

OSSEO AREA SCHOOLS

ISD  279

Comprehensive ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2018

OUR MISSION

*is to inspire and prepare all students with the confidence, courage and competence
to achieve their dreams; contribute to community;
and engage in a lifetime of learning.*

2017-18

INDEPENDENT SCHOOL DISTRICT 279

OSSEO AREA SCHOOLS

Maple Grove, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended June 30, 2018

INDEPENDENT SCHOOL DISTRICT NO. 279
OSSEO AREA SCHOOLS

11200 – 93rd Avenue North
Maple Grove, MN 55369

Prepared by:
Business Services Department

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Coordinator, Accounting, and Payroll:
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INDEPENDENT SCHOOL DISTRICT NO. 279

Table of Contents

	Page
SECTION I – INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart	ix
School Board and Administration	x
Certificate of Excellence in Financial Reporting	xi
Map of School District	xii
SECTION II – FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	
	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	
	5
BASIC FINANCIAL STATEMENTS	
	21
Government-Wide Financial Statements	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements	
Governmental Funds	
Balance Sheet	24
Reconciliation of the Balance Sheet to the Statement of Net Position	27
Statement of Revenue, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	31
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	33
Proprietary Funds	
Internal Service Funds	
Statement of Net Position	34
Statement of Revenue, Expenses, and Changes in Net Position	35
Statement of Cash Flows	37
Fiduciary Funds	
Statement of Fiduciary Net Position	38
Statement of Changes in Fiduciary Net Position	38
Notes to Basic Financial Statements	39
REQUIRED SUPPLEMENTARY INFORMATION	
	71
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	72
Schedule of District Contributions	72
Teachers Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	73
Schedule of District Contributions	73
Other Post-Employment Benefits Plan	
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	74
Notes to Required Supplementary Information	75

INDEPENDENT SCHOOL DISTRICT NO. 279

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION	77
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	79
Combining Balance Sheet	80
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	81
Individual Fund Schedules	83
Food Service Special Revenue Fund	
Comparative Balance Sheet	84
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	85
Community Service Special Revenue Fund	
Comparative Balance Sheet	86
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	87
General Fund	
Comparative Balance Sheet	88
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	89
Comparative Balance Sheet – Operating Account	92
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Operating Account	93
Comparative Balance Sheet – Capital Expenditure Account	98
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Expenditure Account	99
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	100
Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances	101
Debt Service Fund	
Balance Sheet by Account	102
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account	103
General Obligation Bonds Debt Service Account	
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	104
Other Post-Employment Benefits Bonds Debt Service Account	
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	105
Internal Service Funds	107
Combining Statement of Net Position	108
Combining Statement of Revenue, Expenses, and Changes in Net Position	110
Combining Statement of Cash Flows	112
Fiduciary Funds	115
Agency Funds	
Combining Statement of Changes in Assets and Liabilities	116

INDEPENDENT SCHOOL DISTRICT NO. 279

Table of Contents (continued)

	Page
SECTION III – STATISTICAL SECTION (UNAUDITED)	
Statistical Section (Unaudited)	117
Net Position by Component	118
Changes in Net Position	120
Fund Balances of Governmental Funds	122
Changes in Fund Balances of Governmental Funds	124
General Fund – Operating Account Expenditures by Program	126
General Fund – Operating Account Revenue by Source	129
Revenue and Expenditures – General Fund, Special Revenue Funds, General Obligation Bonds, and Other Post-Employment Benefits	
Bonds – Debt Service Accounts	130
General Fund – Operating Account Revenue per Student	133
Assessed Value and Estimated Actual Value of Taxable Property	134
Governmental Fund Tax Revenues by Source and Levy Type	137
Principal Property Taxpayers	138
School Tax Levies and Tax Rates by Fund	140
Direct and Overlapping Property Tax Rates	142
Property Tax Levies and Collections	144
Ratios of Outstanding Debt by Type	146
Ratio of Net Bonded Debt to Tax Capacity and Legal Debt Margin	148
Direct and Overlapping Debt	151
Legal Debt Margin Information	152
Deferred Tax Levies for Future Bond Debt Service	154
Demographic and Economic Statistics	155
Principal Employers	156
Building Permits Issued by Major Cities	157
Employees by Classification	158
Operating Indicators by Function	160
Capital Asset Statistics by Function	162
Average Class Size	164
School Facilities	165
Food Service – School Lunch Program Data	166
Students	168

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ISD  279

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SECTION I

INTRODUCTION

November 13, 2018

**FISCAL YEAR 2018 COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

To: Independent School District No. 279 – Osseo Area Schools School Board Members and Citizens

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 279 – Osseo Area Schools (the District) for the fiscal year ended June 30, 2018, is submitted herewith. Minnesota state law requires that public school districts publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018. The District is required to undergo an annual Single Audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget’s Uniform Guidance. The District is also required to undergo an annual Minnesota State legal compliance audit under Minnesota Statute § 6.65. Independent auditor reports and a Schedule of Expenditures of Federal Awards are included in a separately-issued document.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Malloy, Montague, Karnowski, Radosevich & Co., P.A., has issued an unmodified opinion on the District’s financial statements for the year ended June 30, 2018. The independent auditor’s report is located at the front of the financial section of this report.

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE DISTRICT

The District was incorporated in 1953 and serves portions of eight suburban communities on the northwestern edge of the Minneapolis/St. Paul metropolitan area. The District enrolled 20,958 students in fiscal year (FY) 2018 from a population of 148,029 citizens residing in a 66 square mile area. In terms of the number of students, the District is Minnesota's fifth largest school district. The District encompasses all or most of the cities of Brooklyn Park, Maple Grove, and Osseo and smaller portions of five other cities.

The District is governed by an elected six-member School Board. The seated School Board consists of six members who are elected at large in even-numbered years. Members serve alternating four-year terms.

The School Board hires the superintendent and delegates the authority and responsibility to administer school district operations. The superintendent serves as an ex-officio member of the School Board.

The District is known for excellence in areas ranging from academics and arts to sports and finance.

- The District is the only Minnesota school district honored as one of the nation's "Best Communities for Music Education" every year since 2009.
- Every year since 2015, Maple Grove Senior High has been named one of the nation's Best High Schools by U.S. News & World Report.
- Weaver Lake Elementary: A Science, Math and Technology School was named one of the nation's Top Three Elementary STEM schools in 2015.
- Elm Creek Elementary was named a Minnesota School of Excellence in 2017; Woodland Elementary received the same honor in 2011.
- Garden City Elementary and Park Brook Elementary were named Minnesota Department of Education (MDE) Celebration Schools (2013).
- Magnet schools regularly earn state and national recognition as Schools of Excellence or Schools of Distinction.
- The District's careful stewardship of taxpayer funds is recognized annually by the MDE and the Association of School Business Officials (ASBO) International.

The District has what parents want in an excellent school district, according to SchoolMatch, a national school evaluation company.

Magnet schools allow students to deepen their learning in special focus areas. At Weaver Lake Elementary: A Science, Math and Technology School, students discover the scientists in themselves through inquiry-based, hands-on classroom science and math activities, using current technology and equipment for collecting and analyzing data. Birch Grove Elementary School for the Arts offers students opportunities to achieve through the integration of fine arts, dance, drama, and music.

At the secondary level, North View Middle School and Park Center Senior High offer the International Baccalaureate (IB) Middle Years and Diploma Programs, recognized worldwide for their challenging international education and rigorous assessment programs. Brooklyn Middle School offers a full-school STEAM (STEM plus Arts) program. Osseo Senior High offers a full health science magnet program, including courses that continue the STEM emphasis.

Gifted education programs serve the academic, social, and emotional needs of gifted/talented learners. Every high school offers college-level courses through the Advanced Placement Program.

Co-curricular offerings build character, stretch minds, and challenge the body. Students have been recognized as state champions in various sports; Minnesota State High School League Academic Excellence award winners; state qualifiers in multiple sports; All-Conference musicians; and the Hennepin Theater Trust SpotLight Award.

The District's students reflect the global community, coming from homes where more than 80 dialects or languages other than English are spoken. Diverse demographics contribute to rich, real-life learning environments that prepare students for the 21st century workplace.

Preschool is offered at both early childhood centers and most elementary schools. Free all-day kindergarten is available at all elementary sites. High quality before- and after-school care (Kidstop) is available to all elementary and middle school students.

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.

The District is required to adopt an initial budget for the fiscal year no later than June 30th preceding the beginning of the fiscal year on July 1st. This annual budget serves as the foundation for the District's financial planning and control.

LOCAL ECONOMY

During FY 2018, the District operated 31 buildings: 3 high schools, 4 middle schools, 17 elementary schools, 1 area learning center, 2 early childhood sites, 1 special education site, an adult education center, an ice arena complex, and a central administration/warehouse building. The District also operated programs in two leased facilities for special education. The instructional program is organized using several grade configurations: Pre-K–5, 6–8, and 9–12. The District had a budgeted enrollment of 20,927 pupil units for FY 2018 and an actual enrollment of 20,958. The District's student enrollment for the current year is projected to increase with an estimated student enrollment of 21,165. The 7th and 9th Grade enrollments account continue to be areas of increase. A slight increase in enrollment is projected over the next four years.

