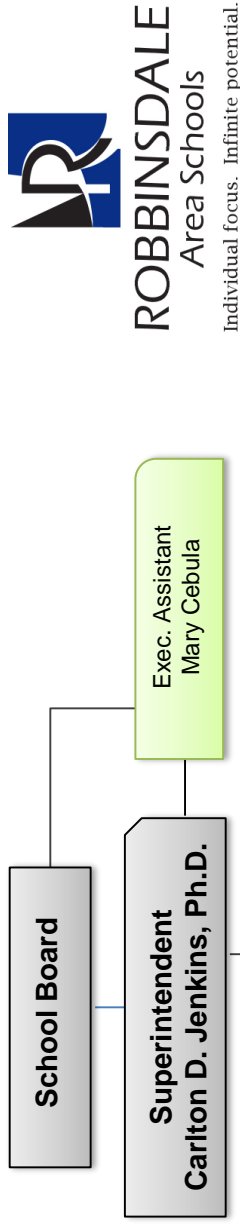


Dr. Carlton D. Jenkins
Superintendent



Dale Sundstrom
Executive Director of Business Services

Superintendent's Organizational Chart



Dennis Beekman
Exec Director of Technology

Al Beck
Info Systems

Joel Mehring
Tech Services

Jane Prestebak
Media Serv & Instructional Tech

Stephanie Crosby
Exec Director of Human Resources

John Neumann
Staffing

Supervisor Benefits

Leona Derden
Principal Coach

Fine Arts & Gifted

Mike Favor
Exec Director of Schools & Student Services

Bruce Beidelman
Principal on Spec Assignment

Melodie Hanson
Redesign

Marti Voight
Spec Ed

Barb Marchetti
Spec Ed

Amber Spaniol
Health Serv

Supervisor Athletic Directors

Tim Gadson
Exec Director of Schools & Curriculum

Tamuriel Grace
Achievement & Integration / College & Career Readiness

Mary Haney
English, Reading, & Soc. Studies 6-12

TOSAs
Science, Reading, Soc Studies, Math & STEM

Supervisors Title I, II, III & VII

Supervisor of these Schools; Cooper HS, Highview, TASC, Robbinsdale MS, FAIR K-8, and these Elementary Schools; Forest, Lakeview, Meadow Lake, Noble, and SEA

Richard McGregory
Exec Director of Strategic Communication & Achievement Accountability

Joseph Palmersheim
Communications

Rick Roberge
Publications

Cheryl Videen
Assessment

Dale Sundstrom
Exec Director of Business Services

Marla Johnson
Purchasing

Adele Lillie
Child Nutrition

Kristen Kratz
Fiscal Operations

Karen Timm
Payroll

Jerry Anderson
Trans/CESO

Jim Gerber
Facilities

Scott Peterson
Custodial

Jeff Ray
Grounds

Kristine Wehrkamp
Exec Director of Community Education

Becca Eccleston
Adv Club

Aviva Hillenbrand
Community Enrichment & Engagement

Monica Potter
Early Childhood

Theresa Zingery
Adult Academic

Color Key:
Blue= Executive Director
Peach=Program Director
Green=Non-Director

INDEPENDENT SCHOOL DISTRICT NO. 281

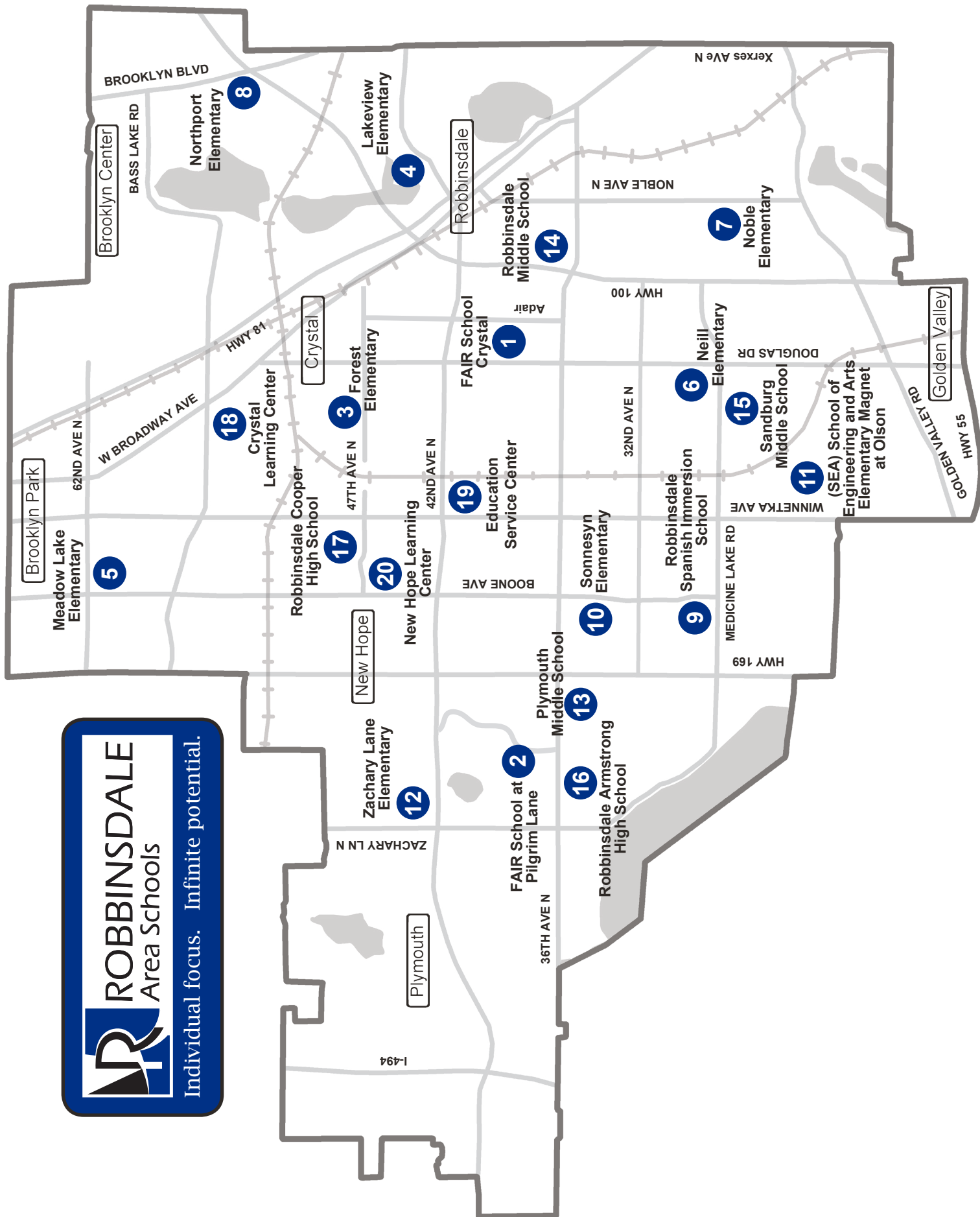
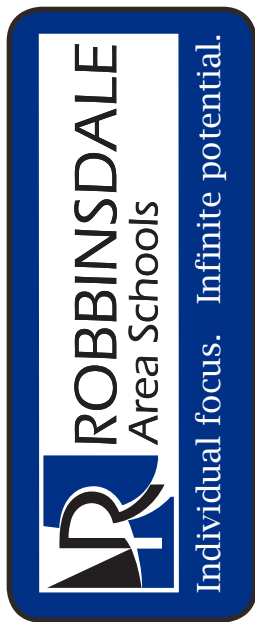
School Board and Administration
Year Ended June 30, 2017

SCHOOL BOARD

	<u>Position</u>
Patsy Green	Chairperson
John Vento	Vice Chair
Mike Herring	Treasurer
David Boone	Clerk
Helen Bassett	Director
Pam Lindberg	Director
Sherry Tyrrell	Director

ADMINISTRATION

<u>Cabinet</u>	
Dr. Carlton Jenkins	Superintendent
Dennis Beekman	Executive Director of Technology
Stephanie Crosby	Executive Director of Human Resources
Michael Favor	Executive Director of Student Services and Secondary Schools
Timothy Gadson	Executive Director of Curriculum
Richard McGregory	Executive Director of Strategic Communication and Achievement Accountability
Dale Sundstrom	Executive Director of Business Services
Kristine Wehrkamp	Executive Director of Community Education





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

ISD 281 - Robbinsdale Area Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



Anthony N. Dragona, Ed.D., RSBA
President

John D. Musso, CAE
Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 281
New Hope, 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. 281, Robbinsdale Area Schools (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2016 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 November 29, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2016 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 January 9, 2018 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
January 9, 2018

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INDEPENDENT SCHOOL DISTRICT NO. 281

Management's Discussion and Analysis Fiscal Year Ended June 30, 2017

This section of Independent School District No. 281, Robbinsdale Area Schools' (the District) Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2017 by \$17.9 million (deficit net position). Government-wide revenues totaled \$207.8 million and expenses were \$267.3 million. As a result, the District's total net position decreased by \$59.5 million during the fiscal year ended June 30, 2017, excluding the change in accounting principle reported in the current year as discussed below.
- The District recorded a change in accounting principle in the current year for the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. These changes reflect new standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to other post-employment benefit (OPEB) obligations. The implementation of these standards reduced beginning net position in the government-wide financial statements by \$3.4 million.
- The General Fund's total fund balance decreased \$4.7 million from the prior year, compared to a \$0.5 million decrease approved in the final budget. Expanded enrollment choice options resulted in a decline in enrollment in the District, uncharacteristic of previous years.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR report 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. 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, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "nonmajor" funds, and include the Food Service and Community Service Special Revenue 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 financial 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 financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The Internal Service Fund is 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 employee dental and medical self-insurance plan activities. 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, 2017 and 2016		
	2017	2016
Assets		
Current and other assets	\$ 112,847,826	\$ 168,134,564
Capital assets, net of depreciation	301,821,497	273,249,826
Total assets	\$ 414,669,323	\$ 441,384,390
Deferred outflows of resources		
Pension plan deferments	\$ 238,868,090	\$ 21,323,974
Deferred charges on refundings	554,020	—
Total deferred outflows of resources	\$ 239,422,110	\$ 21,323,974
Liabilities		
Current and other liabilities	\$ 17,921,408	\$ 20,005,714
Long-term liabilities, including due within one year	596,237,780	331,731,515
Total liabilities	\$ 614,159,188	\$ 351,737,229
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 53,992,071	\$ 54,348,992
OPEB plan deferments	1,412	—
Pension plan deferments	3,855,774	11,664,502
Total deferred inflows of resources	\$ 57,849,257	\$ 66,013,494
Net position		
Net investment in capital assets	\$ 115,303,157	\$ 122,266,332
Restricted	9,768,518	8,691,982
Unrestricted	(142,988,687)	(86,000,673)
Total net position	\$ (17,917,012)	\$ 44,957,641

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 depreciation estimates and capitalization policies. Unfunded long-term liabilities for compensated absences, severance, and pensions cause many Minnesota school districts to report a deficit in unrestricted net position.

Much of the decrease from current year operating results, as well as the increases in deferred outflows and long-term liabilities, can be attributed to changes in the District's share of unfunded pension liabilities related to the state-wide Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans.

Table 2 presents a condensed version of the Change in Net Position of the District:

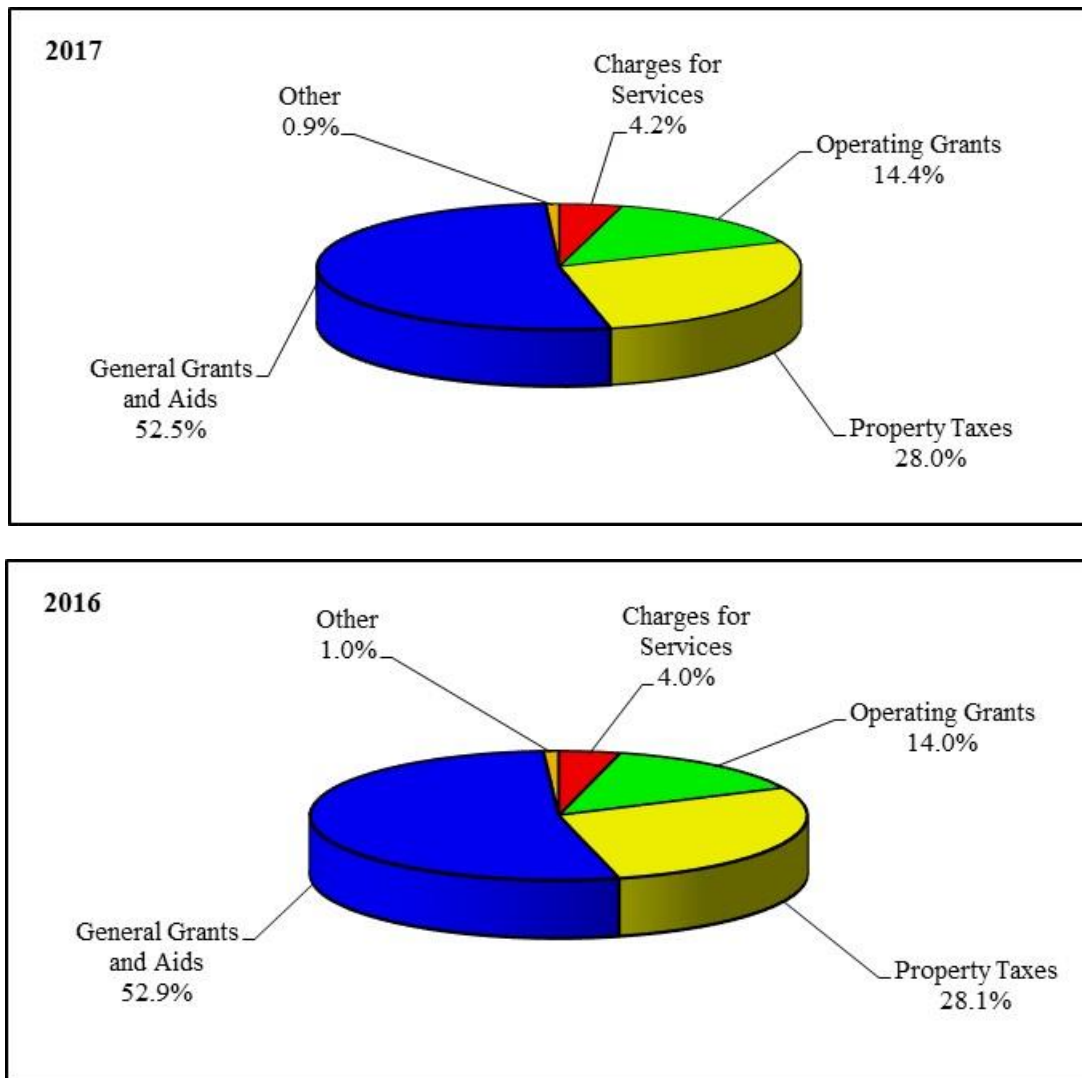
Table 2 Change in Net Position for the Years Ended June 30, 2017 and 2016		
	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues		
Charges for services	\$ 8,783,817	\$ 8,237,546
Operating grants and contributions	29,846,808	28,424,275
General revenues		
Property taxes	58,106,547	57,193,045
General grants and aids	109,188,461	107,504,169
Other	1,890,603	2,020,818
Total revenues	<u>207,816,236</u>	<u>203,379,853</u>
Expenses		
Administration	7,886,010	6,098,358
District support services	8,291,512	7,218,076
Elementary and secondary regular instruction	115,652,948	84,552,454
Vocational education instruction	2,284,209	1,794,043
Special education instruction	36,782,980	28,164,535
Instructional support services	17,235,990	10,769,418
Pupil support services	17,528,400	15,015,158
Sites and buildings	34,887,431	25,787,522
Fiscal and other fixed cost programs	557,141	454,428
Food service	8,429,759	7,822,574
Community service	11,033,134	8,840,567
Interest and fiscal charges	6,758,127	6,107,024
Total expenses	<u>267,327,641</u>	<u>202,624,157</u>
Change in net position before special item	(59,511,405)	755,696
Special item – conveyance of FAIR School Crystal	<u>–</u>	<u>14,662,500</u>
Change in net position	(59,511,405)	15,418,196
Net position – beginning, as previously reported	44,957,641	29,539,445
Change in accounting principle	(3,363,248)	–
Net position – beginning, as restated	<u>41,594,393</u>	<u>29,539,445</u>
Net position – ending	<u>\$ (17,917,012)</u>	<u>\$ 44,957,641</u>

This table 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.

Revenue increased with funding improvements in special education state funding. The significant increase in expense reflects natural inflationary increases, along with the change in the PERA and the TRA multi-employer defined benefit pension plans mentioned earlier.

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

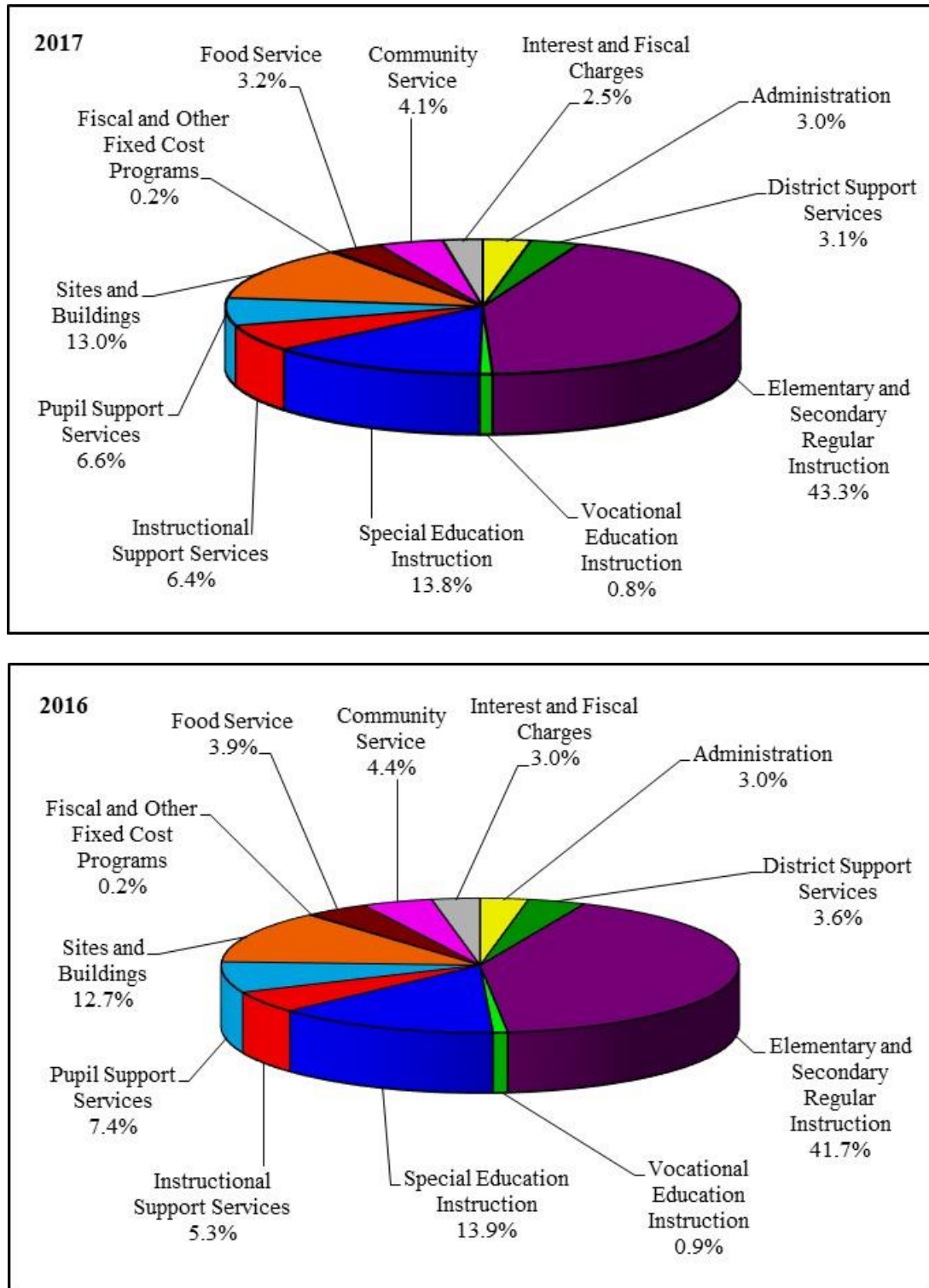
Figure A – Sources of Revenues for Fiscal Years 2017 and 2016



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.