The District's school buildings were built between 1952 and 2005. Although some of the school buildings are over 50 years old, the District participates in the Long-Term Facilities Maintenance Program through the state of Minnesota, and has a 10-year spending plan of \$242 million for deferred maintenance and health and safety facility needs.

The District intentionally focuses efforts of staff and other resources to identify financial resources that are available in order to maximize revenue. With the exception of locally imposed fees for things like student activities, the District is dependent on the state of Minnesota for its revenue authority and state aid. Some revenue authority, such as operating referenda and building bonds, also require voter approval. For the past several biennia, the funding provided for public education in the state of Minnesota has not been sufficient to meet instructional program needs due to increased inflationary costs and required mandates. For example, according to research from the Minnesota Association of School Business Officials, had the general education formula increase by the rate of inflation each year since 2003, the 2019 allowance per average daily membership (ADM) would be \$6,908 rather than \$6,312, a difference of \$596 per ADM or 9.44 percent.

Minnesota's economic and budget outlook has continued to be strong during this past fiscal year. The February 2018 forecast from Minnesota Management and Budget shows a General Fund forecasted surplus for the biennium of \$329 million, \$353 million higher than the November 2017 forecast. Although 2018 is not a funding year, the 2018 Legislature agreed to an omnibus spending bill that would provide additional funding for school districts, particularly in the area of school safety. The omnibus bill was vetoed by Governor Dayton on May 23, 2018.

Numerous factors affect public school finance and are monitored on an on-going basis, such as:

- State aid versus local tax payer funding for programs and services
- Economic factors, such as unemployment and overall revenue collections by the state
- Mandated programs that are not fully funded, such as special education
- Compliance and implementation of governmental pronouncements
- Impact to local taxpayers for funding requests
- Increased competition for students from other public schools, as well as charter schools
- Housing development and growth
- Enrollment trends
- Health insurance cost increases
- Pension obligations, both local and state
- Management of federal and other special funded state programs

BUDGET PROCESS AND LONG-TERM FINANCIAL PLANNING

The School Board adopts an annual budget for the following fiscal year for the General Fund (including separate budgets for the Operating and Capital Expenditure Accounts), Food Service Special Revenue Fund, Community Service Special Revenue Fund, General Obligation Bonds Debt Service Account, and OPEB Bonds Debt Service Account. An annual budget is not adopted for the Capital Projects – Building Construction Fund because project-length financial plans are adopted in accordance with bond issue authorization.

The budget planning steps began in August 2017, using the [Long-Range Financial Model \(LRFM\) and Annual Budget Framework](#) and the [FY 2018 Budget Planning Timeline](#). In FY 2013, the District implemented a long-range financial planning process for developing the annual budget. This process was developed in FY 2012 and implemented in FY 2013 for the FY 2014 budget process. This process is continuously refined and improved. The following key budget considerations were used during the FY 2019 budget adjustment process:

Outcomes for budget adjustment process –

1. Create budget adjustment recommendations that align with our system's Mission and Strategic Plan.
2. Involve school and community stakeholders in determining how to provide a quality education using available resources.
3. Provide budget recommendations for School Board approval that achieve a school district budget that maintains required fund balance.

Budget adjustment proposal process –

1. The system has identified legally required and mandated essential services and programs. These will not be considered for adjustment.
2. The analysis of budget adjustments will be based on a review of the effectiveness of specific programs or services. Information will be used to determine which program or initiatives are not getting expected results and should be considered for budget adjustments.
3. The third analysis of budget adjustments will consider the basic requirements for providing the educational program at sites. This analysis will establish the base quality education level that the District does not want to go below and the essential support services required to deliver the base.
4. The analysis will consider the impact on our work to ensure equitable student achievement.
5. School Board policies will be considered to determine if they exceed legally required and mandated essential services and programs or the basic requirements for providing the education program. Do School Board policies and regulations have financial implications? If so, which policies and/or regulations might be changed?
6. All proposed adjustments will be evaluated using the Program Efficiency Abandonment and Redirection (PEAR) process. The process considers the impact of the enhancement, reduction, elimination, or restructuring of services on the education programs.
7. Staff and citizen idea input will be solicited and shared with budget managers for consideration in the budget planning process, through the LRFP Advisory and FISCAL. In addition, other formal district advisory groups, such as DPAC, Core Planning, APAC, and CEPAC, inform our work regarding district program priorities which impacts budget priorities.

In addition, the capital budget planning process included facility and capital needs assessment and presentation of a 10-year capital budget proposal.

The School Board reviewed FY 2019 budget proposals at a work session on February 13, 2018. These budget proposals followed School Board direction that was provided at the November 14, 2017 work session. The public provided input on financial priorities via the Long-Range Financial Advisory team and welisten@district279.org. Budget proposals were approved at the February 20, 2018 regular School Board meeting and resulted in adjustments of \$0 for the General Operating/Transportation Fund budget and \$714,088 for the Community Service Special Revenue Fund.

MISSION, GOALS, CORE VALUES, AND STRATEGIC OBJECTIVES

The District's mission, goals, core values, and strategic objectives provide direction for the investment of human and financial resources across the system.

MISSION

Our mission is to inspire and prepare all students with the confidence, courage, and competence to achieve their dreams; contribute to community; and engage in a lifetime of learning.

GOALS

- Each student articulates, plans for, and progresses toward his/her evolving dreams.
- Each student chooses to contribute to community in a mutually meaningful way.
- Each student demonstrates initiative and persistence to continually learn that which is important to him/her.

- Each student is ready for kindergarten.**
- Each third-grader can read at grade level.**
- Each student graduates from high school.**
- Each student is ready for college and career.**
- The achievement gap is closed on all state-mandated measures.**

** Indicates one of Minnesota's World's Best Workforce goals

STRATEGIES

- Create transformational system change to ensure equitable student achievement.
- Develop understanding and support of our district's mission and core values among members of our community.
- Engage students and families as partners to achieve our mission and strategic objectives.
- Leverage and align the talents of our employees and the assets of our system to achieve our mission and strategic objectives.

CORE VALUES

We believe that—

- lifelong learning is essential for the individual and community to thrive;
- everyone has equal intrinsic value;
- trust is essential to sustaining successful relationships and to achieving results;
- better decisions emerge when diverse perspectives are intentionally included in a collaborative process;
- everyone benefits when cultural differences are acknowledged and understood, and individuals are treated respectfully and equitably; and
- everyone can learn more.

Priority work for 2018–2019, by strategy

We will create transformational system change to ensure equitable student achievement.*

- All sites will engage in the use of culturally responsive instructional strategies.
- At every elementary site, student outcomes and measurements of achievement will be aligned and pre-K is integrated into all school processes.
- All sites will implement culturally responsive, research-based positive behavior intervention practices that include the use of trauma-informed and restorative practices.
- All sites will implement best practices for multilingual learners (English learners).
- Students will experience learning that is personalized (in path, place, and pace) through strengthening teaching and learning practices that support student success in the digital age.
- Middle schools will continue to engage in site-specific, ongoing assessment for program improvement focused on the 16 characteristics of effective middle schools as defined by the Association for Middle Level Education (AMLE).

*Equitable student achievement means:

1. Ensuring high levels of achievement for all students, and
2. Accelerating growth for students of color and other underperforming groups, in order to
3. Close the achievement gap on all state-mandated measures.

We will develop understanding and support of our district's mission and core values among members of our community.

- A system wide plan will be developed to support excellent customer service.

We will engage students and families as partners to achieve our mission and strategic objectives.

- A system wide plan will be developed to engage and empower families to support their student's.

We will leverage and align the talents of our employees and the assets of our system to achieve our mission and strategic objectives.

- Employees will identify and respond to the influence of race and culture on learning.
- Effective staff recruitment and retention practices will build toward a workforce that reflects the demographics of enrolled students.
- Implementation of the Enrollment and Capacity Management Framework will lead to increased community trust in the District through engagement in long-range planning for enrollment and building use.

Strategy Delimiters

We will not adopt any new program or service unless it is consistent with and contributes to our mission, and is accompanied by the staff development needed for effective implementation; accept any behavior that demeans the worth of any person; and allow past practice to interfere with the consideration of new ideas.

The 2018–2019 strategic plan is available on the District's website: www.district279.org.

RELEVANT FINANCIAL POLICIES

The District has adopted a comprehensive set of financial policies. The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and with Minnesota Uniform Financial Accounting and Reporting Standards. The internal control framework is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits require estimates and judgments by management.

School Board Policy 730 addresses fund balance. The policy is in place to ensure the financial stability of the District, to provide a sound basis to justify continuation of the strong financial rating, and to provide a reserve enabling the District to deal with unforeseen budget expenditures. The School Board endeavors to maintain an unassigned fund balance that will not fall below 5 percent of the District's General Fund operating expenditure budget, excluding capital programs.

Minnesota Statute § 123B.83 requires districts to “limit its expenditures so that its net unreserved General Fund balance does not constitute statutory operating debt under § 123B.81.”

Unrestricted fund balance (the total of the assigned and unassigned components of fund balance) in the General Fund Operating Account at June 30, 2018 was 27.1 percent of total General Fund Operating Account expenditures. This amount was within the policy guidelines set by the School Board for budgetary and planning purposes.

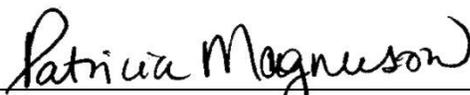
As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

AWARDS AND ACKNOWLEDGEMENTS

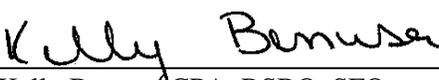
This report will be submitted to the ASBO International for consideration for the Certificate of Excellence (COE) in Financial Reporting. The District received this award as a result of its initial submission in FY 1990 and all subsequent submissions on an annual basis through FY 2017. In order to receive this award, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. This award is valid for a period of one year only. The District expects to continue to earn the recognition that accompanies the standards of accuracy and thoroughness of the COE program.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Business Services Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the School Board for its unfailing support for maintaining the highest standards of professionalism in the management of the District’s finances.

Respectfully submitted,



Patricia Magnuson, RSBA
Executive Director of Finance & Operations



Kelly Benusa, CPA, RSBO, SFO
Director, Business Services

INDEPENDENT SCHOOL DISTRICT NO. 279

School Board and Administration
as of June 30, 2018

SCHOOL BOARD

	<u>Board Position</u>
Mike Ostaffe	Chairperson
Jim Burgett	Vice Chairperson
Jessica Craig	Clerk
Heather Douglass	Treasurer
Stephanie Fortner	Director
Dean Henke	Director

ADMINISTRATION

Cabinet

Kate Maguire	Superintendent
Kim Hiel	Assistant Superintendent, Division of Leadership, Teaching, and Learning
Stephen Flisk	Assistant Superintendent, Division of Leadership, Teaching, and Learning
Kelli Parpart	Assistant Superintendent, Division of Leadership, Teaching, and Learning
Brian Siverson-Hall	Executive Director, Community Engagement
Patricia Magnuson, RSBA	Executive Director, Finance and Operations
Judy McDonald	Executive Director, Human Resources
Anthony Padrnos	Executive Director, Technology
Timothy Palmatier	School District General Counsel
Barbara Olson	Director, School/Community Relations

Business Services Office

Kelly Benusa, CPA, RSBO, SFO	Director, Business Services
Cindy Brown, RSBO, APM	Coordinator, Accounting/Payroll
Michael Hueller, CPA	Coordinator, Accounting/Payroll



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

**Independent School District 279 -
Osseo Area Schools**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

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



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.' The signature is written in a cursive style.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'. The signature is written in a cursive style.

John D. Musso, CAE
Executive Director

SECTION II

FINANCIAL



PRINCIPALS

Thomas A. Karnowski, CPA
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Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 279 – Osseo Area Schools
Maple Grove, 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. 279 – Osseo Area Schools (the District) as of and for the year ended June 30, 2018, 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, 2018, 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. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2018. 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 2017 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 7, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 13, 2018

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

This section of Independent School District No. 279 – Osseo Area Schools' (the District) Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2018 include the following:

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2018 by (\$17,591,164) (net position). The District's total net position decreased by \$60,257,269 during the fiscal year ended June 30, 2018, excluding the change in accounting principle. This decrease is mostly related to changes in net pension related deferred inflows, deferred outflows, and liabilities in the state-wide pension plans the District participates in.
- The District recorded a change in accounting principle in the current year with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The change reflects 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 this standard reduced beginning net position in the government-wide and internal service fund financial statements by \$8,863,240.
- Overall actual revenues in the Statement of Activities were \$343.5 million and \$60.3 million less than expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR consists of five parts: independent auditor's report, MD&A (this section), the basic financial statements, required supplementary information, and the combining and individual fund statements and schedules, which are presented as supplemental information. The basic financial statements include several kinds of statements, which present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide financial statements.
- The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.
- The *proprietary fund financial statements* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*.
- The *fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A shows how the various parts of this CAFR are arranged and relate to one another:

Figure A
Organization of Comprehensive Annual Financial Report

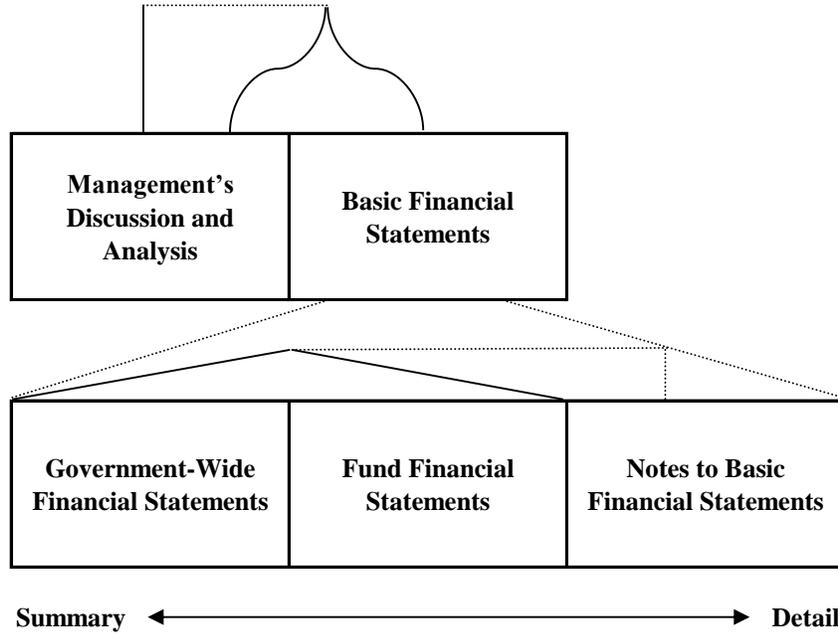


Figure B summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

Figure B – Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance, food service, and community education	Activities of the District that operate similar to businesses: Internal Service Fund	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenue, Expenses, and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide financial statements report the District's *net position* and how they have 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 an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional 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 shown in one category:

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

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 are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in governmental funds, which generally focus on: (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information in the governmental fund financial statements that explains the relationship (or differences) between them.
- **Proprietary Funds** – Internal service fund services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has four internal service funds consisting of a self-insured dental plan, self-insured medical plan, retirement incentive pay, and a post-employment benefits revocable trust.
- **Fiduciary Funds** – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the Flexible Benefit Plan, Local Collaborative Time Study Grant, and Northwest Family Service Center. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position – The District’s *combined* net position was (\$17,591,164) on June 30, 2018. This was a decrease of 134.1 percent from the prior year.

	<u>2018</u>	<u>2017</u>
Assets		
Current and other assets	\$ 257,515,051	\$ 267,868,226
Capital assets, net of depreciation	<u>343,529,383</u>	<u>321,649,178</u>
Total assets	<u><u>\$ 601,044,434</u></u>	<u><u>\$ 589,517,404</u></u>
Deferred outflows of resources		
OPEB plan deferments	\$ 839,313	\$ –
Pension plan deferments – PERA and TRA	<u>290,542,065</u>	<u>372,589,586</u>
Total deferred outflows of resources	<u><u>\$ 291,381,378</u></u>	<u><u>\$ 372,589,586</u></u>
Liabilities		
Long-term liabilities	\$ 716,689,733	\$ 800,362,086
Other liabilities	<u>15,564,961</u>	<u>14,822,579</u>
Total liabilities	<u><u>\$ 732,254,694</u></u>	<u><u>\$ 815,184,665</u></u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 88,222,803	\$ 85,738,168
OPEB plan deferments	507,880	–
Deferred gain on refunding	1,530,256	–
Pension plan deferments – PERA and TRA	<u>87,501,343</u>	<u>9,654,812</u>
Total deferred inflows of resources	<u><u>\$ 177,762,282</u></u>	<u><u>\$ 95,392,980</u></u>
Net position		
Net investment in capital assets	\$ 209,642,657	\$ 201,669,570
Restricted	19,443,331	19,153,181
Unrestricted	<u>(246,677,152)</u>	<u>(169,293,406)</u>
Total net position	<u><u>\$ (17,591,164)</u></u>	<u><u>\$ 51,529,345</u></u>

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

Total net position decreased by \$60,257,269 (excluding the change in accounting principle), which primarily reflects a change in the District’s share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans, which also contributed to the change in unrestricted net position. A change in the District’s share of the PERA and the TRA pension plans also contributed to the change in deferred outflows of resources, long-term liabilities, and deferred inflows of resources.

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2018 and 2017

	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 18,033,146	\$ 17,519,134
Operating grants and contributions	71,983,248	70,475,866
Capital grants and contributions	8,401,701	8,419,910
General revenues		
Property taxes	90,236,057	84,652,054
General grants and aids	150,314,612	150,549,947
Other	4,507,040	3,355,590
Total revenues	343,475,804	334,972,501
Expenses		
Administration	11,514,189	11,001,338
District support services	9,685,524	8,567,156
Elementary and secondary regular instruction	201,729,524	199,497,344
Vocational education instruction	3,877,502	3,512,275
Special education instruction	63,405,079	63,245,199
Instructional support services	19,776,626	19,301,766
Pupil support services	23,150,650	21,774,370
Sites and buildings	24,049,266	20,886,238
Fiscal and other fixed cost programs	437,569	501,639
Food service	12,641,891	12,579,723
Community service	20,570,178	19,965,214
Unallocated depreciation expense	8,217,000	8,015,144
Interest and fiscal charges	4,678,075	4,456,962
Total expenses	403,733,073	393,304,368
Change in net position	(60,257,269)	(58,331,867)
Beginning of year net position – as previously reported	51,529,345	109,861,212
Change in accounting principle	(8,863,240)	–
Beginning of year net position – as restated	42,666,105	109,861,212
End of year net position	\$ (17,591,164)	\$ 51,529,345

Change in Net Position – The District’s total revenues were \$343,475,804 for the year ended June 30, 2018. Property taxes and general grants and aids accounted for 70.0 percent (see Figure C) of total revenue for the year.