Property taxes are generally the next largest source of funding. The level of funding property tax sources provide is not only dependent on taxpayers of the District 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 2017 and 2016



The District's expenses prioritize the delivery of instruction to students. Programs (or functions) such as elementary and secondary regular instruction, vocational and special education instruction, and instructional support services, are directly related to classroom instruction. Other expenditures are either auxiliary to instruction or related to the operational needs necessary to sustain the learning environment.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is 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, 2017 and 2016				
	2017	2016	Increase (Decrease)	Percent Change
Major funds				
General	\$ 13,559,750	\$ 18,236,508	\$ (4,676,758)	(25.6%)
Capital Projects – Building				
Construction	12,695,833	47,102,855	(34,407,022)	73.0%
Debt Service	2,305,311	11,409,522	(9,104,211)	(79.8%)
Nonmajor funds				
Food Service Special Revenue	1,226,256	1,791,672	(565,416)	(31.6%)
Community Service Special Revenue	1,760,375	1,605,138	155,237	9.7%
Total governmental funds	<u>\$ 31,547,525</u>	<u>\$ 80,145,695</u>	<u>\$(48,598,170)</u>	(60.6%)

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through Grade 12, including pupil transportation activities and capital outlay projects.

Approximately 65 percent of General Fund operational revenue is controlled by a complex set of state funding formulas, as such, the local School Board has minimal authority in the establishment of the level of resources. Special education funding is also included in state aid. This funding source is based in part on the identified needs of the special education student population and the related expenditures. Other state formulas further determine the portion of revenue provided through property taxes versus state aid.

Capital Projects – Building Construction Fund

Capital Projects – Building Construction Fund expenditures exceeded revenues and other financing sources by \$34,407,022. The proceeds of three general obligation bond issues sold by the District in the prior year were utilized for planned maintenance and energy efficiency projects throughout the District.

Debt Service Fund

Expenditures and other financing uses exceeded revenues and other financing sources by \$9,104,211 in the Debt Service Fund. The District issued \$12.2 million of Series 2017A Alternative Facilities Bonds that will be used to refund, in advance of their stated maturities, the 2018 through 2028 maturities of the District's General Obligation Alternative Facilities Bonds, Series 2008A, and the 2018 through 2029 maturities of the General Obligation Alternative Facilities Bonds, Series 2008B. The advanced refunding of \$21.3 million met the requirements of an in-substance defeasance and, therefore, the escrow cash and related debt paid by the escrow were removed from the financials. The ending fund balance for 2017 is approximately \$2.3 million and is available for meeting future debt service obligations.

Nonmajor Funds

Expenditures exceeded revenues in the District's two nonmajor funds by \$410,179. The Food Service Special Revenue Fund had a decrease in fund balance of \$565,416, ending the year with a fund balance of \$1,226,256. The June 30, 2017 fund balance of the Community Service Special Revenue Fund was \$1,760,375, an increase of \$155,237 from the prior year. Revenues and expenditures in both of these funds exceeded budget, due to the increased amount of grants and the related expenditures. From the standpoint of maintaining current operating expenditures within the range of annual revenues, the Food Service Special Revenue Fund and the Community Service Special Revenue Fund continue to operate on a sound financial basis.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue and other financing sources	<u>\$ 181,624,769</u>	<u>\$ 172,682,953</u>	<u>\$ (8,941,816)</u>	<u>(4.9%)</u>
Expenditures	<u>\$ 182,454,030</u>	<u>\$ 173,213,991</u>	<u>\$ (9,240,039)</u>	<u>(5.1%)</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended that budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements.

The General Fund revenue budget was revised to reflect adjustments for the issuance of certificates of participation.

The expenditure budget was revised to reflect the settlement of contracts from all bargaining groups with contracts under negotiation during the year.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	2017 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue	\$ 165,955,481	\$ (6,727,472)	(3.9%)	\$ (279,948)	(0.2%)
Expenditures	170,632,239	\$ (2,581,752)	(1.5%)	\$ 3,544,649	2.1%
Other financing sources (uses)	<u>—</u>	\$ —	—	\$ 4,068	—
Net change in fund balances	<u><u>\$ (4,676,758)</u></u>				

Overall, General Fund balance decreased \$4,676,758, as compared to a projected decrease of \$531,038. This variance was mainly the result of the District earning less state aid than anticipated, due to an unexpected decline in the number of students served in the District. Expanded enrollment choice options available resulted in a decline in enrollment in the District, uncharacteristic of previous years.

Unassigned fund balance in the General Fund (excluding deficit fund balance restrictions) is \$8,281,297 as of June 30, 2017. This balance represents 4.9 percent of current year General Fund expenditures.

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 ending June 30, 2017 and 2016:

Table 6 Capital Assets			
	2017	2016	Change
Land	\$ 1,218,930	\$ 1,218,930	\$ —
Construction in progress	26,536,798	10,957,186	15,579,612
Land improvements	7,237,829	7,004,023	233,806
Buildings	407,514,342	379,621,761	27,892,581
Furniture and equipment	26,127,817	25,881,483	246,334
Less accumulated depreciation	(166,814,219)	(151,433,557)	(15,380,662)
Total	<u>\$ 301,821,497</u>	<u>\$ 273,249,826</u>	<u>\$ 28,571,671</u>
Depreciation expense	<u>\$ 15,380,662</u>	<u>\$ 13,539,918</u>	<u>\$ 1,840,744</u>

By the end of 2017, the District had net capital assets of \$301.8 million, representing a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation expense for the year was \$15.4 million as compared to \$13.5 million the previous year.

The District's 10-year facility plan under the Long-Term Facilities Maintenance Program, which involves performing deferred maintenance and renovation of the District's buildings, accounted for much of the asset additions for the year.

Long-Term Liabilities

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

Table 7 Outstanding Long-Term Liabilities				
	2017	2016	Change	Percent Change
General obligation bonds	\$ 187,100,000	\$ 208,330,000	\$ (21,230,000)	(10.2%)
Certificates of participation	8,930,000	—	8,930,000	N/A
Unamortized premiums (discounts)	9,819,204	9,433,960	385,244	4.1%
Capital leases	3,643,000	142,096	3,500,904	2,463.8%
Compensated absences payable	1,569,560	1,414,868	154,692	10.9%
Severance benefits payable	2,658,377	2,578,371	80,006	3.1%
Net pension liability	382,517,639	109,832,220	272,685,419	248.3%
Total	<u>\$ 596,237,780</u>	<u>\$ 331,731,515</u>	<u>\$ 264,506,265</u>	79.7%

At year-end, the District had \$205.8 million in general obligation bonds and certificates of participation payable, including net premiums and discounts, which is a decrease of \$11.9 million from the previous year, due to a combination of scheduled debt payments and refundings.

Outstanding capital leases payable increased \$3.5 million during the year, due to the issuance of two leases to finance building additions at two of the District's school sites.

The District also had \$386.7 million in compensated absences, severance benefits, and pension obligations payable at June 30, 2017. This is an increase of \$272.9 million from the previous year, mainly due to increases in the District's proportionate share of the state-wide PERA and TRA pension plans.

The District's bonds presently carry a Standard and Poor's long-term rating of "AAA/Stable" and a school issuer credit rating of "A+/Stable."

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	\$ 8,497,124,725
Limit rate	<u>15%</u>
Legal debt limit	<u><u>\$ 1,274,568,709</u></u>

Additional details of the District's capital assets and long-term liabilities 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.

The General Education Funding Program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$121, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2018, and an additional \$124, or 2 percent, per pupil to the formula for fiscal year 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this CAFR or need additional financial information, contact the Business Services Department, Independent School District No. 281, 4148 Winnetka Avenue North, New Hope, Minnesota 55427.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Net Position
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	Governmental Activities	
	2017	2016
Assets		
Cash and temporary investments	\$ 50,768,009	\$ 97,660,497
Receivables		
Current taxes	28,664,636	29,150,606
Delinquent taxes	562,469	731,012
Accounts and interest	645,953	727,645
Due from other governmental units	15,714,123	17,560,281
Due from post-employment benefit trust	1,936,108	949,940
Inventory	309,042	312,052
Prepaid items	170,284	312,266
Restricted assets – temporarily restricted		
Cash and investments for capital projects	5,605,142	–
Cash and investments for debt service	–	8,164,339
Net OPEB asset	8,472,060	12,565,926
Capital assets		
Not depreciated	27,755,728	12,176,116
Depreciated, net of accumulated depreciation	274,065,769	261,073,710
Total capital assets, net of accumulated depreciation	<u>301,821,497</u>	<u>273,249,826</u>
Total assets	414,669,323	441,384,390
Deferred outflows of resources		
Pension plan deferments	238,868,090	21,323,974
Deferred charges on refundings	554,020	–
Total deferred outflows of resources	<u>239,422,110</u>	<u>21,323,974</u>
Total assets and deferred outflows of resources	<u>\$ 654,091,433</u>	<u>\$ 462,708,364</u>
Liabilities		
Salaries payable	\$ 895,456	\$ 1,128,465
Accounts and contracts payable	8,205,716	14,016,823
Accrued interest payable	2,767,150	2,985,590
Due to other governmental units	819,067	115,519
Unearned revenue	5,234,019	1,759,317
Long-term liabilities		
Due within one year	15,883,144	22,501,964
Due in more than one year	580,354,636	309,229,551
Total long-term liabilities	<u>596,237,780</u>	<u>331,731,515</u>
Total liabilities	614,159,188	351,737,229
Deferred inflows of resources		
Property taxes levied for subsequent year	53,992,071	54,348,992
OPEB plan deferments	1,412	–
Pension plan deferments	3,855,774	11,664,502
Total deferred inflows of resources	<u>57,849,257</u>	<u>66,013,494</u>
Net position		
Net investment in capital assets	115,303,157	122,266,332
Restricted for		
Capital asset acquisition	6,253,759	4,170,373
Debt service	–	416,827
Food service	1,447,293	2,041,342
Community service	1,903,618	2,063,440
Other purposes (state funding restrictions)	163,848	–
Unrestricted	(142,988,687)	(86,000,673)
Total net position	<u>(17,917,012)</u>	<u>44,957,641</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 654,091,433</u>	<u>\$ 462,708,364</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Activities
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

Functions/Programs	Expenses	2017			2016
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 7,886,010	\$ 625	\$ –	\$ (7,885,385)	\$ (6,097,706)
District support services	8,291,512	145,124	–	(8,146,388)	(6,970,342)
Elementary and secondary regular instruction	115,652,948	1,264,788	5,864,852	(108,523,308)	(79,876,251)
Vocational education instruction	2,284,209	14	77,514	(2,206,681)	(1,675,908)
Special education instruction	36,782,980	267,964	13,972,044	(22,542,972)	(14,472,728)
Instructional support services	17,235,990	222	87,768	(17,148,000)	(10,663,009)
Pupil support services	17,528,400	–	1,020,274	(16,508,126)	(13,085,457)
Sites and buildings	34,887,431	113,621	–	(34,773,810)	(24,794,322)
Fiscal and other fixed cost programs	557,141	–	–	(557,141)	(454,428)
Food service	8,429,759	2,052,382	5,774,740	(602,637)	(96,628)
Community service	11,033,134	4,939,077	3,049,616	(3,044,441)	(1,668,533)
Interest and fiscal charges	6,758,127	–	–	(6,758,127)	(6,107,024)
Total governmental activities	<u>\$ 267,327,641</u>	<u>\$ 8,783,817</u>	<u>\$ 29,846,808</u>	(228,697,016)	(165,962,336)
General revenues					
Taxes					
Property taxes, for general purposes				37,576,196	35,886,676
Property taxes, for community service				1,729,633	1,690,354
Property taxes, for building construction				–	1,440,091
Property taxes, for debt service				18,800,718	18,175,924
General grants and aids				109,188,461	107,504,169
Other general revenues				1,512,981	1,914,060
Investment earnings				377,622	106,758
Special item – conveyance of FAIR School Crystal				–	14,662,500
Total general revenues and special item				<u>169,185,611</u>	<u>181,380,532</u>
Change in net position				(59,511,405)	15,418,196
Net position – beginning, as previously reported				44,957,641	29,539,445
Change in accounting principle				(3,363,248)	–
Net position – beginning, as restated				<u>41,594,393</u>	<u>29,539,445</u>
Net position – ending				<u>\$ (17,917,012)</u>	<u>\$ 44,957,641</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Balance Sheet
Governmental Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 15,146,972	\$ 14,949,772	\$ 12,261,302
Cash and investments held by trustee	–	5,605,142	–
Receivables			
Current taxes	17,775,911	–	9,969,613
Delinquent taxes	360,187	–	184,790
Accounts and interest	280,780	1,009	–
Due from other governmental units	14,389,617	–	87,484
Due from other funds	1,818,035	–	–
Inventory	230,834	–	–
Prepaid items	144,283	–	1,350
Total assets	<u>\$ 50,146,619</u>	<u>\$ 20,555,923</u>	<u>\$ 22,504,539</u>
Liabilities			
Salaries payable	\$ 663,647	\$ 744	\$ –
Accounts and contracts payable	2,671,359	4,216,346	–
Due to other governmental units	812,805	–	–
Due to other funds	–	–	–
Unearned revenue	88,770	3,643,000	–
Total liabilities	<u>4,236,581</u>	<u>7,860,090</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	32,081,782	–	20,060,852
Unavailable revenue – delinquent taxes	268,506	–	138,376
Total deferred inflows of resources	<u>32,350,288</u>	<u>–</u>	<u>20,199,228</u>
Fund balances			
Nonspendable	375,117	–	1,350
Restricted	4,348,161	12,695,833	2,303,961
Assigned	873,292	–	–
Unassigned	7,963,180	–	–
Total fund balances	<u>13,559,750</u>	<u>12,695,833</u>	<u>2,305,311</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,146,619</u>	<u>\$ 20,555,923</u>	<u>\$ 22,504,539</u>

Nonmajor Funds	Total Governmental Funds	
	2017	2016
\$ 2,693,870	\$ 45,051,916	\$ 92,978,951
–	5,605,142	8,164,339
919,112	28,664,636	29,150,606
17,492	562,469	731,012
364,164	645,953	727,645
1,237,022	15,714,123	17,560,281
118,073	1,936,108	949,940
78,208	309,042	312,052
24,651	170,284	312,266
<u>\$ 5,452,592</u>	<u>\$ 98,659,673</u>	<u>\$ 150,887,092</u>
\$ 231,065	\$ 895,456	\$ 1,128,465
91,265	6,978,970	12,916,780
6,262	819,067	115,519
–	–	1,390,758
274,741	4,006,511	359,728
<u>603,333</u>	<u>12,700,004</u>	<u>15,911,250</u>
1,849,437	53,992,071	54,348,992
13,191	420,073	481,155
<u>1,862,628</u>	<u>54,412,144</u>	<u>54,830,147</u>
102,859	479,326	624,318
2,883,772	22,231,727	64,102,205
–	873,292	1,839,081
–	7,963,180	13,580,091
<u>2,986,631</u>	<u>31,547,525</u>	<u>80,145,695</u>
<u>\$ 5,452,592</u>	<u>\$ 98,659,673</u>	<u>\$ 150,887,092</u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Total fund balances – governmental funds	\$ 31,547,525	\$ 80,145,695
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	468,635,716	424,683,383
Accumulated depreciation	(166,814,219)	(151,433,557)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds	(187,100,000)	(208,330,000)
Certificates of participation	(8,930,000)	–
Unamortized (premiums) discounts	(9,819,204)	(9,433,960)
Capital leases	(3,643,000)	(142,096)
Compensated absences payable	(1,569,560)	(1,414,868)
Severance benefits payable	(2,658,377)	(2,578,371)
Net pension liability	(382,517,639)	(109,832,220)
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.		
	8,472,060	12,565,926
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(2,767,150)	(2,985,590)
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.		
	3,261,839	3,572,672
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 – pension plan deferments	238,868,090	21,323,974
Deferred outflows – deferred charges on refundings	554,020	–
Deferred inflows – pension plan deferments	(3,855,774)	(11,664,502)
Deferred inflows – OPEB plan deferments	(1,412)	–
Deferred inflows – delinquent property taxes	420,073	481,155
Total net position – governmental activities	<u>\$ (17,917,012)</u>	<u>\$ 44,957,641</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 37,616,397	\$ –	\$ 18,819,576
Investment earnings	93,336	164,149	72,874
Other	3,305,339	–	–
State sources	119,496,936	–	874,848
Federal sources	5,443,473	–	–
Total revenue	<u>165,955,481</u>	<u>164,149</u>	<u>19,767,298</u>
Expenditures			
Current			
Administration	6,057,838	–	–
District support services	7,539,458	–	–
Elementary and secondary regular instruction	80,495,431	–	–
Vocational education instruction	1,505,730	–	–
Special education instruction	27,998,488	–	–
Instructional support services	13,890,413	–	–
Pupil support services	15,417,357	–	–
Sites and buildings	14,352,208	–	–
Fiscal and other fixed cost programs	557,141	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	2,621,365	47,695,051	–
Debt service			
Principal	142,096	–	13,170,000
Interest and fiscal charges	54,714	213,471	7,880,048
Total expenditures	<u>170,632,239</u>	<u>47,908,522</u>	<u>21,050,048</u>
Excess (deficiency) of revenue over expenditures	(4,676,758)	(47,744,373)	(1,282,750)
Other financing sources (uses)			
Bonds and certificates of participation issued	–	9,535,000	–
Refunding bonds issued	–	–	12,170,000
Capital lease issued	–	3,643,000	–
Premiums on debt issued	–	159,351	1,317,616
Payment to refunded bond escrow agent	–	–	(21,309,077)
Sale of capital assets	–	–	–
Transfer in	–	–	–
Transfer (out)	–	–	–
Total other financing sources (uses)	<u>–</u>	<u>13,337,351</u>	<u>(7,821,461)</u>
Net change in fund balances	(4,676,758)	(34,407,022)	(9,104,211)
Fund balances			
Beginning of year	<u>18,236,508</u>	<u>47,102,855</u>	<u>11,409,522</u>
End of year	<u>\$ 13,559,750</u>	<u>\$ 12,695,833</u>	<u>\$ 2,305,311</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2017	2016
\$ 1,731,656	\$ 58,167,629	\$ 57,309,754
19,544	349,903	106,758
6,991,459	10,296,798	10,151,606
3,168,192	123,539,976	124,317,336
5,656,164	11,099,637	11,611,108
<u>17,567,015</u>	<u>203,453,943</u>	<u>203,496,562</u>
—	6,057,838	5,876,647
—	7,539,458	4,460,021
—	80,495,431	82,611,441
—	1,505,730	1,799,623
—	27,998,488	27,740,788
—	13,890,413	10,468,901
—	15,417,357	14,674,569
—	14,352,208	13,598,259
—	557,141	454,428
7,434,021	7,434,021	7,499,503
9,529,583	9,529,583	8,779,365
1,013,590	51,330,006	29,095,514
—	13,312,096	12,375,776
—	8,148,233	6,640,092
<u>17,977,194</u>	<u>257,568,003</u>	<u>226,074,927</u>
(410,179)	(54,114,060)	(22,578,365)
—	9,535,000	67,135,000
—	12,170,000	9,380,000
—	3,643,000	—
—	1,476,967	3,932,191
—	(21,309,077)	(2,515,000)
—	—	5,170
—	—	9,238
—	—	(9,238)
<u>—</u>	<u>5,515,890</u>	<u>77,937,361</u>
(410,179)	(48,598,170)	55,358,996
<u>3,396,810</u>	<u>80,145,695</u>	<u>24,786,699</u>
<u>\$ 2,986,631</u>	<u>\$ 31,547,525</u>	<u>\$ 80,145,695</u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Total net change in fund balances – governmental funds	\$ (48,598,170)	\$ 55,358,996
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in 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	43,952,333	26,274,250
Special item – conveyance of FAIR School Crystal	–	14,662,500
Depreciation expense	(15,380,662)	(13,539,918)
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.		
General obligation bonds and certificates of participation	(21,705,000)	(76,515,000)
Capital leases	(3,643,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds and certificates of participation	34,005,000	14,710,000
Capital leases	142,096	180,776
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	(154,692)	(171,391)
Severance benefits payable	(80,006)	(143,001)
Net pension liability	(273,551,413)	(20,173,895)
Net OPEB obligations reported in the Statement of Activities do not require the use of current financial resources and are not reported until actually due.		
	135,376	(452,712)
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.		
	218,440	(481,679)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	(385,244)	(2,917,444)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	(310,833)	(1,431,242)
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 – pension plan deferments	217,544,116	4,913,670
Deferred outflows – deferred charges on refundings	554,020	–
Deferred inflows – pension plan deferments	7,808,728	15,260,995
Deferred inflows – OPEB plan deferments	(1,412)	–
Deferred inflows – delinquent property taxes	(61,082)	(116,709)
Change in net position – governmental activities	\$ (59,511,405)	\$ 15,418,196