The total cost of all programs and services was \$403,733,073. The District’s expenses are predominantly related to educating and caring for students (79.6 percent) (see Figure D). The administrative activities of the District accounted for 2.9 percent of total costs.

Figure C – Sources of Revenues for Fiscal Year 2018

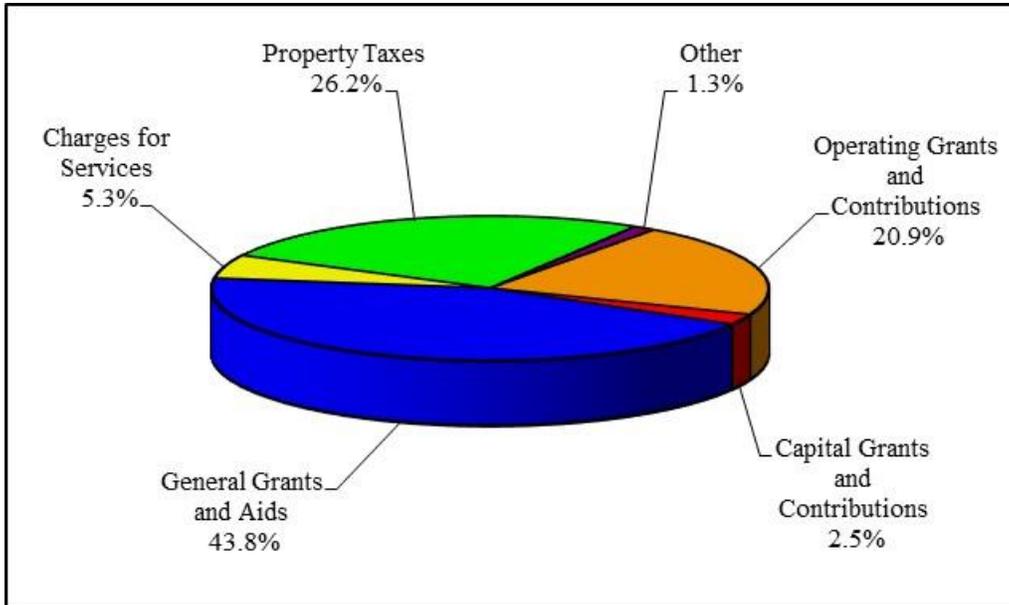
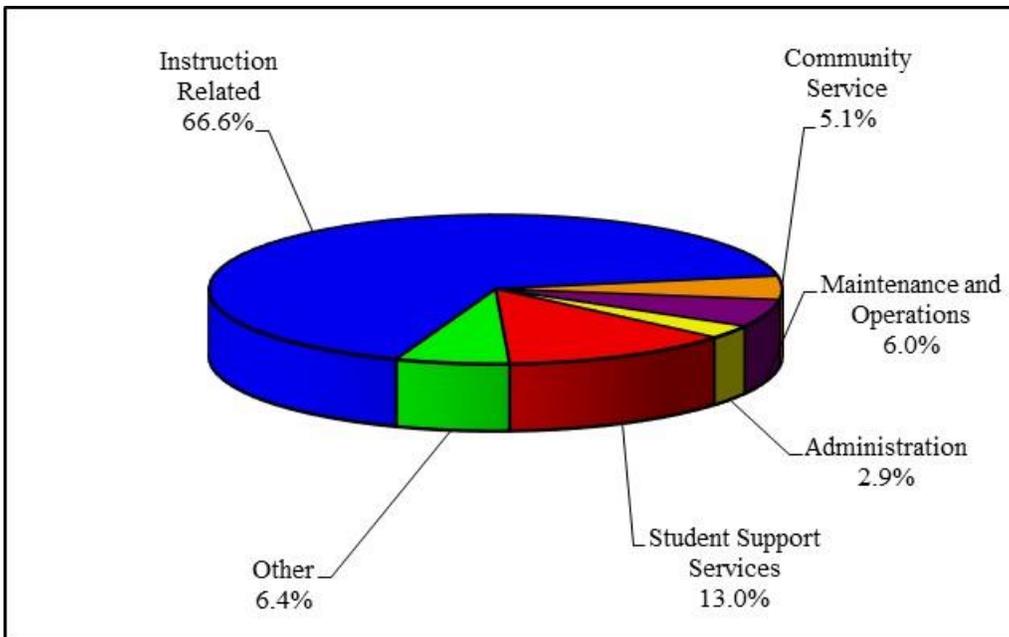


Figure D – Expenses for Fiscal Year 2018



- The cost of all *governmental* activities for fiscal year 2018 was \$403,733,073.
- Some of the cost, \$18,033,146, was paid by the users of the District's programs.
- The federal and state governments subsidized certain programs with operating grants and contributions of \$71,983,248.

- Most of the District’s costs were paid for by district taxpayers and the taxpayers of our state through general grants and aids totaling \$240,550,669. This portion of governmental activities was paid for with \$90,236,057 in property taxes and \$150,314,612 of state aid based on the state-wide education aid formula.
- The sites and buildings increase was attributed to long-term facilities maintenance expenditures and disposal of capital assets.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percent Change 2017–2018	Net Cost of Services		Total Percent Change 2017–2018
	2018	2017		2018	2017	
Administration	\$ 11,514,189	\$ 11,001,338	4.7%	\$ 11,227,099	\$ 10,628,457	5.6%
District support services	9,685,524	8,567,156	13.1%	9,605,624	8,497,818	13.0%
Elementary and secondary regular instruction	201,729,524	199,497,344	1.1%	175,525,657	174,202,505	0.8%
Vocational education instruction	3,877,502	3,512,275	10.4%	3,714,686	3,352,155	10.8%
Special education instruction	63,405,079	63,245,199	0.3%	35,649,049	35,659,443	(0.0%)
Instructional support services	19,776,626	19,301,766	2.5%	16,199,347	16,003,195	1.2%
Pupil support services	23,150,650	21,774,370	6.3%	20,757,627	19,678,319	5.5%
Sites and buildings	24,049,266	20,886,238	15.1%	15,530,920	12,381,317	25.4%
Fiscal and other fixed cost programs	437,569	501,639	(12.8%)	437,569	501,639	(12.8%)
Food service	12,641,891	12,579,723	0.5%	(420,068)	(346,246)	21.3%
Community service	20,570,178	19,965,214	3.0%	4,192,393	3,858,750	8.6%
Unallocated depreciation expense	8,217,000	8,015,144	2.5%	8,217,000	8,015,144	2.5%
Interest and fiscal charges	4,678,075	4,456,962	5.0%	4,678,075	4,456,962	5.0%
Total	\$ 403,733,073	\$ 393,304,368	2.7%	\$ 305,314,978	\$ 296,889,458	2.8%

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

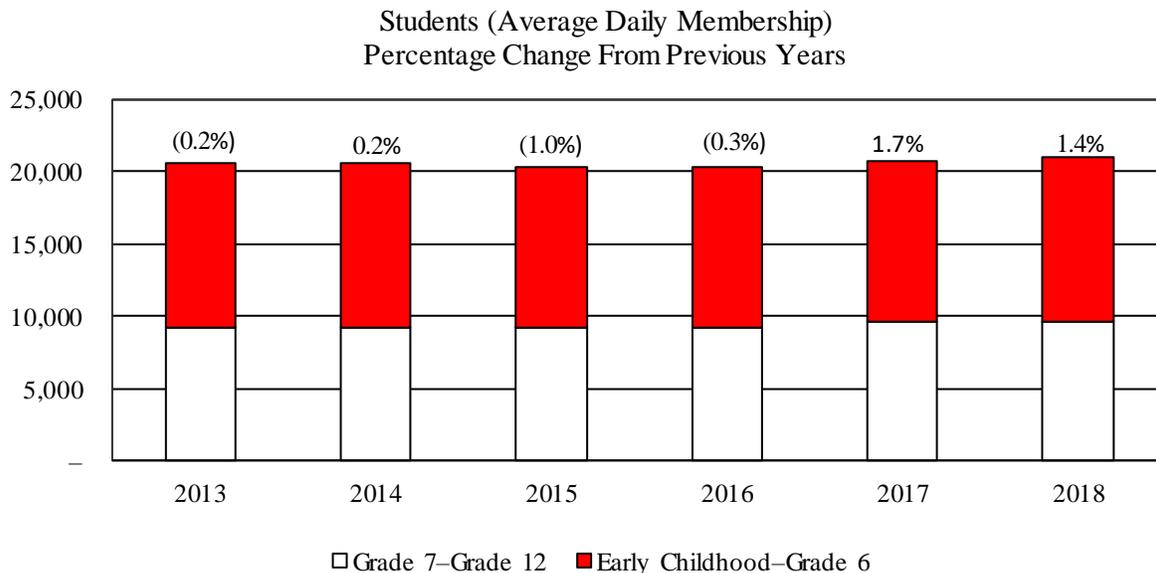
As the District completed the year, its governmental funds reported a *combined* fund balance of \$120,132,427, a decrease from last year’s ending fund balance of \$132,529,166, or 9.4 percent. This is primarily due to the planned spend down in accordance with the long-term facilities maintenance plan.