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INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 36,892,751	\$ 37,346,275	\$ 37,616,397	\$ 270,122
Investment earnings	6,500	6,500	93,336	86,836
Other	3,725,086	3,957,973	3,305,339	(652,634)
State sources	125,440,356	124,922,000	119,496,936	(5,425,064)
Federal sources	6,422,376	6,450,205	5,443,473	(1,006,732)
Total revenue	<u>172,487,069</u>	<u>172,682,953</u>	<u>165,955,481</u>	<u>(6,727,472)</u>
Expenditures				
Current				
Administration	6,687,731	6,691,256	6,057,838	(633,418)
District support services	7,513,704	7,350,623	7,539,458	188,835
Elementary and secondary regular instruction	82,350,546	82,313,638	80,495,431	(1,818,207)
Vocational education instruction	2,169,882	2,173,832	1,505,730	(668,102)
Special education instruction	28,319,012	28,319,012	27,998,488	(320,524)
Instructional support services	12,015,577	12,007,890	13,890,413	1,882,523
Pupil support services	15,859,903	15,859,503	15,417,357	(442,146)
Sites and buildings	14,900,155	14,856,186	14,352,208	(503,978)
Fiscal and other fixed cost programs	458,000	458,000	557,141	99,141
Capital outlay	11,982,709	2,987,241	2,621,365	(365,876)
Debt service				
Principal	189,780	189,780	142,096	(47,684)
Interest and fiscal charges	7,031	7,030	54,714	47,684
Total expenditures	<u>182,454,030</u>	<u>173,213,991</u>	<u>170,632,239</u>	<u>(2,581,752)</u>
Excess (deficiency) of revenue over expenditures	(9,966,961)	(531,038)	(4,676,758)	(4,145,720)
Other financing sources				
Debt issued	<u>9,137,700</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ (829,261)</u>	<u>\$ (531,038)</u>	<u>(4,676,758)</u>	<u>\$ (4,145,720)</u>
Fund balances				
Beginning of year			<u>18,236,508</u>	
End of year			<u>\$ 13,559,750</u>	

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Net Position
Internal Service Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and temporary investments	\$ 5,716,093	\$ 4,681,546
Due from other funds	<u>—</u>	<u>1,390,758</u>
Total current assets	5,716,093	6,072,304
Liabilities		
Current liabilities		
Claims payable	1,226,746	1,269,285
Unearned revenue	<u>1,227,508</u>	<u>1,230,347</u>
Total current liabilities	<u>2,454,254</u>	<u>2,499,632</u>
Net position		
Unrestricted	<u>\$ 3,261,839</u>	<u>\$ 3,572,672</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 16,755,224	\$ 16,021,944
Operating expenses		
Dental benefit claims	1,324,022	1,318,326
Health benefit claims	<u>15,769,754</u>	<u>16,134,860</u>
Total operating expenses	<u>17,093,776</u>	<u>17,453,186</u>
Operating income (loss)	(338,552)	(1,431,242)
Nonoperating revenue		
Investment earnings	<u>27,719</u>	<u>—</u>
Change in net position	(310,833)	(1,431,242)
Net position		
Beginning of year	<u>3,572,672</u>	<u>5,003,914</u>
End of year	<u><u>\$ 3,261,839</u></u>	<u><u>\$ 3,572,672</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 18,143,143	\$ 14,835,134
Payments for dental claims	(1,334,121)	(1,330,542)
Payments for health claims	<u>(15,802,194)</u>	<u>(15,749,454)</u>
Net cash flows from operating activities	1,006,828	(2,244,862)
Cash flows from investing activities		
Investment income received	<u>27,719</u>	<u>—</u>
Net change in cash and cash equivalents	1,034,547	(2,244,862)
Cash and cash equivalents		
Beginning of year	<u>4,681,546</u>	<u>6,926,408</u>
End of year	<u><u>\$ 5,716,093</u></u>	<u><u>\$ 4,681,546</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (338,552)	\$ (1,431,242)
Adjustments to reconcile operating income (loss) to cash flows from operating activities		
Changes in assets and liabilities		
Due from other funds	1,390,758	(1,390,758)
Claims payable	(42,539)	373,190
Unearned revenue	<u>(2,839)</u>	<u>203,948</u>
Net cash flows from operating activities	<u><u>\$ 1,006,828</u></u>	<u><u>\$ (2,244,862)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2017

	Employee Benefit Trust Funds	Scholarship Private-Purpose Trust Fund
Assets		
Cash and cash equivalents	\$ 399,649	\$ 374,512
Investments		
Mutual funds	20,037,080	—
Accounts and interest receivable	—	24,909
Total assets	<u>20,436,729</u>	<u>399,421</u>
Liabilities		
Accounts and contracts payable	—	1,059
Due to other funds	1,936,108	—
Total liabilities	<u>1,936,108</u>	<u>1,059</u>
Net position		
Held in trust for employee benefits and other purposes	<u>\$ 18,500,621</u>	<u>\$ 398,362</u>

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

	Employee Benefit Trust Funds	Scholarship Private-Purpose Trust Fund
Additions		
Contributions		
Gifts and donations	\$ —	\$ 16,575
Plan member contributions	800,170	—
Investment earnings	1,116,943	3,496
Total additions	<u>1,917,113</u>	<u>20,071</u>
Deductions		
Scholarships awarded	—	16,068
Flexible benefits	785,829	—
Retirement benefits	986,168	—
Administrative and other expenses	84,246	1,966
Total deductions	<u>1,856,243</u>	<u>18,034</u>
Change in net position	60,870	2,037
Net position		
Beginning of year	<u>18,439,751</u>	<u>396,325</u>
End of year	<u>\$ 18,500,621</u>	<u>\$ 398,362</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Notes to Basic Financial Statements June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 281, Robbinsdale Area Schools (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District, located in Hennepin County, serves pre-kindergarten through Grade 12 students in all or parts of the cities of Brooklyn Center, Brooklyn Park, Crystal, Golden Valley, New Hope, Plymouth, and Robbinsdale. The District is governed by a seven-member School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in the basic financial statements.

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 fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. 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 revenue, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Food service sales, community education tuition, and other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. 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 the governmental funds.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. 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 providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds

The 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.

Capital Projects – Building Construction Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or under the long-term facilities maintenance program.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs. The other post-employment benefits (OPEB) debt service account is used for the 2009 taxable OPEB bond issue. The regular debt service account is used for all other general obligation bonds debt service.

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

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

Employee Benefit Trust Fund – This fund is used to administer resources held for employees participating in the District's flexible benefit plan (Internal Revenue Code [IRC] § 125 Cafeteria Plan).

Scholarship Private-Purpose Trust Fund – This fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts annual budgets for all governmental funds, prepared on the same basis of accounting as the financial statements. Legal budgetary control, the level at which expenditures may not legally exceed appropriations, is at the fund level. Budgeted expenditure appropriations lapse at year-end.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Actual expenditures exceeded final budgeted appropriations by \$1,087,142 in the Food Service Special Revenue Fund, \$500,640 in the Community Service Special Revenue Fund, \$8,630,272 in the Capital Projects – Building Construction Fund, and \$915,147 in the Debt Service Fund.

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. Earnings from the investments of debt proceeds recorded in the Capital Projects – Building Construction Fund and all trust fund investments are not pooled, and earnings on these assets are allocated directly to the respective funds.

Cash and investments held by trustee reported in the Capital Projects – Building Construction Fund represent assets held in escrow accounts for future capital projects in accordance with applicable debt provisions. In the government-wide financial statements, these accounts are reported as restricted assets.

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Amounts due from other governmental units at year-end consist of the following:

Due from the Minnesota Department of Education	\$ 12,142,807
Due from federal government agencies	3,305,259
Due from other Minnesota school districts	134,549
Due from Hennepin County and others	<u>131,508</u>
Total	<u><u>\$ 15,714,123</u></u>

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the 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 \$3,686,900 of the property tax levy collectible in 2017 as revenue in fiscal 2016–2017. The remaining portion of the taxes collectible in 2017 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

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

Capital assets are reported in the government-wide financial statements, but not in the governmental 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 20 years for furniture and equipment. Land and construction in progress are not depreciated.

L. Deferred Outflows/Inflows of Resources

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Compensated Absences

Under the terms of collectively bargained contracts, 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.

O. Severance Benefits Payable

The District provides lump sum severance benefits to certain eligible employee groups in accordance with provisions in collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures due to employee termination.

P. State-Wide Pension Plans

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (OPEB) Plan

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

R. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for workers' compensation coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal 2017.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its uninsured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans. The District makes premium payments to the internal service funds 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 of dental claim liabilities for the last two years were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2016	\$ 62,311	\$ 1,318,326	\$ 1,330,542	\$ 50,095
2017	\$ 50,095	\$ 1,324,022	\$ 1,334,121	\$ 39,996

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

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2016	\$ 833,784	\$ 16,134,860	\$ 15,749,454	\$ 1,219,190
2017	\$ 1,219,190	\$ 15,769,754	\$ 15,802,194	\$ 1,186,750

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

T. Fund Balance Classifications

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

- **Nonspendable** – 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 designee is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reported amounts or disclosures in the financial statements. Actual results could differ from those estimates.

V. Prior Period Comparative Financial Information/Reclassification

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

W. Change in Accounting Principle

During the year ended June 30, 2017, the District implemented GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. These statements included major changes in how plans and employers account for OPEB benefit obligations. These statements establish standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Certain amounts necessary to fully restate fiscal year 2016 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of new GASB statements in the current year resulted in the restatement of net position as of June 30, 2016. The details of the restatement are as follows:

	Governmental Activities
Net position – beginning, as previously reported	\$ 44,957,641
Change in accounting principle	
Net OPEB asset, under previous reporting standards	(12,565,926)
Net pension liability, converted to OPEB under current reporting standards	865,994
Net OPEB asset, current reporting standards	8,336,684
Total change in accounting principle	<u>(3,363,248)</u>
Net position – beginning, as restated	<u><u>\$ 41,594,393</u></u>

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 17,114,581
Investments	<u>60,069,811</u>
Total	<u><u>\$ 77,184,392</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 50,768,009
Restricted assets – cash and investments for capital projects	5,605,142
Statement of Fiduciary Net Position	
Cash and cash equivalents – Employee Benefit Trust Funds	399,649
Investments – Employee Benefit Trust Funds	20,037,080
Cash and cash equivalents – Scholarship Private-Purpose Trust Fund	<u>374,512</u>
Total	<u><u>\$ 77,184,392</u></u>

B. Deposits

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

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

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

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

At year-end, the carrying amount of the District’s deposits was \$17,114,581, while the balance on the bank records was \$23,745,207. At June 30, 2017, all of these deposits were fully covered by federal depository insurance or by collateral held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency		No Maturity Date	Less Than 1	1 to 5	
Repurchase agreement (U.S. agency underlying security)	Aaa	Moody's	N/A	\$ –	\$ 3,194,278	\$ –	\$ 3,194,278
Negotiable certificates of deposit	N/R	N/R	Level 2	\$ –	\$ 4,948,084	\$ 819,013	5,767,097
U.S. agency securities	AA	S&P	Level 2	\$ –	\$ 1,996,710	\$ –	1,996,710
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	\$ 20,930,298	\$ –	\$ –	20,930,298
Mutual funds	AAA	S&P	NAV	\$ 6,166,437	\$ –	\$ –	6,166,437
Mutual funds	AAA	S&P	Level 2	\$ 2,000,326	\$ –	\$ –	2,000,326
Mutual funds	N/R	N/R	Level 2	\$ 20,014,665	\$ –	\$ –	20,014,665
Total investments							<u>\$ 60,069,811</u>

NAV – Investments measured at the net asset value

N/A – Not Applicable

N/R – Not Rated

The MNTrust Investment Shares Portfolio is an external investment pool regulated by Minnesota Statutes and is not registered with the Securities and Exchange Commission. The District's investment in the investment pool is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. There are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required.

For mutual funds valued at net asset value, there are no unfunded commitments, redemption frequency is daily, and no notice is required for redemption.

Repurchase agreements are valued on a cost-basis measure, and therefore are not subject to fair value disclosure.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

For assets held in the District's irrevocable OPEB trust account, the investment options available are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

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 policies do not address concentration risk. At year-end, the District's investment in the Wells Fargo Stagecoach Sweep Repurchase Agreement represented 5.3 percent of its investment portfolio.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 1,218,930	\$ –	\$ –	\$ –	\$ 1,218,930
Construction in progress	10,957,186	34,895,629	–	(19,316,017)	26,536,798
Total capital assets not depreciated	12,176,116	34,895,629	–	(19,316,017)	27,755,728
Capital assets, depreciated					
Land improvements	7,004,023	233,806	–	–	7,237,829
Buildings	379,621,761	8,576,564	–	19,316,017	407,514,342
Furniture and equipment	25,881,483	246,334	–	–	26,127,817
Total capital assets, depreciated	412,507,267	9,056,704	–	19,316,017	440,879,988
Less accumulated depreciation for					
Land improvements	(4,687,490)	(177,159)	–	–	(4,864,649)
Buildings	(125,367,827)	(14,298,059)	–	–	(139,665,886)
Furniture and equipment	(21,378,240)	(905,444)	–	–	(22,283,684)
Total accumulated depreciation	(151,433,557)	(15,380,662)	–	–	(166,814,219)
Net capital assets, depreciated	261,073,710	(6,323,958)	–	19,316,017	274,065,769
Total capital assets, net	\$ 273,249,826	\$ 28,571,671	\$ –	\$ –	\$ 301,821,497

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

Administration	\$ 658
District support services	138,223
Elementary and secondary regular instruction	52,676
Vocational education instruction	425
Special education instruction	10,852
Instructional support services	1,254
Pupil support services	267,983
Sites and buildings	14,825,708
Food service	82,272
Community service	611
Total depreciation expense	<u>\$ 15,380,662</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2008 Alternative Facilities Bonds	01/01/2008	4.000%–4.375%	\$ 10,925,000	02/01/2018	\$ 535,000
2008 Alternative Facilities Bonds	08/01/2008	4.000%–5.000%	\$ 9,285,000	02/01/2018	425,000
2009 Refunding Bonds	02/01/2009	4.200%	\$ 6,080,000	02/01/2020	1,935,000
2009 Taxable OPEB Bonds	05/01/2009	2.150%–5.400%	\$ 20,065,000	02/01/2025	12,440,000
2010 Refunding Bonds	05/01/2010	3.000%–5.000%	\$ 20,790,000	02/01/2024	13,520,000
2010 Refunding Bonds	12/17/2010	2.000%–3.250%	\$ 7,685,000	02/01/2024	5,150,000
2011 Alternative Facilities Bonds	06/01/2011	2.000%–4.500%	\$ 10,990,000	02/01/2032	8,755,000
2011 Refunding Bonds	11/15/2011	3.000%–5.000%	\$ 20,630,000	02/01/2021	9,970,000
2012 Alternative Facilities Bonds	08/29/2012	2.000%–3.000%	\$ 8,535,000	02/01/2024	8,315,000
2012 Refunding Bonds	11/06/2012	2.000%–5.000%	\$ 24,610,000	02/01/2022	14,825,000
2013 Capital Facilities Bond	07/18/2013	2.000%–3.000%	\$ 3,200,000	02/01/2023	1,905,000
2014 Alternative Facilities Bond	05/01/2014	3.000%	\$ 13,425,000	02/01/2026	13,325,000
2014 Refunding Bonds	11/20/2014	2.000%–5.000%	\$ 9,640,000	02/01/2024	7,830,000
2015 Alternative Facilities Bonds	08/25/2015	3.000%–4.000%	\$ 17,100,000	02/01/2028	17,100,000
2015 Refunding Bonds	11/19/2015	5.000%	\$ 2,300,000	02/01/2020	1,785,000
2016 Capital Facilities Bonds	03/10/2016	2.000%–4.000%	\$ 9,235,000	02/01/2031	9,235,000
2016 Alternative Facilities Bonds	06/01/2016	2.000%–5.000%	\$ 7,080,000	02/01/2027	7,080,000
2016 Facilities Maintenance Bonds	06/01/2016	2.000%–3.000%	\$ 40,800,000	02/01/2032	40,800,000
2017 Alternative Facilities Refunding Bonds	05/24/2017	2.000%–5.000%	\$ 12,170,000	02/01/2029	12,170,000
Total general obligation bonds payable					<u>\$ 187,100,000</u>

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

In June 2016, the District issued \$7,080,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2016B. The proceeds of this issue and interest earned thereon were used to redeem, in advance of their stated maturities, the 2018 through 2027 maturities of the District's 2006 General Obligation Alternative Facilities Bonds on their February 1, 2017 call date. This advance "crossover refunding" will reduce the District's total future debt service payments by approximately \$1,195,284 and will result in a present value savings of approximately \$1,078,798.

In May 2017, the District issued \$12,170,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2017A. The proceeds of this issue and interest earned thereon will be used to redeem, in advance of their stated maturities, the 2019 through 2028 maturities of the District's General Obligation Alternative Facilities Bonds, Series 2008A, and the 2019 through 2029 maturities of the General Obligation Alternative Facilities Bonds, Series 2008B. The proceeds of the 2017A issue have been placed in an escrow account pending the February 1, 2018 call date of the refunded issues. On February 1, 2018, the escrow account will be used to call the remaining principal of the 2008A and 2008B issues. This advanced refunding has met the requirements of an in-substance defeasance and therefore the escrow cash and related debt to be paid from the escrow have been removed from these financial statements. At June 30, 2017, the District has \$12,855,000 in defeased bonds outstanding from the 2008A and 2008B issues. This advanced refunding will reduce the District's total future debt service payments by \$1,741,555 and will result in present value savings of \$1,514,311.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Certificates of Participation Payable

On July 19, 2016, the District sold \$9,535,000 of certificates of participation to finance the construction of additions to several elementary sites and one middle school site. The certificates bear interest rates ranging from 2.00–4.00 percent with a final maturity of April 1, 2031. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates.

C. Capital Leases

The District entered into a capital lease agreement to finance the construction of an addition to Pilgrim Lane Elementary School. The lease has an effective interest rate of 2.49 percent, and calls for semi-annual principal and interest payments through February 1, 2032. At June 30, 2017, the leased assets were recorded in construction in progress at \$1,942,000. The lease is being paid through the General Fund.

The District entered into a capital lease agreement to finance the construction of two additions to the School of Engineering and Arts. The lease has an effective interest rate of 3.04 percent, and calls for semi-annual principal and interest payments through February 1, 2032. At June 30, 2017, the leased assets were recorded in construction in progress at \$1,701,000. The lease is being paid through the General Fund.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: severance benefits, pension benefits, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid primarily from the General Fund.

District employees participate in two state-wide, cost-sharing, multi-employer, defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2017:

<u>Pension Plans</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
PERA	\$ 36,586,485	\$ 14,716,268	\$ 3,846,129	\$ 4,502,819
TRA	345,931,154	224,151,822	9,645	56,647,639
Total	<u>\$ 382,517,639</u>	<u>\$ 238,868,090</u>	<u>\$ 3,855,774</u>	<u>\$ 61,150,458</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

	Balance – Beginning of Year Restated *	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds	\$ 208,330,000	\$ 12,170,000	\$ 33,400,000	\$ 187,100,000	\$ 13,355,000
Certificates of participation	–	9,535,000	605,000	8,930,000	555,000
Unamortized premiums	9,688,563	1,476,967	1,253,803	9,911,727	–
Unamortized discounts	(254,603)	–	(162,080)	(92,523)	–
Capital leases	142,096	3,643,000	142,096	3,643,000	203,584
Compensated absences payable	1,414,868	1,569,560	1,414,868	1,569,560	1,569,560
Severance benefits payable	2,578,371	314,034	234,028	2,658,377	200,000
Net pension liability	108,966,226	284,226,344	10,674,931	382,517,639	–
	<u>\$ 330,865,521</u>	<u>\$ 312,934,905</u>	<u>\$ 47,562,646</u>	<u>\$ 596,237,780</u>	<u>\$ 15,883,144</u>

* The net pension liability as of the beginning of the year was restated for the change in accounting principle described in Note 1.

F. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 13,355,000	\$ 6,715,989	\$ 555,000	\$ 200,856	\$ 203,584	\$ 93,999
2019	13,825,000	6,268,672	565,000	189,756	204,567	93,016
2020	14,135,000	5,667,001	575,000	178,456	210,210	87,373
2021	13,755,000	5,027,922	585,000	166,956	216,011	81,572
2022	13,195,000	4,453,070	600,000	155,257	221,973	75,610
2023–2027	67,000,000	14,824,127	3,210,000	554,081	1,205,285	282,631
2028–2032	51,835,000	4,360,280	2,840,000	172,607	1,381,370	106,545
	<u>\$ 187,100,000</u>	<u>\$ 47,317,061</u>	<u>\$ 8,930,000</u>	<u>\$ 1,617,969</u>	<u>\$ 3,643,000</u>	<u>\$ 820,746</u>

NOTE 5 – FUND BALANCES

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

A. Classifications

A summary of the District's governmental fund balance classifications at year-end are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 230,834	\$ –	\$ –	\$ 78,208	\$ 309,042
Prepaid items	144,283	–	1,350	24,651	170,284
Total nonspendable	375,117	–	1,350	102,859	479,326
Restricted					
Capital projects levy	381,105	–	–	–	381,105
Capital projects	–	686,128	–	–	686,128
Projects funded by COP	–	261,494	–	–	261,494
Operating capital	3,803,208	–	–	–	3,803,208
Food service	–	–	–	1,126,483	1,126,483
Community education programs	–	–	–	1,031,462	1,031,462
Early childhood family education programs	–	–	–	226,065	226,065
School readiness	–	–	–	231,986	231,986
Adult basic education	–	–	–	142,548	142,548
Community service	–	–	–	125,228	125,228
Long-term facilities maintenance	–	11,748,211	–	–	11,748,211
Medical Assistance	163,848	–	–	–	163,848
Debt service	–	–	2,303,961	–	2,303,961
Total restricted	4,348,161	12,695,833	2,303,961	2,883,772	22,231,727
Assigned					
Building carryover	709,873	–	–	–	709,873
Local Collaborative Time Study Program	163,419	–	–	–	163,419
Total assigned	873,292	–	–	–	873,292
Unassigned					
Safe schools levy – restricted account deficit	(318,117)	–	–	–	(318,117)
Unassigned	8,281,297	–	–	–	8,281,297
Total unassigned	7,963,180	–	–	–	7,963,180
Total	<u>\$ 13,559,750</u>	<u>\$ 12,695,833</u>	<u>\$ 2,305,311</u>	<u>\$ 2,986,631</u>	<u>\$ 31,547,525</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes the District will strive to maintain a minimum unassigned General Fund balance of 6.5 percent of the annual projected expenditures. At June 30, 2017, the unassigned fund balance of the General Fund (excluding any restricted account deficits) was 4.8 percent of the annual budgeted expenditures for the year then ended.

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 IRC.

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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 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 and are assumed to remain level at 2.0 percent annually.

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 Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 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 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 age 66.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2017; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERP for the year ended June 30, 2017 were \$2,144,453. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2016		2017	
	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, 2017, were \$5,812,034. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 354,961,140
Add employer contributions not related to future contribution efforts	26,356
Deduct the TRA's contributions not included in allocation	<u>(442,978)</u>
Total employer contributions	354,544,518
Total nonemployer contributions	<u>35,587,410</u>
Total contributions reported in Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 390,131,928</u>

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

D. Pension Costs

1. GERS Pension Costs

At June 30, 2017, the District reported a liability of \$36,586,485 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.4506 percent at the end of the measurement period and 0.4383 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. 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	\$ 36,586,485
State's proportionate share of the net pension liability associated with the District	\$ 477,849

For the year ended June 30, 2017, the District recognized pension expense of \$4,360,337 for its proportionate share of the GERS's pension expense. In addition, the District recognized an additional \$142,482 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the GERS.

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

At June 30, 2017, 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, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 105,326	\$ 2,950,684
Changes in actuarial assumptions	7,870,970	–
Difference between projected and actual investment earnings	4,117,432	–
Changes in proportion	478,087	895,445
District's contributions to the GERF subsequent to the measurement date	2,144,453	–
Total	<u>\$ 14,716,268</u>	<u>\$ 3,846,129</u>

A total of \$2,144,453 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 ending June 30, 2018. 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
2018	\$ 2,269,709
2019	\$ 1,457,078
2020	\$ 3,677,332
2021	\$ 1,321,567

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of \$345,931,154 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 1.4503 percent at the end of the measurement period and 1.3943 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	\$ 345,931,154
State's proportionate share of the net pension liability associated with the District	\$ 34,723,065

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

For the year ended June 30, 2017, the District recognized pension expense of \$51,799,136. It also recognized \$4,848,503 as an increase to pension expense for the support provided by direct aid.

At June 30, 2017, 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	\$ 3,372,025	\$ 9,645
Changes in actuarial assumptions	196,797,287	—
Difference between projected and actual investment earnings	14,741,639	—
Changes in proportion	3,428,837	—
District's contributions to the TRA subsequent to the measurement date	5,812,034	—
Total	<u>\$ 224,151,822</u>	<u>\$ 9,645</u>

A total of \$5,812,034 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ 43,600,960
2019	\$ 43,600,960
2020	\$ 48,548,001
2021	\$ 43,639,897
2022	\$ 38,940,325

E. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.75%
Wage growth rate		3.50%
Active member payroll	3.25% per year	3.50–9.50% based on years of service
Investment rate of return	7.50%	4.66%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1 percent per year for all future years for the GERF and 2 percent per year for all future years for the TRA.

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

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

The following changes in actuarial assumptions for the GERF occurred in 2016:

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

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 remain level at 2.00 percent annually, while in the previous measurement the cost of living adjustment increased to 2.50 percent in 2034.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 4.66 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 geometric real rates of return for each major asset class are summarized in the following table:

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2016 was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2017 contribution rates. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

2. TRA

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 51,963,652	\$ 36,586,485	\$ 23,919,885
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	\$ 445,645,791	\$ 345,931,154	\$ 264,716,834

H. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

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

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

B. Benefits Provided

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

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

C. Contributions

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

D. Membership

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

Retirees and beneficiaries receiving benefits	58
Active plan members	<u>1,765</u>
Total members	<u><u>1,823</u></u>

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

E. Net OPEB Liability (Asset) of the District

The District's net OPEB liability (asset) was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2016 (census date). The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	\$ 9,628,912
Plan fiduciary net position	<u>(18,100,972)</u>
District's net OPEB liability (asset)	<u>\$ (8,472,060)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	<u>188.0%</u>

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation with a measurement date of June 30, 2017, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	5.75%
Expected long-term investment return	5.75%
20-year municipal bond yield	3.53%
Inflation rate	2.75%
Healthcare trend rate	6.60% grading to an ultimate rate of 4.40% in 2075

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	20.00 %	5.39 %	8.14 %
International equity	10.00 %	5.20 %	7.95 %
Fixed income	70.00 %	1.98 %	4.73 %
Real estate and alternatives	– %	4.25 %	7.00 %
Cash and equivalents	– %	0.79 %	3.54 %
Total	100.00 %		5.75 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 5.76 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 5.75 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been taken into account. The District discount rate used in the prior measurement date was 4.00 percent.

I. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance – July 1, 2016	\$ 9,717,759	\$ 18,054,443	\$ (8,336,684)
Changes for the year			
Service cost	374,192	–	374,192
Interest	551,130	–	551,130
Contributions – paid by governmental funds	–	28,001	(28,001)
Net investment income	–	1,039,704	(1,039,704)
Benefit payments – paid by governmental funds	(28,001)	(28,001)	–
Benefit payments – paid by trust	(986,168)	(986,168)	–
Administrative expense	–	(7,007)	7,007
Total net changes	(88,847)	46,529	(135,376)
Ending balance – June 30, 2017	\$ 9,628,912	\$ 18,100,972	\$ (8,472,060)

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

Significant changes to the plan and actuarial assumptions since the prior measurement date include the following:

- The actuarial cost method was changed to the entry-age method.
- Certain benefits previously reported in a single employer defined benefit pension plan were incorporated into the OPEB plan.
- The healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical claim costs were updated to reflect recent experience and plan offerings.
- Withdrawal, disability, retirement, mortality, and salary increase rates were updated to current PERA and TRA valuations.
- Retiree coverage elections were updated to reflect recent plan experience.
- The inflation assumption was changed from 3.00 percent to 2.75.
- The discount rate was changed from 4.00 percent to 5.75 percent.

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	4.75%	5.75%	6.75%
Net OPEB liability (asset)	\$ (7,949,940)	\$ (8,472,060)	\$ (8,977,366)

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB healthcare trend rate	5.60% decreasing to 3.40% in 2075	6.60% decreasing to 4.40% in 2075	7.60% decreasing to 5.40% in 2075
Net OPEB liability (asset)	\$ (9,246,264)	\$ (8,472,060)	\$ (7,599,688)

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

For the current year ended, the District recognized OPEB income of \$105,963. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual investment earnings	\$ —	\$ 1,412

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

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

Year Ending June 30,	OPEB Expense Amount
2018	\$ (353)
2019	\$ (353)
2020	\$ (353)
2021	\$ (353)

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a “cafeteria plan” (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for 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 January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. On June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, and disability) are made by the District directly to the internal service funds or designated insurance companies. These payments are accounted for in the District’s General Fund and special revenue funds. Amounts withheld for medical reimbursement and dependent care are deposited in the District’s account. The Plan is administered by a third party trustee that handles all record keeping duties. The Plan is included in the financial statements as the Employee Benefit Trust Fund.

Amounts withheld for medical reimbursement and dependent care are deposited into a separate district checking account on a monthly basis. All assets of the plan are held in a separate bank account, administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. The medical reimbursement and dependent care activity is included in the financial statements as an Employee Benefit Trust Fund.

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

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivables and payables at June 30, 2017:

	Due From Other Funds	Due To Other Funds
Governmental funds		
General Fund	\$ 1,818,035	\$ –
Nonmajor funds		
Food Service Special Revenue Fund	28,123	–
Community Service Special Revenue Fund	89,950	–
Fiduciary fund		
Post-Employment Benefits Trust Fund	–	1,936,108
Total all funds	<u>\$ 1,936,108</u>	<u>\$ 1,936,108</u>

These amounts represented post-employment benefit reimbursements due from the trust to the governmental funds. Interfund receivables and payables reported in the fund-based financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivable or payable balances between fiduciary funds and other district funds are not eliminated.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Construction Contracts

The District is committed to a number of contracts for the construction and improvement of various district properties. At June 30, 2017, the remaining commitment under these contracts is \$15,969,309.

B. Federal and State Revenue

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

C. Legal Contingencies

The District is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 281

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2017

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's 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	0.4714%	\$ 22,144,010	\$ —	\$ 22,144,010	\$ 23,850,298	92.85%	78.70%
06/30/2016	06/30/2015	0.4383%	\$ 22,714,981	\$ —	\$ 22,714,981	\$ 25,717,752	88.32%	78.20%
06/30/2017	06/30/2016	0.4506%	\$ 36,586,485	\$ 477,849	\$ 37,064,334	\$ 27,936,974	131.93%	68.90%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2017

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,900,180	\$ 1,900,180	\$ —	\$ 25,717,752	7.39%
06/30/2016	\$ 2,095,274	\$ 2,095,274	\$ —	\$ 27,936,974	7.50%
06/30/2017	\$ 2,144,453	\$ 2,144,453	\$ —	\$ 28,513,259	7.52%

Note 1: **Changes of Benefit Terms** – On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GERF, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Note 2: **Changes in Actuarial Assumptions** – (1) 2015 Changes – The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter. (2) 2016 Changes – The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 281

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2017

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	1.4456%	\$ 66,612,207	\$ 4,686,092	\$ 71,298,299	\$ 65,989,556	100.94%	81.50%
06/30/2016	06/30/2015	1.3943%	\$ 86,251,245	\$ 10,579,374	\$ 96,830,619	\$ 70,765,080	121.88%	76.80%
06/30/2017	06/30/2016	1.4503%	\$345,931,154	\$ 34,723,065	\$380,654,219	\$ 75,456,567	458.45%	44.88%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2017

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 5,307,332	\$ 5,307,332	\$ —	\$ 70,765,080	7.50%
06/30/2016	\$ 5,658,083	\$ 5,658,083	\$ —	\$ 75,456,567	7.50%
06/30/2017	\$ 5,812,034	\$ 5,812,034	\$ —	\$ 77,542,890	7.50%

Note 1: **Changes of Benefit Terms** – The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions** – (1) 2015 Changes – 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. (2) 2016 Changes – The discount rate used to measure the total pension liability was 4.66 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 schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 281

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability (Asset) and Related Ratios
Year Ended June 30, 2017

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 374,192
Interest	551,130
Benefit payments	<u>(1,014,169)</u>
Net change in total OPEB liability	(88,847)
Total OPEB liability – beginning of year	<u>9,717,759</u>
Total OPEB liability – end of year	<u>9,628,912</u>
Plan fiduciary net position	
Contributions – paid from governmental funds	28,001
Net investment income	1,039,704
Benefit payments – paid from governmental funds	(28,001)
Benefit payments – paid from trust	(986,168)
Administrative expense	<u>(7,007)</u>
Net change in plan fiduciary net position	46,529
Plan fiduciary net position – beginning of year	<u>18,054,443</u>
Plan fiduciary net position – end of year	<u>18,100,972</u>
Net OPEB liability (asset)	<u><u>\$ (8,472,060)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>187.99%</u></u>
Covered-employee payroll	<u><u>\$ 115,661,449</u></u>
Net OPEB liability as a percentage of covered-employee payroll	<u><u>(7.32%)</u></u>

Note 1: **Change of Assumptions** – Healthcare trend rates were changed to reflect updated cost increase expectations. Medical claim costs were updated to reflect recent experience and plan offerings. Withdrawal, disability, retirement, mortality, and salary increase rates were updated to correct the PERA and the TRA valuations. Retiree coverage elections were updated to reflect recent plan experience. The inflation rate was changed from 3.00 percent to 2.75 percent. The discount rate was changed from 4.00 percent to 5.75 percent.