Revenues for the District’s governmental funds were \$341,544,364, while total expenditures were \$368,803,657.

GENERAL FUND

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

The following graph shows the percentage change in the number of students over the last several years:



Over the last six years, the District has seen a 1.8 percent increase in the number of students. Enrollment projections predict a slight increase in enrollment over the next several years.

The following schedule presents a summary of General Fund revenues:

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Local sources				
Property taxes	\$ 69,621,125	\$ 64,453,408	\$ 5,167,717	8.0%
Investment earnings	1,015,188	678,911	336,277	49.5%
Other	5,691,273	5,674,541	16,732	0.3%
State sources	204,440,246	197,130,962	7,309,284	3.7%
Federal sources	9,800,950	9,076,514	724,436	8.0%
Total General Fund revenue	\$ 290,568,782	\$ 277,014,336	\$ 13,554,446	4.9%

Total General Fund revenue increased by \$13,554,446, or 4.9 percent, in fiscal year 2018 compared with fiscal year 2017. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including the excess levy referendum, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Property taxes increased in two areas. First, operating referendum allowance increased as a result of the voter-approved inflationary adjustment. Secondly, long-term facilities maintenance increased due to a revised 10-year plan being implemented for the current year.

The increase in state sources was due to an increase of \$7.3 million, which was mainly due to the increase in the basic formula allowance for general education state aid and an additional 311 adjusted pupil units over the previous year.

The following schedule presents a summary of General Fund expenditures:

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Salaries	\$ 169,234,817	\$ 163,939,921	\$ 5,294,896	3.2%
Employee benefits	60,945,011	58,244,530	2,700,481	4.6%
Purchased services	31,756,039	29,692,278	2,063,761	7.0%
Supplies, materials, and equipment	18,039,148	16,847,113	1,192,035	7.1%
Other expenditures	7,059,204	6,603,387	455,817	6.9%
Total expenditures	<u>\$ 287,034,219</u>	<u>\$ 275,327,229</u>	<u>\$ 11,706,990</u>	4.3%

Total General Fund expenditures increased \$11,706,990, or 4.3 percent, from the previous year.

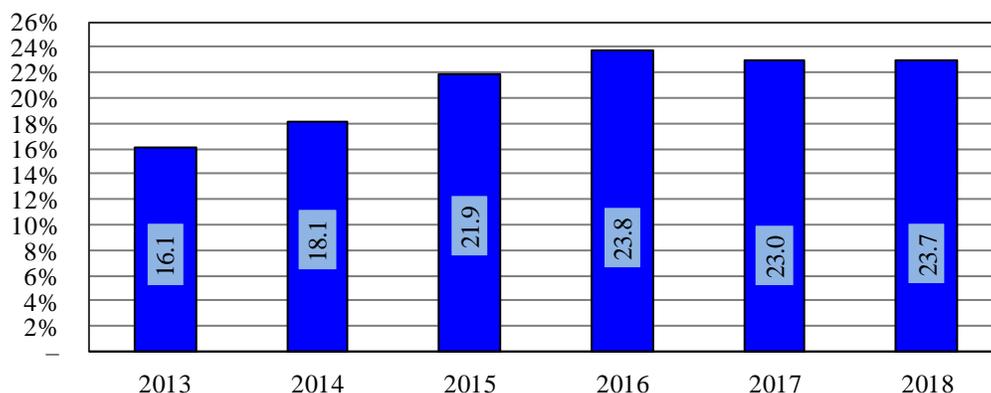
In fiscal year 2018, salaries increased 3.2 percent and employee benefits increased 4.6 percent. The increase in salaries and benefits is attributed to employee contract improvements.

Purchased services increased \$2.1 million in three areas. Transportation costs increased \$1 million, due to growth in 504 and homeless student categories served and increased contract costs, tuition paid to other districts increased \$648,000, and professional services increased \$415,000 in fiscal year 2018.

Supplies, materials and equipment increased by \$1,192,035 from the prior year. The increase can be attributed to planned long-term facility maintenance growth of more than \$3 million. This was offset by budget capacity being unspent for equipment, software, supplies, and textbooks.

Other expenditures increased in two main areas; leases for technology equipment and copiers and membership fees, specifically for Technology Information and Educational Services.

The following graph shows the General Fund unassigned fund balance (without including any restricted account deficits) as a percentage of expenditures:



In fiscal year 2018, General Fund revenue and other financing sources were more than expenditures by \$4,809,432. Therefore, total fund balance increased to \$83,235,378 at June 30, 2018. After deducting nonspendable, assigned, and restricted amounts (including restricted account deficits), the unassigned fund balance increased from \$63,266,128 at June 30, 2017 to \$67,945,278 at June 30, 2018.

The graph above is the single best measure of overall financial health. The unassigned fund balance of \$67,945,278 at June 30, 2018 represents 23.7 percent of annual expenditures, or 12.3 weeks of operations. The District closely monitors its fund balances.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

1. Implementing budgets for specially funded projects, which include both federal and state grants; reinstating prior year purchase orders being carried over; and budgeting for clearing, resale, and gifts.
2. Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues and other financing sources by \$4,254,062, the actual results for the year show an increase of \$4,809,432.

- Actual revenues were \$2,728,827 more than expected. State sources were over budget by \$2,276,778, primarily due to three areas: the TRA and the PERA direct aid of \$940,857 referred to earlier; general education aid, which increased \$709,692, due to an additional 37 actual adjusted pupil units from budgeted amounts; and special education, current and prior year under accrual of \$668,559. Property tax collections were \$633,891 more than budgeted. Federal sources were under budgeted entitlement amounts by \$619,903. These grants contain carryover provisions and will be spent down during the next fiscal year as planned. Other revenue sources were over budget by \$687,873, mainly due to fees from admissions and gate receipts exceeding budgeted amounts.
- Actual expenditures were \$5,059,798 under budget, or a 1.7 percent variance.
- Other financing sources were \$1,274,869 over budget, due to the repayment of a note receivable for the sale of a building and the issuance of a capital lease for copiers and technology equipment.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Projects – Building Construction Fund expenditures exceeded revenues and other financing sources by \$30,264,654, resulting in a fund balance of \$12,985,125 at June 30, 2018. The decrease is due to the planned spend down in accordance with long-term facilities maintenance plan.

The Debt Service Fund revenues and other financing sources exceeded expenditures by \$12,484,246 in fiscal year 2018. The remaining fund balance of \$16,589,246 at June 30, 2018 is available for meeting future debt service obligations.

NONMAJOR FUNDS

Revenues exceeded expenditures in the nonmajor funds by \$574,237. The Food Service Special Revenue Fund had an increase in fund balance of \$595,938. This was more than budgeted due to lower than projected expenditures in three areas: purchases of food, milk, and commodities. The Community Service Special Revenue Fund had a decrease in fund balance of \$21,701. From the standpoint of maintaining current operating expenditures within the range of annual revenue, these funds continue to operate on a sound financial basis and are monitored throughout the year.

INTERNAL SERVICE FUNDS

During fiscal year 2018, the District operated a Dental Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured dental insurance program. Net position in this fund decreased \$107,449, resulting in a net position of \$469,784 at June 30, 2018.

During fiscal year 2018, the District started a Medical Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured medical insurance program. Net position in this fund decreased \$284,521, resulting in a net position of \$388,126 at June 30, 2018.

The Retirement Incentive Pay Internal Service Fund change in net position decreased \$938,524, resulting in a net position of \$3,239,238 at June 30, 2018. This decrease is attributed to payments made for severance expenses.

Over the next several years, the District's annual obligation to pay post-employment benefits will remain at its current level because a large block of employees will be reaching retirement age. Accordingly, the District established a Retirement Incentive Pay Internal Service Fund and adopted a plan to fund its early retirement incentive (severance) as the benefits are earned in accordance with governmental accounting standards. The Retirement Incentive Pay Internal Service Fund is used to finance the early retirement incentive benefits provided by all of the departments and funds of the District on a cost-reimbursement basis.

The Post-Employment Benefits Revocable Trust Internal Service Fund was established to fund OPEB. This revocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. On June 30, 2018, this fund had a net position of \$4,730,654. The assets held in this fund are dedicated for the purpose of paying these obligations. This fund also reported a change in accounting principle of \$8,863,240 related to the implementation of GASB Statement No. 75 as discussed earlier.

The most recent independent actuarial study dated March 1, 2016, computed the present value of these benefits. The long-term liability represents net OPEB pension benefit obligations based on actuarial estimates. The District has been strategic by prefunding a portion of this post-employment benefit liability. This funding is built into the ongoing annual budget. By funding the plan now, the District will avoid the future reductions of regular programming that would have been necessary to pay for these post-employment benefits.

For information on the funding progress of the OPEB obligations of the District, refer to the notes to basic financial statements.

CAPITAL ASSETS, DEBT ADMINISTRATION, AND LONG-TERM LIABILITIES

Capital Assets

By the end of fiscal year 2018, the District had invested \$528.2 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). The major increase in capital assets can be attributed to various long-term facilities maintenance projects for fiscal year 2018, which are partially offset by disposals of \$11.7 million. (More detailed information about capital assets can be found in Note 3 of the notes to basic financial statements.) Total depreciation expense for the year was \$10.7 million as compared to a prior year depreciation expense of \$10.5 million.

	2018	2017	Total Percent Change 2017–2018
Land	\$ 8,323,417	\$ 8,323,417	–
Land improvements	30,897,771	32,672,400	(5.4%)
Buildings	456,522,719	443,751,224	2.9%
Furniture and equipment	9,658,055	10,744,070	(10.1%)
Construction in progress	22,797,439	6,699,868	240.3%
Less accumulated depreciation	<u>(184,670,018)</u>	<u>(180,541,801)</u>	2.3%
Total	<u>\$ 343,529,383</u>	<u>\$ 321,649,178</u>	6.8%

Debt Administration

At June 30, 2018, the District had bonded debt of \$160,240,000. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation equal to 15 percent of the actual value of all taxable property within the District. The District is within its legal authority for bonded debt.

Long-Term Liabilities

	<u>2018</u>	<u>2017</u>	<u>Total Percent Change</u>
General obligation bonds and notes payable	\$ 148,370,000	\$ 148,925,000	(0.4%)
Certificates of participation	11,870,000	12,655,000	(6.2%)
Capital leases	1,608,641	4,393,589	(63.4%)
Unamortized premiums on debt issued	6,980,144	9,350,798	(25.4%)
Net pension liability	520,761,724	606,759,670	(14.2%)
Post-employment severance benefits payable	8,553,978	8,733,767	(2.1%)
Total OPEB obligation	<u>18,545,246</u>	<u>9,544,262</u>	94.3%
Total	<u>\$ 716,689,733</u>	<u>\$ 800,362,086</u>	(10.5%)

More detailed information about the District's long-term liabilities is presented in Note 4 of the notes to basic financial statements.

Bond Ratings

The District's general obligation bonds carry a rating of Aa1.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit, which is currently \$2,190,132,780.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature approved an increase of 2 percent in the general education formula for fiscal year 2019. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs due to increased costs from inflation and required mandates. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use the long-range financial model and annual budget framework to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence legislators to recommit to their financial support for public education.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT TEAM

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department, Independent School District No. 279, Educational Service Center, 11200 – 93rd Avenue North, Maple Grove, Minnesota 55369-6605.

OSSEO AREA SCHOOLS

ISD  279

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with the confidence, courage and competence
to achieve their dreams;
contribute to community;
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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Position
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	Governmental Activities	
	2018	2017
Assets		
Cash and temporary investments	\$ 149,537,004	\$ 172,967,914
Receivables		
Current taxes	44,082,924	44,433,079
Delinquent taxes	354,681	757,999
Accounts and interest	1,235,498	1,217,496
Note	-	459,344
Due from other governmental units	24,589,810	24,280,101
Inventory	379,164	300,529
Restricted assets – temporarily restricted		
Cash and investments for OPEB	23,541,604	23,270,699
Cash and investments for debt service	13,552,190	-
Interest receivable for OPEB	242,176	181,065
Total restricted assets – temporarily restricted	<u>37,335,970</u>	<u>23,451,764</u>
Capital assets		
Not depreciated	31,120,856	15,023,285
Depreciated, net of accumulated depreciation	312,408,527	306,625,893
Total capital assets, net of accumulated depreciation	<u>343,529,383</u>	<u>321,649,178</u>
Total assets	601,044,434	589,517,404
Deferred outflows of resources		
OPEB plan deferments	839,313	-
Pension plan deferments – PERA and TRA	290,542,065	372,589,586
Total deferred outflows of resources	<u>291,381,378</u>	<u>372,589,586</u>
Total assets and deferred outflows of resources	<u>\$ 892,425,812</u>	<u>\$ 962,106,990</u>
Liabilities		
Salaries payable	\$ 1,048,366	\$ 1,019,421
Accounts and contracts payable	11,153,496	9,088,044
Due to other governmental units	685,686	1,538,175
Unearned revenue	242,256	255,849
Accrued interest payable	2,435,157	2,921,090
Long-term liabilities		
Due within one year	31,170,990	19,041,696
Due in more than one year	685,518,743	781,320,390
Total long-term liabilities	<u>716,689,733</u>	<u>800,362,086</u>
Total liabilities	732,254,694	815,184,665
Deferred inflows of resources		
Property taxes levied for subsequent year	88,222,803	85,738,168
OPEB plan deferments	507,880	-
Deferred gain on refunding	1,530,256	-
Pension plan deferments – PERA and TRA	87,501,343	9,654,812
Total deferred inflows of resources	<u>177,762,282</u>	<u>95,392,980</u>
Net position		
Net investment in capital assets	209,642,657	201,669,570
Restricted for		
Capital asset acquisition	10,237,338	9,510,601
Debt service	694,187	1,294,332
Food service	4,363,940	3,768,002
Community service	2,970,246	2,992,571
Other purposes (state funding restrictions)	1,177,620	1,587,675
Unrestricted	(246,677,152)	(169,293,406)
Total net position	<u>(17,591,164)</u>	<u>51,529,345</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 892,425,812</u>	<u>\$ 962,106,990</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Activities
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

Functions/Programs	Expenses	2018			2017	2017
		Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities						
Administration	\$ 11,514,189	\$ 280,940	\$ 6,150	\$ -	\$ (11,227,099)	\$ (10,628,457)
District support services	9,685,524	42,996	36,904	-	(9,605,624)	(8,497,818)
Elementary and secondary regular instruction	201,729,524	1,459,724	24,744,143	-	(175,525,657)	(174,202,505)
Vocational education instruction	3,877,502	-	162,816	-	(3,714,686)	(3,352,155)
Special education instruction	63,405,079	4,099	27,751,931	-	(35,649,049)	(35,659,443)
Instructional support services	19,776,626	332,933	3,244,346	-	(16,199,347)	(16,003,195)
Pupil support services	23,150,650	-	2,393,023	-	(20,757,627)	(19,678,319)
Sites and buildings	24,049,266	52,618	64,027	8,401,701	(15,530,920)	(12,381,317)
Fiscal and other fixed cost programs	437,569	-	-	-	(437,569)	(501,639)
Food service	12,641,891	5,426,342	7,635,617	-	420,068	346,246
Community service	20,570,178	10,433,494	5,944,291	-	(4,192,393)	(3,858,750)
Unallocated depreciation expense	8,217,000	-	-	-	(8,217,000)	(8,015,144)
Interest and fiscal charges	4,678,075	-	-	-	(4,678,075)	(4,456,962)
Total governmental activities	\$ 403,733,073	\$ 18,033,146	\$ 71,983,248	\$ 8,401,701	(305,314,978)	(296,889,458)
General revenues						
Taxes						
Property taxes, levied for general purposes					69,614,963	64,372,997
Property taxes, levied for community service					2,584,830	2,435,152
Property taxes, levied for debt service					18,036,264	17,843,905
General grants and aids					150,314,612	150,549,947
Other general revenues					1,837,047	1,212,290
Investment earnings					2,669,993	2,143,300
Total general revenues					<u>245,057,709</u>	<u>238,557,591</u>
Change in net position					(60,257,269)	(58,331,867)
Net position – beginning, as previously reported					51,529,345	109,861,212
Change in accounting principle					(8,863,240)	-
Net position – beginning, as restated					<u>42,666,105</u>	<u>109,861,212</u>
Net position – ending					<u>\$ (17,591,164)</u>	<u>\$ 51,529,345</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Balance Sheet
 Governmental Funds
 as of June 30, 2018
 (With Partial Comparative Information as of June 30, 2017)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 95,332,764	\$ 19,033,887	\$ 13,321,441
Cash and investments held by trustee	–	–	13,552,190
Receivables			
Current taxes	33,461,246	–	9,325,243
Delinquent taxes	269,186	–	76,220
Accounts and interest	910,473	141,863	–
Note	–	–	–
Due from other governmental units	24,547,854	–	33,730
Inventory	377,230	–	–
Total assets	\$ 154,898,753	\$ 19,175,750	\$ 36,308,824
Liabilities			
Salaries payable	\$ 602,283	\$ –	\$ –
Accounts and contracts payable	4,178,016	6,190,625	–
Due to other governmental units	685,686	–	–
Unearned revenue	–	–	–
Total liabilities	5,465,985	6,190,625	–
Deferred inflows of resources			
Property taxes levied for subsequent year	65,866,762	–	19,627,290
Unavailable revenue – note receivable	–	–	–
Unavailable revenue – delinquent taxes	330,628	–	92,288
Total deferred inflows of resources	66,197,390	–	19,719,578
Fund balances			
Nonspendable	377,230	–	–
Restricted	11,414,958	12,985,125	16,589,246
Assigned	3,634,947	–	–
Unassigned	67,808,243	–	–
Total fund balances	83,235,378	12,985,125	16,589,246
Total liabilities, deferred inflows of resources, and fund balances	\$ 154,898,753	\$ 19,175,750	\$ 36,308,824