Note 2: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 281

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2017

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	5.76%

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

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 281

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2017

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 24,326	\$ 2,669,544	\$ 2,693,870
Receivables			
Current taxes	–	919,112	919,112
Delinquent taxes	–	17,492	17,492
Accounts and interest	349,554	14,610	364,164
Due from other governmental units	874,958	362,064	1,237,022
Due from other funds	28,123	89,950	118,073
Inventory	78,208	–	78,208
Prepaid items	21,565	3,086	24,651
Total assets	<u>\$ 1,376,734</u>	<u>\$ 4,075,858</u>	<u>\$ 5,452,592</u>
Liabilities			
Salaries payable	\$ 25,513	\$ 205,552	\$ 231,065
Accounts and contracts payable	17,507	73,758	91,265
Due to other governmental units	–	6,262	6,262
Unearned revenue	107,458	167,283	274,741
Total liabilities	<u>150,478</u>	<u>452,855</u>	<u>603,333</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,849,437	1,849,437
Unavailable revenue – delinquent taxes	–	13,191	13,191
Total deferred inflows of resources	<u>–</u>	<u>1,862,628</u>	<u>1,862,628</u>
Fund balances			
Nonspendable	99,773	3,086	102,859
Restricted	1,126,483	1,757,289	2,883,772
Total fund balances	<u>1,226,256</u>	<u>1,760,375</u>	<u>2,986,631</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,376,734</u>	<u>\$ 4,075,858</u>	<u>\$ 5,452,592</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 1,731,656	\$ 1,731,656
Investment earnings	4,321	15,223	19,544
Other	2,052,382	4,939,077	6,991,459
State sources	401,308	2,766,884	3,168,192
Federal sources	5,373,432	282,732	5,656,164
Total revenue	<u>7,831,443</u>	<u>9,735,572</u>	<u>17,567,015</u>
Expenditures			
Current			
Food service	7,434,021	—	7,434,021
Community service	—	9,529,583	9,529,583
Capital outlay	<u>962,838</u>	<u>50,752</u>	<u>1,013,590</u>
Total expenditures	<u>8,396,859</u>	<u>9,580,335</u>	<u>17,977,194</u>
Net change in fund balances	(565,416)	155,237	(410,179)
Fund balances			
Beginning of year	<u>1,791,672</u>	<u>1,605,138</u>	<u>3,396,810</u>
End of year	<u>\$ 1,226,256</u>	<u>\$ 1,760,375</u>	<u>\$ 2,986,631</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 15,146,972	\$ 22,627,101
Receivables		
Current taxes	17,775,911	18,816,666
Delinquent taxes	360,187	469,800
Accounts and interest	280,780	468,692
Due from other governmental units	14,389,617	16,792,687
Due from other funds	1,818,035	901,010
Inventory	230,834	241,309
Prepaid items	<u>144,283</u>	<u>310,951</u>
Total assets	<u>\$ 50,146,619</u>	<u>\$ 60,628,216</u>
Liabilities		
Salaries payable	\$ 663,647	\$ 922,356
Accounts and contracts payable	2,671,359	5,804,448
Due to other governmental units	812,805	110,365
Due to other funds	–	1,390,758
Unearned revenue	<u>88,770</u>	<u>144,908</u>
Total liabilities	4,236,581	8,372,835
Deferred inflows of resources		
Property taxes levied for subsequent year	32,081,782	33,710,166
Unavailable revenue – delinquent taxes	<u>268,506</u>	<u>308,707</u>
Total deferred inflows of resources	32,350,288	34,018,873
Fund balances (deficit)		
Nonspendable for inventory	230,834	241,309
Nonspendable for prepaid items	144,283	310,951
Restricted for health and safety	–	634,892
Restricted for capital projects levy	381,105	529,129
Restricted for operating capital	3,803,208	1,101,055
Restricted for medical assistance	163,848	–
Assigned for building carryover	709,873	488,165
Assigned for LCTS program	163,419	163,419
Assigned for subsequent year budget	–	1,187,497
Unassigned – safe schools levy restricted account deficit	(318,117)	(334,373)
Unassigned	<u>8,281,297</u>	<u>13,914,464</u>
Total fund balances	<u>13,559,750</u>	<u>18,236,508</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,146,619</u>	<u>\$ 60,628,216</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 37,346,275	\$ 37,616,397	\$ 270,122	\$ 35,915,801
Investment earnings	6,500	93,336	86,836	46,605
Other	3,957,973	3,305,339	(652,634)	3,601,431
State sources	124,922,000	119,496,936	(5,425,064)	120,553,847
Federal sources	6,450,205	5,443,473	(1,006,732)	6,117,745
Total revenue	172,682,953	165,955,481	(6,727,472)	166,235,429
Expenditures				
Current				
Administration				
Salaries	4,714,464	4,476,498	(237,966)	4,266,970
Employee benefits	1,666,590	1,281,809	(384,781)	1,257,766
Purchased services	181,820	138,271	(43,549)	214,058
Supplies and materials	53,627	50,707	(2,920)	54,656
Capital expenditures	7,750	4,675	(3,075)	9,975
Other expenditures	74,755	110,553	35,798	83,197
Total administration	6,699,006	6,062,513	(636,493)	5,886,622
District support services				
Salaries	2,478,596	2,608,710	130,114	2,597,416
Employee benefits	856,427	766,370	(90,057)	758,515
Purchased services	1,510,837	1,606,166	95,329	616,377
Supplies and materials	2,497,937	2,489,276	(8,661)	484,990
Capital expenditures	279,221	458,191	178,970	2,518,221
Other expenditures	6,826	68,936	62,110	2,723
Total district support services	7,629,844	7,997,649	367,805	6,978,242
Elementary and secondary regular instruction				
Salaries	63,873,419	58,280,597	(5,592,822)	59,005,539
Employee benefits	13,911,029	16,617,900	2,706,871	17,659,946
Purchased services	3,102,816	3,470,163	367,347	3,806,895
Supplies and materials	1,094,233	1,458,082	363,849	1,815,930
Capital expenditures	433,824	530,930	97,106	743,327
Other expenditures	332,141	668,689	336,548	323,131
Total elementary and secondary regular instruction	82,747,462	81,026,361	(1,721,101)	83,354,768

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,429,454	1,081,166	(348,288)	1,242,163
Employee benefits	473,217	285,075	(188,142)	349,891
Purchased services	207,323	77,493	(129,830)	161,871
Supplies and materials	56,338	47,344	(8,994)	38,198
Other expenditures	7,500	14,652	7,152	7,500
Total vocational education instruction	2,173,832	1,505,730	(668,102)	1,799,623
Special education instruction				
Salaries	18,494,151	19,238,045	743,894	18,625,065
Employee benefits	7,332,399	5,906,706	(1,425,693)	6,278,799
Purchased services	2,347,662	2,596,921	249,259	2,649,845
Supplies and materials	140,800	152,874	12,074	162,024
Capital expenditures	114,500	46,565	(67,935)	71,018
Other expenditures	4,000	103,942	99,942	25,055
Total special education instruction	28,433,512	28,045,053	(388,459)	27,811,806
Instructional support services				
Salaries	7,358,089	9,423,046	2,064,957	6,770,628
Employee benefits	2,405,345	2,355,612	(49,733)	1,959,922
Purchased services	891,325	755,575	(135,750)	871,592
Supplies and materials	1,347,881	1,124,776	(223,105)	816,390
Capital expenditures	24,883	9,394	(15,489)	90,524
Other expenditures	5,250	231,404	226,154	50,369
Total instructional support services	12,032,773	13,899,807	1,867,034	10,559,425
Pupil support services				
Salaries	3,911,841	3,979,030	67,189	3,921,550
Employee benefits	1,353,532	1,181,261	(172,271)	1,236,536
Purchased services	10,206,861	9,870,211	(336,650)	9,149,059
Supplies and materials	385,069	240,925	(144,144)	241,638
Capital expenditures	18,830	12,798	(6,032)	8,168
Other expenditures	2,200	145,930	143,730	125,786
Total pupil support services	15,878,333	15,430,155	(448,178)	14,682,737

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	5,082,740	5,430,974	348,234	5,259,487
Employee benefits	2,471,675	1,882,642	(589,033)	1,916,360
Purchased services	6,131,213	5,921,287	(209,926)	5,313,827
Supplies and materials	1,149,858	998,369	(151,489)	1,080,628
Capital expenditures	2,108,233	1,558,812	(549,421)	1,764,869
Other expenditures	20,700	118,936	98,236	27,957
Total sites and buildings	16,964,419	15,911,020	(1,053,399)	15,363,128
Fiscal and other fixed cost programs				
Purchased services	458,000	557,141	99,141	454,428
Debt service				
Principal	189,780	142,096	(47,684)	180,776
Interest and fiscal charges	7,030	54,714	47,684	16,035
Total debt service	196,810	196,810	—	196,811
Total expenditures	173,213,991	170,632,239	(2,581,752)	167,087,590
Excess (deficiency) of revenue over expenditures	(531,038)	(4,676,758)	(4,145,720)	(852,161)
Other financing sources (uses)				
Sale of capital assets	—	—	—	5,170
Transfer (out)	—	—	—	(9,238)
Total other financing sources (uses)	—	—	—	(4,068)
Net change in fund balances	<u>\$ (531,038)</u>	<u>(4,676,758)</u>	<u>\$ (4,145,720)</u>	<u>(856,229)</u>
Fund balances				
Beginning of year		18,236,508		19,092,737
End of year		<u>\$ 13,559,750</u>		<u>\$ 18,236,508</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 24,326	\$ 1,533,837
Receivables		
Accounts and interest	349,554	240,157
Due from other governmental units	874,958	243,867
Due from other funds	28,123	13,717
Inventory	78,208	70,743
Prepaid items	<u>21,565</u>	<u>65</u>
Total assets	<u><u>\$ 1,376,734</u></u>	<u><u>\$ 2,102,386</u></u>
Liabilities		
Salaries payable	\$ 25,513	\$ 28,830
Accounts and contracts payable	17,507	177,209
Unearned revenue	<u>107,458</u>	<u>104,675</u>
Total liabilities	150,478	310,714
Fund balances		
Nonspendable for inventory	78,208	70,743
Nonspendable for prepaid items	21,565	65
Restricted for food service	<u>1,126,483</u>	<u>1,720,864</u>
Total fund balances	<u><u>1,226,256</u></u>	<u><u>1,791,672</u></u>
Total liabilities and fund balances	<u><u>\$ 1,376,734</u></u>	<u><u>\$ 2,102,386</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ —	\$ 4,321	\$ 4,321	\$ 2,875
Other – primarily meal sales	2,049,448	2,052,382	2,934	2,172,672
State sources	417,467	401,308	(16,159)	396,123
Federal sources	5,063,971	5,373,432	309,461	5,157,151
Total revenue	<u>7,530,886</u>	<u>7,831,443</u>	<u>300,557</u>	<u>7,728,821</u>
Expenditures				
Current				
Salaries	2,127,681	2,376,200	248,519	2,250,248
Employee benefits	855,133	908,802	53,669	923,357
Purchased services	244,600	124,318	(120,282)	338,082
Supplies and materials	3,647,303	4,002,768	355,465	3,977,043
Other expenditures	10,000	21,933	11,933	10,773
Capital outlay	425,000	962,838	537,838	164,004
Total expenditures	<u>7,309,717</u>	<u>8,396,859</u>	<u>1,087,142</u>	<u>7,663,507</u>
Net change in fund balances	<u>\$ 221,169</u>	(565,416)	<u>\$ (786,585)</u>	65,314
Fund balances				
Beginning of year		<u>1,791,672</u>		<u>1,726,358</u>
End of year		<u>\$ 1,226,256</u>		<u>\$ 1,791,672</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 2,669,544	\$ 2,509,888
Receivables		
Current taxes	919,112	868,338
Delinquent taxes	17,492	22,841
Accounts and interest	14,610	17,787
Due from other governmental units	362,064	433,716
Due from other funds	89,950	35,213
Prepaid items	<u>3,086</u>	<u>350</u>
Total assets	<u><u>\$ 4,075,858</u></u>	<u><u>\$ 3,888,133</u></u>
Liabilities		
Salaries payable	\$ 205,552	\$ 177,279
Accounts and contracts payable	73,758	240,993
Due to other governmental units	6,262	5,154
Unearned revenue	<u>167,283</u>	<u>110,145</u>
Total liabilities	452,855	533,571
Deferred inflows of resources		
Property taxes levied for subsequent year	1,849,437	1,734,210
Unavailable revenue – delinquent taxes	<u>13,191</u>	<u>15,214</u>
Total deferred inflows of resources	1,862,628	1,749,424
Fund balances		
Nonspendable for prepaid items	3,086	350
Restricted for community education programs	1,031,462	1,077,284
Restricted for early childhood family education programs	226,065	195,152
Restricted for school readiness	231,986	118,059
Restricted for adult basic education	142,548	183,175
Restricted for community service	<u>125,228</u>	<u>31,118</u>
Total fund balances	<u>1,760,375</u>	<u>1,605,138</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 4,075,858</u></u>	<u><u>\$ 3,888,133</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,720,971	\$ 1,731,656	\$ 10,685	\$ 1,694,733
Investment earnings	—	15,223	15,223	5,152
Other – primarily tuition and fees	4,747,691	4,939,077	191,386	4,368,503
State sources	2,536,545	2,766,884	230,339	2,467,319
Federal sources	282,732	282,732	—	336,212
Total revenue	9,287,939	9,735,572	447,633	8,871,919
Expenditures				
Current				
Salaries	5,729,904	6,371,427	641,523	5,788,402
Employee benefits	1,826,729	1,849,607	22,878	1,771,129
Purchased services	1,080,233	914,858	(165,375)	880,839
Supplies and materials	318,790	349,699	30,909	326,378
Other expenditures	18,663	43,992	25,329	12,617
Capital outlay	105,376	50,752	(54,624)	51,383
Total expenditures	9,079,695	9,580,335	500,640	8,830,748
Net change in fund balances	\$ 208,244	155,237	\$ (53,007)	41,171
Fund balances				
Beginning of year		1,605,138		1,563,967
End of year		\$ 1,760,375		\$ 1,605,138

INDEPENDENT SCHOOL DISTRICT NO. 281

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 14,949,772	\$ 53,705,976
Cash and investments held by trustee	5,605,142	–
Receivables		
Accounts and interest	1,009	1,009
Due from other governmental units	<u>–</u>	<u>90,000</u>
Total assets	<u>\$ 20,555,923</u>	<u>\$ 53,796,985</u>
Liabilities		
Salaries payable	\$ 744	\$ –
Accounts and contracts payable	4,216,346	6,694,130
Unearned revenue	<u>3,643,000</u>	<u>–</u>
Total liabilities	7,860,090	6,694,130
Fund balances		
Restricted for alternative facilities program	–	46,440,706
Restricted for projects funded by certificates of participation	261,494	–
Restricted for long-term facilities maintenance	11,748,211	–
Restricted for capital projects	<u>686,128</u>	<u>662,149</u>
Total fund balances	<u>12,695,833</u>	<u>47,102,855</u>
Total liabilities and fund balances	<u>\$ 20,555,923</u>	<u>\$ 53,796,985</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ –	\$ –	\$ –	\$ 1,445,833
Investment earnings	197,601	164,149	(33,452)	34,264
Other	–	–	–	9,000
State sources	607,500	–	(607,500)	900,000
Total revenue	805,101	164,149	(640,952)	2,389,097
Expenditures				
Capital outlay				
Salaries	188,491	160,535	(27,956)	155,359
Employee benefits	40,259	41,280	1,021	40,284
Purchased services	49,500	100	(49,400)	1,013
Capital expenditures	39,000,000	47,493,136	8,493,136	23,456,413
Other expenditures	–	–	–	20,956
Debt service				
Fiscal charges and other	–	213,471	213,471	543,481
Total expenditures	39,278,250	47,908,522	8,630,272	24,217,506
Excess (deficiency) of revenue over expenditures	(38,473,149)	(47,744,373)	(9,271,224)	(21,828,409)
Other financing sources				
Bonds and certificates of participation issued	9,535,000	9,535,000	–	67,135,000
Capital lease issued	3,643,000	3,643,000	–	–
Premiums on debt issued	86,390	159,351	72,961	2,062,452
Transfer in	–	–	–	9,238
Total other financing sources	13,264,390	13,337,351	72,961	69,206,690
Net change in fund balances	<u>\$ (25,208,759)</u>	(34,407,022)	<u>\$ (9,198,263)</u>	47,378,281
Fund balances (deficit)				
Beginning of year		47,102,855		(275,426)
End of year		<u>\$ 12,695,833</u>		<u>\$ 47,102,855</u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Debt Service Fund
Balance Sheet by Account
as of June 30, 2017
(With Comparative Totals as of June 30, 2016)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2017	2016
Assets				
Cash and temporary investments	\$ 10,890,549	\$ 1,370,753	\$ 12,261,302	\$ 12,602,149
Cash and investments held by trustee	–	–	–	8,164,339
Receivables				
Current taxes	9,018,782	950,831	9,969,613	9,465,602
Delinquent taxes	165,673	19,117	184,790	238,371
Due from other governmental units	87,484	–	87,484	11
Prepaid items	1,350	–	1,350	900
Total assets	<u>\$ 20,163,838</u>	<u>\$ 2,340,701</u>	<u>\$ 22,504,539</u>	<u>\$ 30,471,372</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 18,147,591	\$ 1,913,261	\$ 20,060,852	\$ 18,904,616
Unavailable revenue – delinquent taxes	123,980	14,396	138,376	157,234
Total deferred inflows of resources	<u>18,271,571</u>	<u>1,927,657</u>	<u>20,199,228</u>	<u>19,061,850</u>
Fund balances				
Nonspendable for prepaid items	1,350	–	1,350	900
Restricted for bond refundings	–	–	–	8,164,399
Restricted for debt service	1,890,917	413,044	2,303,961	3,244,223
Total fund balances	<u>1,892,267</u>	<u>413,044</u>	<u>2,305,311</u>	<u>11,409,522</u>
Total deferred inflows of resources and fund balances	<u>\$ 20,163,838</u>	<u>\$ 2,340,701</u>	<u>\$ 22,504,539</u>	<u>\$ 30,471,372</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			
		Regular	OPEB	
	Budget	Debt Service	Debt Service	Total
		Account	Account	
Revenue				
Local sources				
Property taxes	\$ 19,106,808	\$ 16,911,621	\$ 1,907,955	\$ 18,819,576
Investment earnings	–	66,929	5,945	72,874
State sources	50	874,843	5	874,848
Total revenue	19,106,858	17,853,393	1,913,905	19,767,298
Expenditures				
Debt service				
Principal	12,565,000	11,945,000	1,225,000	13,170,000
Interest	7,564,901	7,040,164	673,805	7,713,969
Fiscal charges and other	5,000	166,079	–	166,079
Total expenditures	20,134,901	19,151,243	1,898,805	21,050,048
Excess (deficiency) of revenue over expenditures	(1,028,043)	(1,297,850)	15,100	(1,282,750)
Other financing sources (uses)				
Refunding bonds issued	12,170,000	12,170,000	–	12,170,000
Premiums on debt issued	1,317,616	1,317,616	–	1,317,616
Payment to refunded bond escrow agent	(7,745,000)	(21,309,077)	–	(21,309,077)
Total other financing sources (uses)	5,742,616	(7,821,461)	–	(7,821,461)
Net change in fund balances	\$ 4,714,573	(9,119,311)	15,100	(9,104,211)
Fund balances				
Beginning of year		11,011,578	397,944	11,409,522
End of year		\$ 1,892,267	\$ 413,044	\$ 2,305,311

	2016
Over (Under) Budget	Actual
\$ (287,232)	\$ 18,253,387
72,874	17,862
874,798	47
<u>660,440</u>	<u>18,271,296</u>
605,000	12,195,000
149,068	5,955,382
161,079	125,194
<u>915,147</u>	<u>18,275,576</u>
(254,707)	(4,280)
—	9,380,000
—	1,869,739
<u>(13,564,077)</u>	<u>(2,515,000)</u>
<u>(13,564,077)</u>	<u>8,734,739</u>
<u>\$ (13,818,784)</u>	8,730,459
	<u>2,679,063</u>
	<u>\$ 11,409,522</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2017
(With Comparative Totals as of June 30, 2016)

	Dental Self-Insurance	Health Benefits Self-Insurance	Totals	
			2017	2016
Assets				
Current assets				
Cash and temporary investments	\$ 1,353,822	\$ 4,362,271	\$ 5,716,093	\$ 4,681,546
Due from other funds	—	—	—	1,390,758
Total current assets	<u>1,353,822</u>	<u>4,362,271</u>	<u>5,716,093</u>	<u>6,072,304</u>
Liabilities				
Current liabilities				
Claims payable	39,996	1,186,750	1,226,746	1,269,285
Unearned revenue	132,149	1,095,359	1,227,508	1,230,347
Total current liabilities	<u>172,145</u>	<u>2,282,109</u>	<u>2,454,254</u>	<u>2,499,632</u>
Net position				
Unrestricted	<u>\$ 1,181,677</u>	<u>\$ 2,080,162</u>	<u>\$ 3,261,839</u>	<u>\$ 3,572,672</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Dental Self-Insurance	Health Benefits Self-Insurance	Totals	
			2017	2016
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 1,310,581	\$ 15,444,643	\$ 16,755,224	\$ 16,021,944
Operating expenses				
Dental benefit claims	1,324,022	—	1,324,022	1,318,326
Health benefit claims	—	15,769,754	15,769,754	16,134,860
Total operating expenses	<u>1,324,022</u>	<u>15,769,754</u>	<u>17,093,776</u>	<u>17,453,186</u>
Operating income (loss)	(13,441)	(325,111)	(338,552)	(1,431,242)
Nonoperating revenue				
Investment earnings	<u>7,421</u>	<u>20,298</u>	<u>27,719</u>	<u>—</u>
Change in net position	(6,020)	(304,813)	(310,833)	(1,431,242)
Net position				
Beginning of year	<u>1,187,697</u>	<u>2,384,975</u>	<u>3,572,672</u>	<u>5,003,914</u>
End of year	<u>\$ 1,181,677</u>	<u>\$ 2,080,162</u>	<u>\$ 3,261,839</u>	<u>\$ 3,572,672</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Dental Self-Insurance	Health Benefits Self-Insurance	Totals	
			2017	2016
Cash flows from operating activities				
Contributions from governmental funds	\$ 1,420,103	\$ 16,723,040	\$ 18,143,143	\$ 14,835,134
Payments for dental claims	(1,334,121)	—	(1,334,121)	(1,330,542)
Payments for health claims	—	(15,802,194)	(15,802,194)	(15,749,454)
Net cash flows from operating activities	85,982	920,846	1,006,828	(2,244,862)
Cash flows from investing activities				
Investment income received	7,421	20,298	27,719	—
Net change in cash and cash equivalents	93,403	941,144	1,034,547	(2,244,862)
Cash and cash equivalents				
Beginning of year	1,260,419	3,421,127	4,681,546	6,926,408
End of year	\$ 1,353,822	\$ 4,362,271	\$ 5,716,093	\$ 4,681,546
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (13,441)	\$ (325,111)	\$ (338,552)	\$ (1,431,242)
Adjustments to reconcile operating income (loss) to cash flows from operating activities				
Changes in assets and liabilities				
Due from other funds	109,441	1,281,317	1,390,758	(1,390,758)
Claims payable	(10,099)	(32,440)	(42,539)	373,190
Unearned revenue	81	(2,920)	(2,839)	203,948
Net cash flows from operating activities	\$ 85,982	\$ 920,846	\$ 1,006,828	\$ (2,244,862)