Nonmajor Funds	Total Governmental Funds	
	2018	2017
\$ 8,784,581	\$ 136,472,673	\$ 158,465,446
–	13,552,190	–
1,296,435	44,082,924	44,433,079
9,275	354,681	757,999
147,967	1,200,303	1,196,146
–	–	441,677
847,539	25,429,123	24,280,101
1,934	379,164	300,529
<u>\$ 11,087,731</u>	<u>\$ 221,471,058</u>	<u>\$ 229,874,977</u>
\$ 446,083	\$ 1,048,366	\$ 1,019,421
336,455	10,705,096	8,707,968
–	685,686	689,114
242,256	242,256	255,849
1,024,794	12,681,404	10,672,352
2,728,751	88,222,803	85,738,168
–	–	459,344
11,508	434,424	475,947
2,740,259	88,657,227	86,673,459
1,934	379,164	300,529
7,320,744	48,310,073	64,739,766
–	3,634,947	4,258,291
–	67,808,243	63,230,580
<u>7,322,678</u>	<u>120,132,427</u>	<u>132,529,166</u>
<u>\$ 11,087,731</u>	<u>\$ 221,471,058</u>	<u>\$ 229,874,977</u>

OSSEO AREA SCHOOLS

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INDEPENDENT SCHOOL DISTRICT NO. 279

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Total fund balances – governmental funds	\$ 120,132,427	\$ 132,529,166
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	528,199,401	502,190,979
Accumulated depreciation	(184,670,018)	(180,541,801)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds and notes	(148,370,000)	(148,925,000)
Certificates of participation	(11,870,000)	(12,655,000)
Capital leases	(1,608,641)	(4,393,589)
Premium on bonds	(6,980,144)	(9,350,798)
Net pension liability – PERA	(48,505,128)	(60,587,736)
Net pension liability – TRA	(472,256,596)	(546,171,934)
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(2,435,157)	(2,921,090)
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.	8,827,802	18,486,083
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 plans	290,542,065	372,589,586
Deferred inflows – pension plans	(87,501,343)	(9,654,812)
Deferred inflows – deferred gain on refunding	(1,530,256)	–
Deferred inflows – delinquent property taxes	434,424	475,947
Certain revenues are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	<u>–</u>	<u>459,344</u>
Total net position – governmental activities	<u>\$ (17,591,164)</u>	<u>\$ 51,529,345</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 69,621,125	\$ –	\$ 18,054,398
Investment earnings	1,015,188	353,388	137,374
Other	5,691,273	–	–
State sources	204,440,246	–	346,953
Federal sources	9,800,950	–	–
Total revenue	<u>290,568,782</u>	<u>353,388</u>	<u>18,538,725</u>
Expenditures			
Current			
Administration	11,514,189	–	–
District support services	6,903,161	–	–
Elementary and secondary regular instruction	141,017,874	–	–
Vocational education instruction	3,874,646	–	–
Special education instruction	49,252,014	–	–
Instructional support services	19,713,175	–	–
Pupil support services	23,150,650	–	–
Sites and buildings	26,295,190	–	–
Fiscal and other fixed cost programs	437,569	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	30,618,042	–
Debt service			
Principal	4,370,824	–	13,455,000
Interest and fiscal charges	504,927	–	6,187,164
Total expenditures	<u>287,034,219</u>	<u>30,618,042</u>	<u>19,642,164</u>
Excess (deficiency) of revenue over expenditures	3,534,563	(30,264,654)	(1,103,439)
Other financing sources (uses)			
Debt issued	–	–	12,900,000
Premium on debt issued	–	–	687,685
Sale of assets	473,993	–	–
Capital leases issued	800,876	–	–
Total other financing sources (uses)	<u>1,274,869</u>	<u>–</u>	<u>13,587,685</u>
Net change in fund balances	4,809,432	(30,264,654)	12,484,246
Fund balances			
Beginning of year	<u>78,425,946</u>	<u>43,249,779</u>	<u>4,105,000</u>
End of year	<u>\$ 83,235,378</u>	<u>\$ 12,985,125</u>	<u>\$ 16,589,246</u>

Nonmajor Funds	Total Governmental Funds	
	2018	2017
\$ 2,585,454	\$ 90,260,977	\$ 84,767,898
98,907	1,604,857	974,405
17,166,988	22,858,261	22,410,973
4,834,228	209,621,427	202,174,527
7,397,892	17,198,842	16,625,266
<u>32,083,469</u>	<u>341,544,364</u>	<u>326,953,069</u>
–	11,514,189	11,001,338
–	6,903,161	6,460,730
–	141,017,874	136,536,746
–	3,874,646	3,509,419
–	49,252,014	48,194,816
–	19,713,175	19,265,127
–	23,150,650	21,774,370
–	26,295,190	23,465,235
–	437,569	501,639
12,369,060	12,369,060	12,142,784
18,835,328	18,835,328	17,937,598
304,844	30,922,886	14,429,416
–	17,825,824	16,908,235
–	6,692,091	5,519,548
<u>31,509,232</u>	<u>368,803,657</u>	<u>337,647,001</u>
574,237	(27,259,293)	(10,693,932)
–	12,900,000	50,745,000
–	687,685	2,232,510
–	473,993	–
–	800,876	959,875
<u>–</u>	<u>14,862,554</u>	<u>53,937,385</u>
574,237	(12,396,739)	43,243,453
<u>6,748,441</u>	<u>132,529,166</u>	<u>89,285,713</u>
<u>\$ 7,322,678</u>	<u>\$ 120,132,427</u>	<u>\$ 132,529,166</u>

OSSEO AREA SCHOOLS

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INDEPENDENT SCHOOL DISTRICT NO. 279

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2018

(With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Total net change in fund balances – governmental funds	\$ (12,396,739)	\$ 43,243,453
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	37,724,606	17,155,026
Depreciation expense	(10,660,379)	(10,488,987)
Loss of disposal of capital assets	(5,184,022)	–
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 payable	(12,900,000)	(50,745,000)
Capital leases	(800,876)	(959,875)
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.		
	(795,041)	802,636
Repayment of long-term debt does not affect the change in net position. However, it reduces fund		
General obligation bonds and certificates of participation.	14,240,000	13,610,000
Capital leases	3,585,824	3,298,235
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.		
	485,933	(720,405)
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.		
	2,370,654	(449,519)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	12,082,608	(22,164,541)
Net pension liability – TRA	73,915,338	(404,543,716)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial		
Deferred outflows – pension plans	(82,047,521)	338,770,349
Deferred inflows – pension plans	(77,846,531)	14,958,654
Deferred inflows – deferred gain on refunding	(1,530,256)	–
Deferred inflows – delinquent property taxes	(41,523)	(115,844)
Certain revenues are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.		
	<u>(459,344)</u>	<u>17,667</u>
Change in net position – governmental activities	<u>\$ (60,257,269)</u>	<u>\$ (58,331,867)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 60,217,182	\$ 68,987,234	\$ 69,621,125	\$ 633,891
Investment earnings	720,000	1,265,000	1,015,188	(249,812)
Other	2,524,400	5,003,400	5,691,273	687,873
State sources	179,767,432	202,163,468	204,440,246	2,276,778
Federal sources	–	10,420,853	9,800,950	(619,903)
Total revenue	<u>243,229,014</u>	<u>287,839,955</u>	<u>290,568,782</u>	<u>2,728,827</u>
Expenditures				
Current				
Administration	8,698,404	11,637,822	11,514,189	(123,633)
District support services	6,718,661	8,256,155	6,903,161	(1,352,994)
Elementary and secondary regular instruction	90,756,219	142,027,077	141,017,874	(1,009,203)
Vocational education instruction	2,838,497	3,931,184	3,874,646	(56,538)
Special education instruction	36,996,191	50,295,852	49,252,014	(1,043,838)
Instructional support services	12,378,857	19,709,372	19,713,175	3,803
Pupil support services	20,142,239	23,104,102	23,150,650	46,548
Sites and buildings	16,208,492	27,706,701	26,295,190	(1,411,511)
Fiscal and other fixed cost programs	48,857,984	550,000	437,569	(112,431)
Debt service				
Principal	4,181,740	4,370,578	4,370,824	246
Interest and fiscal charges	507,174	505,174	504,927	(247)
Total expenditures	<u>248,284,458</u>	<u>292,094,017</u>	<u>287,034,219</u>	<u>(5,059,798)</u>
Excess (deficiency) of revenue over expenditures	(5,055,444)	(4,254,062)	3,534,563	7,788,625
Other financing sources				
Sale of assets	–	–	473,993	473,993
Capital leases issued	–	–	800,876	800,876
Total other financing sources	<u>–</u>	<u>–</u>	<u>1,274,869</u>	<u>1,274,869</u>
Net change in fund balances	<u>\$ (5,055,444)</u>	<u>\$ (4,254,062)</u>	<u>4,809,432</u>	<u>\$ 9,063,494</u>
Fund balances				
Beginning of year			<u>78,425,946</u>	
End of year			<u>\$ 83,235,378</u>	

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Position
 Governmental Activities
 Internal Service Funds
 as of June 30, 2018