INDEPENDENT SCHOOL DISTRICT NO. 281

Employee Benefit Trust Funds
Combining Statement of Fiduciary Net Position
as of June 30, 2017

	Post-Employment Benefits Trust Fund	Employee Benefit Trust Fund	Totals
Assets			
Cash and cash equivalents	\$ —	\$ 399,649	\$ 399,649
Investments			
Mutual funds	20,037,080	—	20,037,080
Total assets	20,037,080	399,649	20,436,729
Liabilities			
Due to other funds	1,936,108	—	1,936,108
Net position			
Held in trust for employee benefits	\$ 18,100,972	\$ 399,649	\$ 18,500,621

Employee Benefit Trust Funds
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017

	Post-Employment Benefits Trust Fund	Employee Benefit Trust Fund	Totals
Additions			
Contributions			
Plan member contributions	\$ —	\$ 800,170	\$ 800,170
Investment earnings	1,116,943	—	1,116,943
Total additions	1,116,943	800,170	1,917,113
Deductions			
Flexible benefits	—	785,829	785,829
Retirement benefits	986,168	—	986,168
Administrative and other expenses	84,246	—	84,246
Total deductions	1,070,414	785,829	1,856,243
Change in net position	46,529	14,341	60,870
Net position			
Beginning of year	18,054,443	385,308	18,439,751
End of year	\$ 18,100,972	\$ 399,649	\$ 18,500,621

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**STATISTICAL SECTION
(UNAUDITED)**

STATISTICAL SECTION

This section of Independent School District No. 281, Robbinsdale Area Schools' (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 281

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

				Fiscal Year
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 83,337,459	\$ 88,847,464	\$ 91,838,388	\$ 89,269,252
Restricted	7,250,169	4,291,767	9,271,428	17,648,539
Unrestricted	342,979	8,937,032	9,420,046	16,601,884
Total governmental activities	<u>\$ 90,930,607</u>	<u>\$ 102,076,263</u>	<u>\$ 110,529,862</u>	<u>\$ 123,519,675</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased net position by approximately \$101.1 million. Prior year amounts have not been restated.

Note 2: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$3.4 million. Prior year amounts have not been restated.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 93,870,910	\$ 95,833,155	\$ 106,560,557	\$ 107,207,460	\$ 122,266,332	\$ 115,303,157
18,157,806	14,265,052	4,501,991	5,848,970	8,691,982	9,768,518
<u>19,053,209</u>	<u>16,714,922</u>	<u>14,680,171</u>	<u>(83,516,985)</u>	<u>(86,000,673)</u>	<u>(142,988,687)</u>
<u>\$ 131,081,925</u>	<u>\$ 126,813,129</u>	<u>\$ 125,742,719</u>	<u>\$ 29,539,445</u>	<u>\$ 44,957,641</u>	<u>\$ (17,917,012)</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Expenses				
Administration	\$ 5,100,762	\$ 3,818,527	\$ 3,265,762	\$ 4,721,420
District support services	4,306,864	4,849,295	4,244,896	4,022,006
Elementary and secondary regular instruction	67,801,359	58,102,087	63,422,893	61,558,467
Vocational education instruction	3,404,780	3,653,486	3,268,132	2,922,693
Special education instruction	24,994,624	21,793,129	22,070,152	21,442,593
Instructional support services	7,817,597	5,480,770	6,887,487	6,928,011
Pupil support services	15,052,521	14,836,979	12,385,012	13,066,229
Sites and buildings	16,616,469	25,418,110	26,617,949	24,689,560
Fiscal and other fixed cost programs	506,724	460,215	474,219	470,583
Food service	6,201,918	5,778,326	5,940,503	5,694,290
Community service	7,508,292	8,128,907	7,788,768	7,820,064
Interest and fiscal charges on debt	11,285,863	10,889,988	8,598,049	8,869,478
Total expenses	170,597,773	163,209,819	164,963,822	162,205,394
Program revenues				
Charges for services				
Administration	—	—	—	—
District support services	5,577	3,279	4,937	4,783
Elementary and secondary regular instruction	1,645,481	1,355,642	1,716,661	1,249,357
Vocational education instruction	6,712	661	2,118	1,992
Special education instruction	94,448	3,577	7,748	12,082
Instructional support services	21,803	24,911	15,524	21,441
Pupil support services	67,147	53,569	63,333	80,255
Sites and buildings	1,610,412	2,299,097	1,629,512	1,415,346
Food service	3,041,961	2,908,809	2,619,119	2,508,784
Community service	3,402,691	3,431,613	3,211,959	3,183,403
Total charges for services	9,896,232	10,081,158	9,270,911	8,477,443
Operating grants and contributions	27,647,715	25,307,867	31,893,287	28,195,959
Capital grants and contributions	946,211	3,160,967	3,052,837	3,027,743
Total program revenues	38,490,158	38,549,992	44,217,035	39,701,145
Net (expense) revenue	(132,107,615)	(124,659,827)	(120,746,787)	(122,504,249)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	19,494,046	21,554,301	30,301,163	42,140,903
Property taxes, levied for community service	1,535,756	1,380,071	1,554,723	2,432,268
Property taxes, levied for building construction	8,500,000	6,941,126	5,695,569	5,697,723
Property taxes, levied for debt service	14,379,806	13,306,821	15,216,114	16,137,889
General grants and aids	89,443,603	84,335,696	73,066,799	65,790,325
Other general revenues	2,580,623	2,968,695	3,087,196	3,264,695
Gain on disposal of capital assets	—	2,456,890	—	—
Investment earnings	5,097,327	2,861,886	278,822	30,259
Special items	—	—	—	—
Total general revenues and other changes in net position	141,031,161	135,805,486	129,200,386	135,494,062
Change in net position	\$ 8,923,546	\$ 11,145,659	\$ 8,453,599	\$ 12,989,813

2012	2013	2014	2015	2016	2017
\$ 5,254,684	\$ 4,939,023	\$ 5,323,237	\$ 5,390,640	\$ 6,098,358	\$ 7,886,010
4,007,776	3,296,804	4,655,575	5,367,003	7,218,076	8,291,512
67,086,723	71,691,366	74,585,367	75,849,372	84,552,454	115,652,948
3,257,103	2,454,349	1,891,133	1,928,738	1,794,043	2,284,209
22,327,429	23,808,735	24,965,365	25,746,822	28,164,535	36,782,980
7,210,665	8,280,859	8,669,006	11,497,919	10,769,418	17,235,990
13,986,891	13,881,436	13,749,311	13,480,522	15,015,158	17,528,400
26,014,078	29,182,133	28,589,660	27,603,972	25,787,522	34,887,431
467,751	501,766	396,227	533,245	454,428	557,141
6,441,276	6,615,100	6,482,286	7,054,514	7,822,574	8,429,759
8,081,600	8,167,201	8,449,009	8,295,446	8,840,567	11,033,134
7,174,191	8,588,804	5,792,505	5,644,096	6,107,024	6,758,127
171,310,167	181,407,576	183,548,681	188,392,289	202,624,157	267,327,641
—	—	800	165	652	625
250	—	14,161	162,582	247,734	145,124
2,012,918	1,151,548	1,410,509	1,101,536	1,119,601	1,264,788
1,415	—	2,415	2,326	18	14
11,222	9,568	147,548	208,893	195,777	267,964
45,705	14,343	15,070	8,675	903	222
63,398	56,462	22,363	47,177	38,486	—
1,512,452	287,425	2,037,673	282,482	93,200	113,621
2,541,098	2,304,145	2,226,066	2,217,047	2,172,672	2,052,382
3,396,561	3,596,651	4,199,608	3,894,381	4,368,503	4,939,077
9,585,019	7,420,142	10,076,213	7,925,264	8,237,546	8,783,817
25,617,442	25,623,668	26,227,085	27,540,323	28,424,275	29,846,808
973,129	—	—	—	—	—
36,175,590	33,043,810	36,303,298	35,465,587	36,661,821	38,630,625
(135,134,577)	(148,363,766)	(147,245,383)	(152,926,702)	(165,962,336)	(228,697,016)
27,699,645	30,424,159	18,184,240	31,895,867	35,886,676	37,576,196
1,721,469	1,844,255	972,623	1,784,695	1,690,354	1,729,633
6,084,113	3,252,849	2,320,542	2,540,747	1,440,091	—
17,427,622	17,775,903	17,988,593	18,626,998	18,175,924	18,800,718
86,221,137	88,456,839	104,689,723	99,826,289	107,504,169	109,188,461
3,431,905	2,290,343	1,146,041	3,130,188	1,914,060	1,512,981
—	—	859,894	—	—	—
110,936	50,622	13,317	12,767	106,758	377,622
—	—	—	—	14,662,500	—
142,696,827	144,094,970	146,174,973	157,817,551	181,380,532	169,185,611
\$ 7,562,250	\$ (4,268,796)	\$ (1,070,410)	\$ 4,890,849	\$ 15,418,196	\$ (59,511,405)

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INDEPENDENT SCHOOL DISTRICT NO. 281

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

Fiscal Year	Property Tax				Total
	General Purposes	Community Service	Building Construction	Debt Service	
2008	\$ 19,494,046	\$ 1,535,756	\$ 8,500,000	\$ 14,379,806	\$ 43,909,608
2009	21,554,301	1,380,071	6,941,126	13,306,821	43,182,319
2010	30,301,163	1,554,723	5,695,569	15,216,114	52,767,569
2011	42,140,903	2,432,268	5,697,723	16,137,889	66,408,783
2012	27,699,645	1,721,469	6,084,113	17,427,622	52,932,849
2013	30,424,159	1,844,255	3,252,849	17,775,903	53,297,166
2014	18,184,240	972,623	2,320,542	17,988,593	39,465,998
2015	31,895,867	1,784,695	2,540,747	18,626,998	54,848,307
2016	35,886,676	1,690,354	1,440,091	18,175,924	57,193,045
2017	37,576,196	1,729,633	—	18,800,718	58,106,547

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Those changes were offset by an adjustment to state aid payments of an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Reserved	\$ 3,081,848	\$ 9,739,649	\$ —	\$ —
Unreserved	1,973,514	1,858,440	—	—
Nonspendable	—	—	1,880,978	2,070,239
Restricted	—	—	6,391,551	6,202,569
Assigned	—	—	413,497	—
Unassigned	—	—	6,799,329	12,786,913
Total General Fund	<u>\$ 5,055,362</u>	<u>\$ 11,598,089</u>	<u>\$ 15,485,355</u>	<u>\$ 21,059,721</u>
All other governmental funds				
Reserved	\$ 85,532,009	\$ 21,566,126	\$ —	\$ —
Unreserved, reported in				
Special revenue funds	958,871	1,269,239	—	—
Debt Service Fund	4,175,487	3,610,612	—	—
Nonspendable, reported in				
Special revenue funds	—	—	57,798	74,072
Capital Projects – Building				
Construction Fund	—	—	—	—
Debt Service Fund	—	—	—	—
Restricted, reported in				
Special revenue funds	—	—	2,822,079	2,840,899
Capital Projects – Building				
Construction Fund	—	—	5,827,740	19,287,258
Debt Service Fund	—	—	41,025,067	46,842,001
Unassigned, reported in				
Capital Projects – Building				
Construction Fund	—	—	—	—
Total all other governmental funds	<u>\$ 90,666,367</u>	<u>\$ 26,445,977</u>	<u>\$ 49,732,684</u>	<u>\$ 69,044,230</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011, which changed the classifications of fund balances reported in governmental funds. Fiscal 2010 fund balances were restated.

2012	2013	2014	2015	2016	2017
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
1,005,846	914,253	890,495	800,112	552,260	375,117
3,486,453	1,158,322	1,560,153	1,506,725	2,265,076	4,348,161
—	1,835,483	1,231,939	930,246	1,839,081	873,292
17,383,851	13,409,077	14,953,578	15,855,654	13,580,091	7,963,180
<u>\$ 21,876,150</u>	<u>\$ 17,317,135</u>	<u>\$ 18,636,165</u>	<u>\$ 19,092,737</u>	<u>\$ 18,236,508</u>	<u>\$ 13,559,750</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
87,550	79,068	123,085	92,131	71,158	102,859
—	—	496	769	—	—
—	—	—	—	900	1,350
2,916,759	2,995,585	3,245,474	3,198,194	3,325,652	2,883,772
16,886,988	11,072,844	8,274,406	—	47,102,855	12,695,833
10,685,888	3,013,158	2,617,489	2,679,063	11,408,622	2,303,961
—	—	—	(276,195)	—	—
<u>\$ 30,577,185</u>	<u>\$ 17,160,655</u>	<u>\$ 14,260,950</u>	<u>\$ 5,693,962</u>	<u>\$ 61,909,187</u>	<u>\$ 17,987,775</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Local sources				
Taxes	\$ 43,742,997	\$ 43,548,585	\$ 52,808,624	\$ 66,431,752
Investment earnings	5,007,995	2,935,930	275,979	30,302
Other	13,200,939	12,908,890	11,878,562	11,729,666
State sources	108,875,380	103,867,688	88,604,283	85,628,695
Federal sources	8,602,694	8,936,839	19,408,640	11,385,332
Total revenues	179,430,005	172,197,932	172,976,088	175,205,747
Expenditures				
Current				
Administration	5,136,706	6,436,322	4,120,538	4,893,005
District support services	3,870,005	4,879,355	3,564,904	3,249,904
Elementary and secondary regular instruction	61,004,645	63,476,168	60,910,733	61,621,318
Vocational education instruction	3,532,437	3,694,588	3,234,364	3,009,100
Special education instruction	25,172,502	23,907,159	21,607,328	21,623,658
Instructional support services	7,909,523	8,225,793	7,932,077	6,671,402
Pupil support services	15,862,991	15,745,348	11,838,514	12,598,149
Sites and buildings	16,134,479	15,024,871	13,497,762	12,545,861
Fiscal and other fixed cost programs	506,724	460,215	474,219	470,583
Food service	5,726,143	6,745,974	5,662,712	5,534,958
Community service	7,508,986	10,062,161	7,523,301	7,736,612
Capital outlay	26,522,419	18,249,448	11,079,156	11,104,790
Debt service				
Principal	7,847,953	8,104,211	8,974,330	10,367,549
Interest and fiscal charges	11,099,803	11,145,787	8,490,912	9,012,300
Total expenditures	197,835,316	196,157,400	168,910,850	170,439,189
Excess of revenues over (under) expenditures	(18,405,311)	(23,959,468)	4,065,238	4,766,558
Other financing sources (uses)				
Refunding debt issued	6,530,000	6,080,000	—	7,685,000
Debt issued	10,925,000	29,350,000	20,790,000	10,990,000
Premiums on debt issued	174,695	51,945	1,565,666	244,195
Discounts on debt issued	—	(299,171)	—	—
Payment to refunded bond escrow agent	(6,582,971)	(72,000,000)	—	—
Sale of real property	—	3,099,031	753,069	1,200,159
Transfers in	36,667	36,745	37,505	—
Transfers (out)	(36,667)	(36,745)	(37,505)	—
Capital leases	1,103,671	—	—	—
Total other financing sources (uses)	12,150,395	(33,718,195)	23,108,735	20,119,354
Net change in fund balances	\$ (6,254,916)	\$ (57,677,663)	\$ 27,173,973	\$ 24,885,912
Debt service as a percentage of noncapital expenditures	11.1%	10.8%	11.1%	12.2%

2012	2013	2014	2015	2016	2017
\$ 52,832,586	\$ 53,406,864	\$ 39,592,903	\$ 54,844,379	\$ 57,309,754	\$ 58,167,629
106,565	48,062	13,317	12,767	106,758	349,903
13,622,717	10,319,044	11,222,254	11,055,452	10,151,606	10,296,798
99,893,311	103,111,825	120,362,250	116,764,176	124,317,336	123,539,976
12,312,604	10,360,123	10,554,558	10,398,015	11,611,108	11,099,637
178,767,783	177,245,918	181,745,282	193,074,789	203,496,562	203,453,943
4,948,012	4,928,293	5,352,963	5,457,327	5,876,647	6,057,838
3,247,017	3,073,635	3,955,195	3,996,042	4,460,021	7,539,458
63,837,775	68,702,102	71,812,151	75,446,692	82,611,441	80,495,431
3,201,878	2,393,168	1,851,632	1,950,594	1,799,623	1,505,730
21,918,570	23,296,305	24,373,242	25,753,766	27,740,788	27,998,488
6,981,737	7,900,411	8,265,307	11,484,753	10,468,901	13,890,413
13,263,280	13,284,375	13,181,909	13,018,795	14,674,569	15,417,357
12,026,127	13,296,728	13,546,358	13,427,858	13,598,259	14,352,208
467,751	501,766	396,227	533,245	454,428	557,141
6,298,281	6,102,084	6,322,283	6,956,562	7,499,503	7,434,021
7,845,731	7,950,731	8,175,526	8,167,323	8,779,365	9,529,583
18,049,095	27,099,007	25,252,839	16,241,393	29,095,514	51,330,006
11,038,778	11,545,312	12,465,481	12,492,199	12,375,776	13,312,096
9,245,568	7,592,003	6,816,235	6,378,142	6,640,092	8,148,233
182,369,600	197,665,920	201,767,348	201,304,691	226,074,927	257,568,003
(3,601,817)	(20,420,002)	(20,022,066)	(8,229,902)	(22,578,365)	(54,114,060)
20,630,000	24,610,000	—	9,640,000	9,380,000	12,170,000
—	8,535,000	16,625,000	—	67,135,000	9,535,000
2,525,262	3,182,260	161,221	1,603,918	3,932,191	1,476,967
—	—	—	—	—	—
(57,990,000)	(34,765,000)	—	(11,125,000)	(2,515,000)	(21,309,077)
2,723	882,197	1,655,170	568	5,170	—
—	—	—	—	9,238	—
—	—	—	—	(9,238)	—
783,216	—	—	—	—	3,643,000
(34,048,799)	2,444,457	18,441,391	119,486	77,937,361	5,515,890
\$ (37,650,616)	\$ (17,975,545)	\$ (1,580,675)	\$ (8,110,416)	\$ 55,358,996	\$ (48,598,170)
12.0%	10.8%	10.6%	9.4%	9.5%	10.0%

INDEPENDENT SCHOOL DISTRICT NO. 281

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

Fiscal Year	Property Tax					Total
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund		
2008	\$ 19,387,504	\$ 1,529,506	\$ 8,500,000	\$ 14,325,986	\$ 43,742,996	
2009	21,737,121	1,391,777	7,000,000	13,419,687	43,548,585	
2010	30,324,738	1,555,933	5,700,000	15,227,953	52,808,624	
2011	42,155,478	2,433,109	5,699,694	16,143,471	66,431,752	
2012	27,659,448	1,716,530	6,084,113	17,372,495	52,832,586	
2013	30,507,654	1,848,270	3,252,849	17,798,091	53,406,864	
2014	18,272,948	976,762	2,317,001	18,026,192	39,592,903	
2015	31,906,847	1,784,355	2,538,546	18,614,631	54,844,379	
2016	35,915,801	1,694,733	1,445,833	18,253,387	57,309,754	
2017	37,616,397	1,731,656	—	18,819,576	58,167,629	

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal years 2011 and 2014, which were offset by an equal adjustment to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 281

Operating Fund Revenue by Source (1)
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous (2)	Total
2008	\$ 20,917,011 13.89%	\$ 107,346,719 71.28%	\$ 8,602,694 5.71%	\$ 13,727,527 9.12%	\$ 150,593,951 100.00%
2009	23,128,901 13.61%	102,421,693 60.27%	8,936,838 5.26%	35,459,881 20.86%	169,947,313 100.00%
2010	31,880,671 21.22%	87,056,968 57.94%	19,408,640 12.92%	11,899,238 7.92%	150,245,517 100.00%
2011	44,588,587 29.38%	84,045,406 55.38%	11,385,332 7.50%	11,740,546 7.74%	151,759,871 100.00%
2012	29,375,978 19.14%	98,213,652 64.01%	12,312,604 8.02%	13,557,721 8.82%	153,459,955 100.00%
2013	32,355,924 20.84%	102,210,710 65.84%	10,360,123 6.67%	10,327,046 6.64%	155,253,803 100.00%
2014	19,249,710 12.00%	119,462,108 74.45%	10,554,558 6.58%	11,200,301 6.98%	160,466,677 100.00%
2015	33,691,202 19.70%	115,864,130 67.75%	10,398,015 6.08%	11,064,587 6.47%	171,017,934 100.00%
2016	37,610,534 20.57%	123,417,289 67.50%	11,611,108 6.35%	10,197,238 5.58%	182,836,169 100.00%
2017	39,348,053 21.44%	122,665,128 66.84%	11,099,637 6.05%	10,409,678 5.67%	183,522,496 100.00%

(1) Operating funds include the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

(2) Includes interest earnings.

INDEPENDENT SCHOOL DISTRICT NO. 281

Operating Fund Expenditures by Function (1) (2)
Last Ten Fiscal Years

Year Ended June 30,	District and School Administration	District Support Services	Regular Instruction	Vocational Instruction	Special Education Instruction
2008	\$ 5,136,706 3.36%	\$ 4,153,570 2.72%	\$ 61,004,645 39.96%	\$ 3,532,437 2.31%	\$ 25,172,502 16.49%
2009	6,446,335 3.95%	5,369,931 3.29%	64,390,529 39.44%	3,715,802 2.28%	23,922,305 14.65%
2010	4,127,649 2.81%	4,254,242 2.89%	63,007,735 42.87%	3,243,971 2.21%	21,746,095 14.80%
2011	4,904,409 3.34%	4,171,415 2.84%	62,908,654 42.83%	3,069,746 2.09%	21,777,295 14.83%
2012	4,954,561 3.23%	4,125,691 2.69%	65,577,766 42.77%	3,238,651 2.11%	22,019,090 14.36%
2013	4,948,560 3.08%	3,823,897 2.38%	70,441,755 43.85%	2,449,812 1.53%	23,399,623 14.57%
2014	5,371,076 3.28%	4,361,338 2.67%	73,588,280 44.97%	1,852,246 1.13%	24,511,412 14.98%
2015	5,467,794 3.20%	5,286,447 3.10%	76,169,169 44.64%	1,951,604 1.14%	25,867,207 15.16%
2016	5,886,622 3.21%	6,978,242 3.80%	83,354,768 45.40%	1,799,623 0.98%	27,811,806 15.15%
2017	6,062,513 3.21%	7,997,649 4.24%	81,026,361 42.96%	1,505,730 0.80%	28,045,053 14.87%

(1) Operating funds include the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

(2) Capital expenditures are included by function.

(3) Includes food service.

Community Education	Instructional Support Services	Pupil Support Services (3)	Sites, Buildings, and Equipment	Fiscal and Other Fixed Cost Programs	Total
\$ 7,503,320 4.91%	\$ 7,909,523 5.18%	\$ 21,321,681 13.97%	\$ 16,397,133 10.74%	\$ 543,646 0.36%	\$ 152,675,163 100.00%
10,068,176 6.17%	8,498,694 5.21%	23,166,943 14.19%	17,184,527 10.53%	496,960 0.30%	163,260,202 100.00%
7,546,099 5.13%	8,289,440 5.64%	18,439,348 12.55%	15,848,424 10.78%	474,236 0.32%	146,977,239 100.00%
7,846,646 5.34%	6,961,092 4.74%	18,758,500 12.77%	16,002,113 10.90%	470,583 0.32%	146,870,453 100.00%
7,903,018 5.15%	7,140,788 4.66%	20,905,495 13.63%	16,296,968 10.63%	1,178,099 0.77%	153,340,127 100.00%
7,996,246 4.98%	8,178,000 5.09%	19,962,399 12.43%	18,458,669 11.49%	965,710 0.60%	160,624,671 100.00%
8,293,743 5.07%	8,596,851 5.25%	19,633,674 12.00%	16,580,964 10.13%	860,172 0.53%	163,649,756 100.00%
8,279,318 4.85%	11,704,553 6.86%	20,064,106 11.76%	15,119,911 8.86%	730,055 0.43%	170,640,164 100.00%
8,830,748 4.81%	10,559,425 5.75%	22,346,244 12.17%	15,363,128 8.37%	651,239 0.36%	183,581,845 100.00%
9,580,335 5.08%	13,899,807 7.37%	23,827,014 12.63%	15,911,020 8.44%	753,951 0.40%	188,609,433 100.00%

INDEPENDENT SCHOOL DISTRICT NO. 281

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation			
	Agricultural	Nonagricultural	Fiscal Disparities	
			Contribution	Distribution
2008	\$ 6,257	\$ 109,023,705	\$ (8,295,134)	\$ 12,889,339
2009	2,090	107,097,428	(9,216,881)	14,526,516
2010	2,153	100,797,530	(9,612,898)	15,655,021
2011	2,143	92,918,269	(9,281,070)	15,695,118
2012	2,142	84,396,807	(8,672,925)	15,191,476
2013	2,176	79,534,454	(8,230,582)	14,688,145
2014	2,261	79,030,536	(8,449,034)	14,712,766
2015	2,259	86,141,492	(8,633,147)	14,813,573
2016	8,043	89,754,553	(8,340,302)	14,346,780
2017	444	95,900,642	(9,078,698)	15,883,569

Source: State of Minnesota School Tax Report

Tax Increment		Total Taxable	Total Direct Tax Rate	Taxable Market Value	Tax Capacity as a Percentage of Market Value
\$	(4,974,485)	\$ 108,649,682	27.243 %	\$ 9,442,319,235	1.15 %
	(4,727,857)	107,681,296	27.214	9,215,649,967	1.17
	(2,573,847)	104,267,959	28.621	8,661,341,800	1.20
	(2,361,556)	96,972,904	34.387	7,402,074,612	1.23
	(2,501,570)	88,415,930	32.810	7,681,019,073	1.15
	(1,868,438)	84,125,755	32.347	7,219,687,475	1.17
	(2,096,844)	83,199,685	34.777	7,149,705,435	1.16
	(2,247,092)	90,077,085	33.226	7,691,217,200	1.17
	(2,451,835)	93,317,239	33.833	7,994,981,425	1.17
	(2,804,981)	99,900,976	31.612	8,497,124,725	1.18

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INDEPENDENT SCHOOL DISTRICT NO. 281

Taxable Net Tax Capacity and Estimated Market Value
of All Taxable Property
Last Ten Fiscal Years

<u>Tax Collection Year</u>	<u>Sales Ratio</u>	<u>Taxable Net Tax Capacity</u>	<u>Estimated Market Value</u>	<u>Percent Total Tax Capacity of Estimated Market Value</u>	<u>Indicated Market Value (1)</u>
2008	95.7	\$ 108,649,682	\$ 9,442,319,235	1.15 %	\$ 9,866,582,273
2009	96.8	107,528,082	9,215,649,967	1.17	9,520,299,553
2010	98.4	103,884,934	8,661,341,800	1.20	8,802,176,626
2011	100.1	91,375,062	7,402,074,612	1.23	7,394,679,932
2012	100.3	88,585,669	7,681,019,073	1.15	7,658,044,938
2013	101.3	84,125,766	7,219,687,475	1.17	7,127,036,007
2014	99.9	83,199,685	7,149,705,435	1.16	7,156,862,297
2015	94.3	90,077,085	7,691,217,200	1.17	8,156,115,801
2016	94.3	93,317,239	7,994,981,425	1.17	8,478,241,172
2017	93.5	99,900,976	8,497,124,725	1.18	9,087,833,930

(1) Calculated by dividing the estimated market value by the sales ratio.

Note: Taxable net tax capacity is as adjusted for fiscal disparities and tax increments.

Source: Hennepin County Auditor

INDEPENDENT SCHOOL DISTRICT NO. 281

Property Tax Capacity Rates
All Overlapping Governmental Units
Last Ten Fiscal Years

Tax Collection Year	Property Tax Rate – Based on Tax Capacity Values				
	ISD No. 281 (1)	City of Brooklyn Center	City of Brooklyn Park	City of Crystal	City of Golden Valley
2008	27.243	43.896	37.744	35.441	42.990
2009	27.214	47.521	39.652	38.288	45.914
2010	28.621	52.412	46.041	44.270	48.196
2011	34.387	57.217	50.309	47.346	53.060
2012	32.810	64.359	56.087	51.341	55.796
2013	32.347	72.202	62.741	57.630	58.204
2014	34.777	75.742	62.034	56.015	61.839
2015	33.226	71.256	57.494	50.498	54.626
2016	33.833	73.292	56.690	50.498	54.452
2017	31.612	70.498	55.207	50.360	56.109

Tax Collection Year	Total Tax Capacity Rate for Taxpayers as a				
	Brooklyn Center Resident	Brooklyn Park Resident	Crystal Resident	Golden Valley Resident	New Hope Resident
2008	117.107	110.955	108.652	116.201	114.905
2009	122.302	114.433	113.069	120.695	115.843
2010	130.570	124.199	122.428	126.354	124.172
2011	146.219	139.311	136.348	142.062	137.943
2012	153.393	145.121	140.375	144.830	143.843
2013	163.621	154.160	149.049	149.623	150.231
2014	170.424	156.716	150.697	156.521	153.278
2015	160.665	146.903	139.907	144.035	145.387
2016	162.011	145.409	139.217	143.171	146.124
2017	155.019	139.728	134.881	140.630	144.452

- (1) The rate does not include the referendum, which is spread on School District Referendum Market Value.
- (2) Special districts include the Metropolitan Mosquito Control, Metropolitan Council, Metropolitan Transit, Three Rivers Park District, Park Museum, and the Hennepin County Regional Railroad Authority.
- (3) District voters have authorized additional school funding through an operating referendum.

Source: Hennepin County Auditor

City of New Hope	City of Plymouth	City of Robbinsdale	Special Districts (2)	Hennepin County
41.694	22.887	35.067	7.397	38.571
41.062	24.368	37.000	7.154	40.413
46.014	26.007	42.182	6.897	42.640
48.941	26.944	44.628	8.775	45.840
54.809	28.146	48.642	7.993	48.231
58.812	29.816	55.282	9.611	49.461
58.596	30.114	57.436	10.047	49.858
55.978	28.374	51.134	9.785	46.398
57.405	27.838	53.785	9.530	45.356
59.931	26.959	50.574	8.822	44.087

Plymouth Resident	Robbinsdale Resident	ISD No. 281 Market Value Base Tax (3)
96.098	108.278	0.13703
99.149	111.781	0.23696
104.165	120.340	0.22900
115.946	133.630	0.23107
117.180	137.676	0.27612
121.235	146.701	0.29668
124.796	152.118	0.30399
117.783	140.543	0.28484
116.557	142.504	0.28216
111.480	135.095	0.24959

INDEPENDENT SCHOOL DISTRICT NO. 281

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity
Boom (Minnesota), LLC	\$ 555,250	1	0.56 %	\$ —	—	— %
Bigos Management, Inc.	531,000	2	0.53	—	—	—
AGA Medical Corporation	498,110	3	0.50	241,150	9	0.22
Plymouth Ponds, LLP	325,163	4	0.33	—	—	—
Columbia II Rockridge Center	319,250	5	0.32	—	—	—
Honeywell, Inc.	314,750	6	0.32	318,290	6	0.29
Crystal Shopping Center	301,250	7	0.30	419,250	5	0.39
Wal-Mart	294,730	8	0.30	—	—	—
Target Corporation	269,770	9	0.27	531,980	2	0.49
CRW Plymouth, LLC	263,910	10	0.26	290,350	7	0.27
United Health Care Services	—	—	—	560,010	1	0.52
Principal Real Estate Investments	—	—	—	483,000	3	0.44
US Retail Partners, LLC	—	—	—	464,280	4	0.43
Brooks Mall Properties, LLC	—	—	—	261,190	8	0.24
HP 3, LLC.	—	—	—	234,070	10	0.22
Total	<u>\$ 3,673,183</u>		<u>3.68 %</u>	<u>\$ 3,803,570</u>		<u>3.50 %</u>
Total district tax capacity	<u>\$ 99,900,976</u>			<u>\$ 108,649,682</u>		

Source: Hennepin County Auditor

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Year Collectible	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	(3) OPEB Pension Fund	Total All Funds
Levies (1)							
	2008	\$ 22,037,194	\$ 1,446,549	\$ 7,000,000	\$ 14,005,938	\$ –	\$ 44,489,681
	2009	29,770,358	1,626,979	5,700,000	15,931,974	–	53,029,311
	2010	28,812,571	1,627,141	5,700,000	14,953,850	1,935,749	53,029,311
	2011	27,920,679	1,804,625	6,254,928	16,350,387	1,945,125	54,275,744
	2012	30,918,858	1,809,057	3,285,126	15,921,133	1,951,236	53,885,410
	2013	29,745,257	1,905,421	3,252,849	16,071,319	1,979,247	52,954,093
	2014	31,819,451	1,793,663	2,550,206	16,784,964	1,930,734	54,879,018
	2015	35,345,951	1,698,476	1,478,895	16,354,011	1,904,762	56,782,094
	2016	37,577,972	1,734,090	–	16,992,968	1,910,341	58,215,371
	2017	35,768,682	1,849,437	–	18,147,591	1,913,261	57,678,971
Tax capacity rates							
	2008	0.06698	0.01324	0.06405	0.12816	–	0.27243
	2009	0.05029	0.01552	0.05437	0.15196	–	0.27214
	2010	0.05370	0.01563	0.05472	0.14357	0.01859	0.28621
	2011	0.06734	0.01893	0.06563	0.17156	0.02041	0.34387
	2012	0.06481	0.02074	0.03766	0.18252	0.02237	0.32810
	2013	0.05762	0.02274	0.02770	0.19179	0.02362	0.32347
	2014	0.06830	0.02174	0.03090	0.20343	0.02340	0.34777
	2015	0.09733	0.01865	0.01584	0.17953	0.02091	0.33226
	2016	0.11712	0.01859	–	0.18214	0.02048	0.33833
	2017	0.10015	0.01823	–	0.17888	0.01886	0.31612
Referendum market value tax rate (2)							
	2008	0.00137	–	–	–	–	0.00137
	2009	0.00237	–	–	–	–	0.00237
	2010	0.00229	–	–	–	–	0.00229
	2011	0.00231	–	–	–	–	0.00231
	2012	0.00276	–	–	–	–	0.00276
	2013	0.00297	–	–	–	–	0.00297
	2014	0.00304	–	–	–	–	0.00304
	2015	0.00285	–	–	–	–	0.00285
	2016	0.00282	–	–	–	–	0.00282
	2017	0.00250	–	–	–	–	0.00250

- (1) The levies include the Homestead and Agricultural Credit Aid, Education Homestead Credit adjustment, and the Homestead Market Value adjustment.
- (2) The referendum levy was converted to a market value referendum in 1999, resulting in a separate tax rate computed on the total market value of the District's property.
- (3) Fiscal year 2010 was the first year that the OPEB/Pension Fund Levy was applicable.

Source: School Tax Report

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INDEPENDENT SCHOOL DISTRICT NO. 281

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Tax Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2008	\$ 44,491,609	\$ 42,447,121	95.40 %	\$ 2,030,704	\$ 44,477,825	99.97 %
2009	53,032,051	50,873,564	95.93	2,147,250	53,020,814	99.98
2010	53,033,575	52,194,596	98.42	831,457	53,026,053	99.99
2011	54,275,744	53,665,310	98.88	608,617	54,273,927	100.00
2012	53,885,410	53,275,701	98.87	571,117	53,846,818	99.93
2013	52,954,093	52,537,173	99.21	379,441	52,916,614	99.93
2014	54,879,018	54,146,763	98.67	678,027	54,824,790	99.90
2015	56,782,094	55,931,584	98.50	760,591	56,692,175	99.84
2016	58,215,371	57,585,191	98.92	342,468	57,927,659	99.51
2017	57,678,971	29,014,336	50.30	—	29,014,336	50.30

Note 1: Total tax levy includes certified levy (including fiscal disparities) less tax credits.

Note 2: Property taxes are remitted to the District based on a calendar fiscal year; the current tax collections for the most recent levy represent collections through the District's fiscal year-end of June 30.

Source: Hennepin County Auditor and district records

INDEPENDENT SCHOOL DISTRICT NO. 281

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Homestead Market Value Credit Aid	Total Levy
2008	\$ 37,821,311	\$ 5,509,677	\$ 1,160,621	\$ 44,491,609
2009	45,963,074	5,913,454	1,155,523	53,032,051
2010	43,909,112	7,918,466	1,205,997	53,033,575
2011	45,078,892	7,990,855	1,205,997	54,275,744
2012	45,233,941	8,651,394	75	53,885,410
2013	43,880,638	9,073,455	—	52,954,093
2014	45,551,752	9,327,266	—	54,879,018
2015	46,911,686	9,870,408	—	56,782,094
2016	49,272,306	8,943,065	—	58,215,371
2017	47,767,783	9,911,188	—	57,678,971

Note 1: A portion of the total spread levy is paid through various property tax credits which are paid through state aids, most of which were eliminated in 2012.

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

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2017

Delinquent			Current		
Amount		Percent	Amount		Percent
\$ —		— %	\$ —		— %
—		—	—		—
—		—	—		—
54,539		0.10	—		—
38,592		0.07	—		—
37,479		0.07	—		—
54,228		0.10	—		—
89,919		0.16	—		—
287,712		0.49	—		—
—		—	28,664,636		49.70
<u>\$ 562,469</u>			<u>\$ 28,664,636</u>		

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INDEPENDENT SCHOOL DISTRICT NO. 281

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Percentage of Personal Income (2)	Per Capita (2)
	Bonds and Certificates of Participation (1)	Capital Leases	Total		
2008	\$ 237,837,683	\$ 2,727,516	\$ 240,565,199	0.37 %	\$ 2,385
2009	195,494,608	2,078,303	197,572,911	0.32	1,959
2010	209,130,777	1,698,975	210,829,752	0.33	2,126
2011	217,932,890	1,301,426	219,234,316	0.33	2,182
2012	171,392,767	1,400,864	172,793,631	0.25	1,696
2013	161,939,769	955,552	162,895,321	0.22	1,599
2014	165,971,526	495,071	166,466,597	0.21	1,634
2015	153,041,516	322,872	153,364,388	0.19	1,488
2016	217,763,960	142,096	217,906,056	N/A	2,091
2017	205,849,204	3,643,000	209,492,204	N/A	2,010

N/A – Not Available

(1) Net of unamortized premiums and discounts.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 281

Ratio of Net General Obligation Bonded Debt
to Tax Capacity, Indicated Market Value, and Estimated Market Value
and Net General Obligation Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt (1)	Less Debt Service Funds on Hand (1)	Net Bonded Debt	Tax Capacity (2)	Percent of Net Debt to Tax Capacity	Indicated Market Value (IMV) (3)
2008	\$ 237,837,683	\$ 86,610,294	\$ 151,227,389	\$ 108,649,682	139.19 %	\$ 9,866,582,273
2009	195,494,608	18,885,626	176,608,982	107,681,296	164.01	9,520,299,553
2010	209,130,777	41,025,067	168,105,710	104,267,959	161.22	8,802,176,626
2011	217,932,890	46,842,001	171,090,889	96,972,904	176.43	7,394,679,932
2012	171,392,767	10,685,888	160,706,879	88,415,930	181.76	7,658,044,938
2013	161,939,769	3,013,158	158,926,611	84,125,755	188.92	7,127,036,007
2014	165,971,526	2,617,489	163,354,037	83,199,685	196.34	7,156,862,297
2015	153,041,516	2,679,063	150,362,453	90,077,085	166.93	8,156,115,801
2016	217,763,960	11,409,522	206,354,438	93,317,239	221.13	8,478,241,172
2017	205,849,204	2,305,311	203,543,893	99,900,976	203.75	9,087,833,930

(1) The gross bonded debt includes refunding issues and certificates of participation. The amount held in escrow for these bonds is included in debt service funds on hand.

(2) See the Schedule of Tax Capacities and Market Values for tax capacity data.

(3) See the Schedule of Tax Capacity and Estimated Market Value for IMV and EMV data.

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

Percent of Net Debt to IMV	Estimated Market Value (EMV) (3)	Percent of Net Debt to EMV	Estimated Population (4)	Net Bonded Debt per Capita
1.53 %	\$ 9,442,319,235	1.60 %	100,852	\$ 1,499
1.86	9,215,649,967	1.92	100,852	1,751
1.91	8,661,341,800	1.94	99,178	1,695
2.31	7,402,074,612	2.31	100,497	1,702
2.10	7,681,019,073	2.09	101,885	1,577
2.23	7,219,687,475	2.20	101,885	1,560
2.28	7,149,705,435	2.28	101,885	1,603
1.84	7,691,217,200	1.95	103,064	1,459
2.43	7,994,981,425	2.58	104,207	1,980
2.24	8,497,124,725	2.40	104,207	1,953

INDEPENDENT SCHOOL DISTRICT NO. 281

Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal	Interest and Other Fiscal Charges	Total Debt Service Expenditures	Total General Expenditures (1)	Percent of Debt Service to General Expenditures
2008	\$ 7,165,000	\$ 7,378,289	\$ 14,543,289	\$ 197,835,316	7.35 %
2009	7,755,000	7,559,667	15,314,667	196,123,633	7.81
2010	8,595,000	8,295,154	16,890,154	168,910,850	10.00
2011	9,970,000	8,929,732	18,899,732	170,439,189	11.09
2012	10,355,000	9,182,095	19,537,095	182,369,600	10.71
2013	11,100,000	7,536,469	18,636,469	197,665,920	9.43
2014	12,005,000	6,775,869	18,780,869	201,767,348	9.31
2015	12,320,000	6,353,531	18,673,531	201,304,691	9.28
2016	12,195,000	6,624,057	18,819,057	226,074,927	8.32
2017	13,170,000	7,880,048	21,050,048	257,568,003	8.17

(1) General expenditures include all governmental funds.

Note: Debt service expenditures included only bonded debt and do not include refundings.

INDEPENDENT SCHOOL DISTRICT NO. 281

Direct and Overlapping Debt
June 30, 2017

<u>Governmental Unit</u>	<u>Tax Capacity</u>	<u>General Obligation Debt</u>	<u>Percent Allocable to ISD No. 281</u>	<u>Portion Allocable to ISD No. 281</u>
ISD No. 281	\$ 99,900,976	\$ 187,100,000	100.00 %	\$ 187,100,000
Overlapping debt				
Hennepin County	1,573,060,731	811,375,883	5.34	43,327,472
City of Brooklyn Center	15,608,079	16,222,275	22.89	3,713,279
City of Brooklyn Park	61,500,029	17,376,844	4.63	804,548
City of Crystal	15,385,434	635,005	100.00	635,005
City of Golden Valley	36,563,591	1,809,949	44.48	805,065
City of New Hope	16,370,302	15,580,730	100.00	15,580,730
City of Plymouth	112,692,207	11,158,483	18.45	2,058,740
City of Robbinsdale	8,781,743	5,424,276	100.00	5,424,276
Hennepin County Regional				
Railroad Authority	1,132,129,242	32,848,204	7.42	2,437,337
Metropolitan Council	3,102,634,267	38,874,706	2.71	1,053,505
Three Rivers Park District	<u>1,132,129,242</u>	<u>47,787,952</u>	<u>7.42</u>	<u>3,545,866</u>
Total overlapping debt	7,206,854,867			<u>79,385,823</u>
Total direct and overlapping debt				<u>\$ 266,485,823</u>

Source: Hennepin County Property Tax Division

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INDEPENDENT SCHOOL DISTRICT NO. 281

Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year	Estimated Market Value	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Net Debt Applicable to Limit as a Percentage of Debt Limit
2008	\$ 9,442,319,235	\$ 1,416,347,885	\$ 152,659,706	\$ 1,263,688,179	10.78 %
2009	9,215,649,967	1,382,347,495	176,359,374	1,205,988,121	12.76
2010	8,661,341,800	1,299,201,270	166,414,933	1,132,786,337	12.81
2011	7,402,074,612	1,110,311,192	169,302,999	941,008,193	15.25
2012	7,681,019,073	1,152,152,861	157,744,112	994,408,749	13.69
2013	7,219,687,475	1,082,953,121	152,696,842	930,256,279	14.10
2014	7,149,705,435	1,072,455,815	157,712,511	914,743,304	14.71
2015	7,691,217,200	1,153,682,580	143,845,937	1,009,836,643	12.47
2016	7,994,981,425	1,199,247,214	196,920,478	1,002,326,736	16.42
2017	8,497,124,725	1,274,568,709	184,794,689	1,089,774,020	14.50

Legal Debt Margin Calculation for Fiscal Year 2017

Market value	<u>\$ 8,497,124,725</u>
Debt limit (15% of market value)	\$ 1,274,568,709
Debt applicable to limit	
General obligation bonds	187,100,000
Less amount set aside for repayment of general obligation debt	<u>2,305,311</u>
Total net debt applicable to limit	<u>184,794,689</u>
Legal debt margin	<u>\$ 1,089,774,020</u>

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

INDEPENDENT SCHOOL DISTRICT NO. 281

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Hennepin County			
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age
2008	1,140,988	\$ 64,538,845,232	\$ 56,564	37.6
2009	1,156,212	62,444,697,696	54,008	35.9
2010	1,152,425	63,324,601,325	54,949	35.9
2011	1,168,431	67,156,740,156	57,476	35.9
2012	1,184,576	69,769,157,248	58,898	35.9
2013	1,198,778	72,647,145,578	60,601	35.9
2014	1,212,064	78,824,158,112	65,033	35.9
2015	1,223,149	79,787,232,419	65,231	35.9
2016	1,232,483	N/A	N/A	35.9
2017	1,232,483 (2)	N/A	N/A	35.9

N/A – Not Available

Sources:

(1) Hennepin County

(2) Estimated

		ISD No. 281	
Labor Force (1)	Unemployment Rate	Population (1)	School Enrollment
660,319	4.9 %	100,852	13,140
663,372	7.7	100,852	12,586
667,348	6.7	99,178	12,107
656,517	5.5	100,497	12,095
665,282	5.7	101,885	12,174
636,064	4.6	101,885	12,181
672,114	3.7	101,885	12,284
679,549	3.3	103,064	12,314
679,285	3.4	104,207	12,626
N/A	3.4 (2)	104,207 (2)	12,422

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INDEPENDENT SCHOOL DISTRICT NO. 281

Principal Employers
Current and Nine Years Prior

Employer	2017 (3)		2008 (3)	
	Approximate Number of Employees	Rank	Approximate Number of Employees	Rank
North Memorial Medical Center	4,300	1	5,100	2
Honeywell	2,000	2	2,500	5
ISD No. 281	1,730	3	2,000	6
United Healthcare	1,000	4	—	—
Metro Building Company	1,000	4	—	—
North Ridge Care Center	720	6	—	—
St. Therese of New Hope	620	7	—	—
All Around Taxi	620	7	—	—
US Food Service	550	9	—	—
Courage Center	400	10	—	—
Wells Fargo Bank (1)	—	—	21,000	1
Boston Scientific	—	—	3,000	3
General Mills, Inc.	—	—	3,000	3
Promeon (2)	—	—	1,950	7
Prudential Insurance Company	—	—	1,600	8
Carlson Companies (1)	—	—	1,422	9
Computer Network Technology Corp.	—	—	1,000	10
Total	12,940		42,572	

(1) Total employees for the entire state.

(2) Includes locations in Brooklyn Center and Brooklyn Park only.

(3) Total employees for the area encompassed by district boundaries is not available.

Note: Residents of the District are employed throughout the metropolitan area. Major employers in close proximity to the District are listed above.

Sources: Minnesota Department of Employment and Economic Development and Ehlers Public Sector Advisor

INDEPENDENT SCHOOL DISTRICT NO. 281

FTE Staff Allocation
Last Ten Fiscal Years

	<u>2007–2008</u>	<u>2008–2009</u>	<u>2009–2010</u>	<u>2010–2011</u>
Superintendent	1.00	1.00	1.00	1.00
Cabinet	5.00	5.00	6.00	7.00
Principals	15.00	15.00	13.00	13.00
Assistant principals	11.00	11.00	10.00	10.00
Program directors	43.58	40.69	40.80	38.63
Program assistants	85.40	87.93	89.07	87.46
Teachers	824.16	760.80	755.32	749.60
Counselors	18.28	17.11	15.50	15.37
Social workers	12.47	11.50	13.10	13.65
Psychologists	10.85	9.96	10.40	10.36
Nurses	9.89	10.03	9.06	9.30
Special assignments	38.33	47.62	57.10	53.68
Education assistants	333.91	357.16	336.68	319.56
Bus monitor	12.35	12.31	12.89	13.28
Custodians	95.81	101.30	99.50	98.60
Custodial/bus drivers	40.58	35.37	30.50	27.00
Mechanics	6.00	6.00	6.00	5.00
Transportation part-time	48.85	47.11	41.90	45.07
Community education	69.50	63.05	58.43	51.19
Office employees	83.29	84.58	76.18	69.44
Food service	93.80	91.12	83.60	87.23
	<u>1,859.05</u>	<u>1,815.64</u>	<u>1,766.03</u>	<u>1,725.42</u>
Total	<u>1,859.05</u>	<u>1,815.64</u>	<u>1,766.03</u>	<u>1,725.42</u>

Source: The District's Human Resources Department

<u>2011–2012</u>	<u>2012–2013</u>	<u>2013–2014</u>	<u>2014–2015</u>	<u>2015–2016</u>	<u>2016–2017</u>
1.00	1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	7.00	7.00	7.00
13.00	14.00	14.00	14.00	15.00	16.00
12.00	13.00	13.00	13.00	20.00	21.00
37.00	36.00	36.00	36.00	34.00	32.00
91.98	88.83	96.33	103.00	96.00	75.00
761.68	776.97	779.97	735.00	759.00	757.00
17.00	18.00	20.00	20.00	17.00	17.00
13.70	14.30	14.30	14.30	17.00	17.00
10.80	11.80	11.80	11.80	12.00	13.00
9.30	9.40	9.40	9.40	12.00	10.00
51.10	57.80	60.80	60.80	77.00	63.00
324.91	329.50	335.60	328.00	287.00	342.00
13.50	6.00	6.00	6.00	6.00	6.00
102.00	104.25	104.25	92.00	81.00	102.00
27.00	21.00	18.00	13.00	9.00	10.00
5.00	–	–	–	–	–
45.00	–	–	–	–	–
78.68	81.00	85.00	85.00	72.00	80.00
70.27	73.25	73.25	72.00	53.00	65.00
88.18	92.00	92.00	93.00	95.00	96.00
<u>1,780.10</u>	<u>1,755.10</u>	<u>1,777.70</u>	<u>1,714.30</u>	<u>1,670.00</u>	<u>1,730.00</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Physical Plant Characteristics
as of June 30, 2017

Facility	Grades Housed	Year Built	Year of Major Additions	Acreage	Total Square Footage	Actual Enrollment
Cooper	9–12	1964	2000	40	293,816	1,481
Armstrong	9–12	1970	1997	52	328,600	1,900
Plymouth	6–8	1968	1990	22	180,500	1,349
Robbinsdale	6–8	1956	1976	18.34	269,107	1,222
FAIR School – Crystal	K, 4–8	2000	–	9.89	106,427	590
Forest	K–5	2005	–	14	75,870	566
Lakeview	K–5	1964	–	5.75	55,648	433
Meadow Lake	K–5	1961	1965	15	79,860	593
Neill	K–5	1957	1968 and 2000	14	71,037	494
Noble	K–5	1954	1956, 2000, and 2006	10	56,800	392
Northport	K–5	1956	1957 and 1984	14	65,300	599
SEA School at Olson	K–5	1971	–	9.2	44,000	443
Sonnesyn	K–5	1962	1968	15	76,187	508
RSI at Sunny Hollow	K–5	1960	1965	14	74,564	739
Zachary Lane	K–5	1969	1993	14	73,596	561
<u>Multi-Purpose Facilities</u>						
Sandburg	Various	1959	–	36	174,939	254
Pilgrim Lane	Vacant	1966	–	11.5	58,168	–
New Hope	Various	1960	–	14	55,902	105
Transportation		1966	–	10.5	48,843	–
Administration		1968	–	3.32	<u>41,412</u>	<u>–</u>
Out of district tuition						<u>116</u>
Totals					<u><u>2,230,576</u></u>	<u><u>12,346</u></u>

Source: The District's Buildings and Grounds Department

INDEPENDENT SCHOOL DISTRICT NO. 281

Miscellaneous Statistical Facts as of June 30, 2017

Old district changed to ISD No. 281	1957
Form of government	School Board – Superintendent
Fiscal year begins	July 1
Area of ISD No. 281	32 square miles
Number of high schools	2
Number of middle schools	3
Number of elementary schools	10
Number of auxiliary buildings	5
Number of communities served	7
Staffing ratio	
Elementary school	18–30
Middle school	24.22
High school	29.1
Extracurricular activities at high school	
Athletic	30
Nonathletic	30 +
Teacher education	
Bachelor's degree	100%
Master's degree or doctorate	71%

Source: Various district departments

INDEPENDENT SCHOOL DISTRICT NO. 281

Schedule of Insurance Coverage
June 30, 2017

Type of Coverage	Amount of Coverage
Property coverage	
Real and personal property (all locations)	\$ 503,214,740
Demolition cost	1,000,000
Increased cost of construction	1,000,000
Exterior signs	60,000
Supplementary accounts receivable	250,000
Supplementary valuable papers and records	250,000
Boiler and machinery coverage	100,000,000
Flood and furnace (each)	250,000
Environmental insurance (Robbinsdale Middle School)	2,000,000
Inland marine coverage	
Miscellaneous equipment	100,000
Mini-computer equipment and media	13,050,000
Musical equipment and instruments and fine arts	825,000
Liability coverage	
Bodily injury and property damage per occurrence	1,000,000
Combined single limit annual aggregate	2,000,000
Medical payments	5,000
Employee benefits liability	
Each occurrence	1,000,000
Aggregate	3,000,000
Volunteer liability	250,000
International general liability	
Each occurrence	1,000,000
Aggregate	2,000,000
Employee benefits	
Each occurrence	1,000,000
Aggregate	1,000,000
Auto liability	1,000,000
Crime coverage	
Employee dishonesty	250,000
Faithful performance	250,000
Money and securities on and off premises	50,000
Computer fraud, funds transfers, and forgery – alterations	150,000
Automobile coverage	
Liability protection	1,000,000
Personal injury protection	40,000
Uninsured and underinsured motorist protection	1,000,000
Collision and comprehensive	Varies
Excess liability coverage	
Excess amount coverage per occurrence	5,000,000
School leaders legal liability coverage annual aggregate	1,000,000
Business income and extra expense	4,750,000

Source: The District's Business Office

INDEPENDENT SCHOOL DISTRICT NO. 281

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (Including Enrollment Option ADM)					Total Pupil Units
	Pre-Kindergarten and Handicapped	Kindergarten	Elementary	Secondary	Total	
	Kindergarten					
2008	148.34	823.48	5,705.87	6,462.06	13,139.75	15,275.35
2009	132.09	809.95	5,523.88	6,119.98	12,585.90	14,609.49
2010	135.35	803.73	5,241.42	5,926.79	12,107.29	14,055.67
2011	131.32	763.02	5,298.59	5,902.02	12,094.95	14,057.02
2012	132.40	782.86	5,316.91	5,941.93	12,174.10	14,139.37
2013	124.04	836.07	5,366.02	5,855.08	12,181.21	14,105.52
2014	138.25	851.78	5,488.05	5,805.52	12,283.60	14,198.17
2015	177.15	865.91	5,479.86	5,791.06	12,313.98	13,466.10
2016	193.89	817.95	5,815.32	5,798.67	12,625.83	13,784.02
2017	*	187.69	784.97	5,707.53	5,742.09	13,569.18

* Estimated

Source: Minnesota Department of Education

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

	Early Childhood	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2017	1.000	1.000	0.550	1.000	1.000	1.000	1.200

INDEPENDENT SCHOOL DISTRICT NO. 281

Expenditures per Student
Year Ended June 30, 2017
(With Comparative Amounts for the Year Ended June 30, 2016)

	State Average	Seven-County Metro Average	ISD No. 281	
	2016	2016	2016	2017
Expenditures (1) per student (ADM) (2)				
General Fund				
Administration and district support	\$ 960	\$ 958	\$ 806	\$ 1,079
Elementary and secondary				
regular instruction	5,466	5,849	6,444	6,389
Vocational education instruction	158	146	140	120
Special education instruction	2,182	2,330	2,164	2,222
Instructional support services	622	725	817	1,103
Pupil support services	1,019	1,104	1,145	1,224
Sites and buildings and other	890	847	1,112	1,199
Total General Fund expenditures	<u>\$ 11,297</u>	<u>\$ 11,959</u>	<u>\$ 12,628</u>	<u>\$ 13,336</u>
ADM used per profile model format			<u>12,820</u>	<u>12,599</u>

(1) Excludes capital expenditures.

(2) Average daily membership (ADM) is a measure of student attendance.

Source: Minnesota Department of Education School District Profiles Report