(With Partial Comparative Information as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and temporary investments	\$ 13,064,331	\$ 14,502,468
Cash and investments held by trustee	23,541,604	23,270,699
Accounts and interest receivable	<u>277,371</u>	<u>220,082</u>
Total assets	36,883,306	37,993,249
Deferred outflows of resources		
OPEB plan deferments	839,313	-
Liabilities		
Current liabilities		
Accounts and contracts payable	448,400	380,076
Due to other governmental units	839,313	849,061
Post-employment severance benefits payable	1,751,030	1,474,209
Long-term liabilities		
Total OPEB obligation	18,545,246	9,544,262
Post-employment severance benefits payable	<u>6,802,948</u>	<u>7,259,558</u>
Total liabilities	28,386,937	19,507,166
Deferred inflows of resources		
OPEB plan deferments	<u>507,880</u>	<u>-</u>
Net position		
Restricted for employee benefits	4,730,654	13,058,441
Unrestricted	<u>4,097,148</u>	<u>5,427,642</u>
Total net position	<u>\$ 8,827,802</u>	<u>\$ 18,486,083</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenses, and Changes in Net Position
 Governmental Activities
 Internal Service Funds
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 7,388,858	\$ 7,454,355
Operating expenses		
Dental benefit claims	1,770,030	1,664,154
Medical benefit claims	5,521,988	4,294,477
Post-employment severance benefits	1,311,393	58,948
OPEB	645,624	1,803,035
Total operating expenses	<u>9,249,035</u>	<u>7,820,614</u>
Operating (loss)	(1,860,177)	(366,259)
Nonoperating revenue		
Investment earnings	<u>1,065,136</u>	<u>1,168,895</u>
Change in net position	(795,041)	802,636
Net position		
Beginning of year, as previously reported	18,486,083	17,683,447
Change in accounting principle	<u>(8,863,240)</u>	<u>—</u>
Beginning of year, as restated	<u>9,622,843</u>	<u>17,683,447</u>
End of year	<u>\$ 8,827,802</u>	<u>\$ 18,486,083</u>

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Cash Flows
 Governmental Activities
 Internal Service Funds
 Year Ended June 30, 2018

(With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 7,392,680	\$ 7,415,338
Payments for dental claims	(1,751,706)	(1,670,745)
Payments for medical claims	(5,471,988)	(4,044,477)
Post-employment severance and OPEB benefit payments	<u>(2,340,243)</u>	<u>(2,061,395)</u>
Net cash flows from operating activities	(2,171,257)	(361,279)
Cash flows from investing activities		
Investment income received	<u>1,004,025</u>	<u>1,162,317</u>
Net change in cash and cash equivalents	(1,167,232)	801,038
Cash and cash equivalents		
Beginning of year	<u>37,773,167</u>	<u>36,972,129</u>
End of year	<u><u>\$ 36,605,935</u></u>	<u><u>\$ 37,773,167</u></u>
Reconciliation of operating (loss) to net cash flows from operating activities		
Operating (loss)	\$ (1,860,177)	\$ (366,259)
Adjustments to reconcile operating (loss) to cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	3,822	(39,017)
Deferred outflows of resources	(839,313)	-
Accounts and contracts payable	68,324	243,409
Due to other governmental units	(9,748)	328,977
Post-employment severance benefits payable	(179,789)	(1,482,363)
Total OPEB obligation	137,744	953,974
Deferred inflows of resources	<u>507,880</u>	<u>-</u>
Net cash flows from operating activities	<u><u>\$ (2,171,257)</u></u>	<u><u>\$ (361,279)</u></u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:		
Cash and temporary investments	\$ 13,064,331	\$ 14,502,468
Cash and investments held by trustee	<u>23,541,604</u>	<u>23,270,699</u>
Total cash and cash equivalents	<u><u>\$ 36,605,935</u></u>	<u><u>\$ 37,773,167</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2018

	<u>Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and temporary investments	\$ -	<u>\$ 1,841,027</u>
Investments held by trustee, at fair value		
MNTrust Investment Shares Portfolio	<u>250,294</u>	
Total assets	250,294	
Liabilities		
Accounts and contracts payable	106,412	
Due to other governmental units	<u>-</u>	<u>\$ 1,841,027</u>
Total liabilities	<u>106,412</u>	
Net position		
Held in trust for employee benefits	<u>\$ 143,882</u>	

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

	<u>Employee Benefit Trust Funds</u>
Additions	
Plan member contributions	\$ 966,627
Deductions	
Benefits to plan members	<u>924,419</u>
Change in net position	42,208
Net position	
Beginning of year	<u>101,674</u>
End of year	<u>\$ 143,882</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Notes to Basic Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 279 – Osseo Area Schools (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District 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 these 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 the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level. Generally, the effect of 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 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.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “unallocated depreciation expense.” Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type, pension (or other benefit) trust, and agency. 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.

The internal service funds are presented in the proprietary fund financial statements. Because the principal user of the internal services are the District’s governmental activities, the financial statements of 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 for service. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar 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 Minnesota Statutes (which include state aid funding formulas for specific years) and accounting principles generally accepted in the United States of America. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, post-employment severance benefits, other post-employment health benefits, compensated absences, and net pension 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 and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. 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. The District’s General Fund maintains two accounts:

- 1. Operating Account** – The Operating Account is used to account for the general operations of the District, including pupil transportation activities.
- 2. Capital Expenditure Account** – The Capital Expenditure Account is used to account for the maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

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

Debt Service Fund – Debt service funds are used to account for the accumulation of resources for, and payment of, general obligation bonds, interest, and related costs. The General Obligation Bonds Debt Service Account is used for the debt service on all general obligation bonds except for the 2009A Taxable Other Post-Employment Benefit (OPEB) Bond issue for which a separate OPEB Bonds Debt Service Account is established.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, pre-K–8 extended day programs, or other similar services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Internal Service Funds – The 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 has four internal service funds. The District's internal service funds include financing for self-insurance of the employee health and dental insurance programs, retirement incentive pay, and post-employment benefits revocable trust activity.

Fiduciary Funds

Employee Benefit Trust Fund – The Employee Benefit Trust Fund is used to administer resources received and held by the District as the trustee for others. This fund includes the District's Flexible Benefit Plan (Internal Revenue Code [IRC] § 125 Cafeteria Plan).

Agency Funds – The agency funds were established to account for cash and other assets held by the District as the agent for others. These funds are used to account for a local collaborative time study grant and the Northwest Family Service Center.

E. Budgeting

The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund account level. The School Board adopts an annual budget for the following fiscal year for the General Fund (including separate budgets for the Operating and Capital Expenditure Accounts), Food Service Special Revenue Fund, Community Service Special Revenue Fund, General Obligation Bonds Debt Service Account, and OPEB Bonds Debt Service Account. An annual budget is not adopted for the Capital Projects – Building Construction Fund because project-length financial plans are adopted in accordance with bond issue authorization. Budgeted expenditure appropriations lapse at year-end.

F. Cash and 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. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the internal service funds, trust accounts are established to finance future OPEB obligations. In the employee benefit trust funds, trust accounts are established for flexible benefits to employees. In the General Obligation Debt Service Fund these funds are restricted for debt service. Interest earned on these investments was allocated directly to those accounts.

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 are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

G. Receivables

All receivables are shown, net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The receivables not expected to be fully collected within one year are property taxes receivable and note receivable.

H. Inventories

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

I. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Minnesota Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$4,560,122 of the property tax levy collectible in 2018 as revenue to the District in fiscal year 2018. The remaining portion of the taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for furniture and equipment.

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

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks or other land improvements are considered to be part of the cost of buildings or other improvable property.

K. Accounts and Contracts Payable

At June 30, 2018, accounts and contracts payable are \$10,469,948 and \$683,548, respectively, within the Statement of Net Position.

L. Long-Term Obligations

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

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

M. Vacation Pay

Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no vacation liabilities are recorded in the financial statements.

N. Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of post-employment severance and health benefits for some employees upon termination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Post-Employment Severance Benefits

The District provides post-employment severance benefits to certain eligible employees. The District finances these obligations with an Internal Service Fund.

The District maintains various early retirement incentive payment plans for its employee groups. The amount of the early retirement incentive payment is calculated using balances in accrued sick leave and also based on years of service. No employee can receive a payment exceeding one year's salary. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

The District has established a separate Retirement Incentive Pay Internal Service Fund to account for the post-employment severance benefits. The benefits are funded as the liability is incurred on an actuarially determined basis. In addition to the funding of accumulated benefits already earned, the District's funding policy requires an annual contribution of an amount equal to the current year service cost adjusted for any amortization. The District has approximately 294 active participants being funded by the Retirement Incentive Pay Internal Service Fund.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from 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.

Q. Risk Management

General Insurance – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Self-Insurance – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments to these funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss 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:

Year Ended June 30,	Claim Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability End of Year
2017	\$ 136,667	\$ 1,664,154	\$ 1,670,745	\$ 130,076
2018	\$ 130,076	\$ 1,770,030	\$ 1,751,706	\$ 148,400

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

Year Ended June 30,	Claim Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability End of Year
2017	\$ –	\$ 4,294,477	\$ 4,044,477	\$ 250,000
2018	\$ 250,000	\$ 5,521,988	\$ 5,471,988	\$ 300,000

R. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred outflows or inflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) or inflow of financial resource (revenue) until then.

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 results from differences between expected and actual experience, changes of assumptions, changes in proportion, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and notes receivable not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

The District also reports deferred inflows 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.

S. Statement of Cash Flows

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. The cash and investments held by trustee in the Post-Employment Benefits Revocable Trust Internal Service Fund are also considered a cash equivalent.

T. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as "cash and investments held by trustee" and the interest receivable is included within "accounts and interest receivable."

U. Net Position

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Fund Balance Classifications

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

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

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

When nonspendable, restricted, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) nonspendable, 2) restricted, 3) assigned, and 4) unassigned.

W. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will endeavor to maintain an unassigned fund balance that will not fall below 5.0 percent of the District's General Fund operating expenditure budget, excluding operating capital programs. At June 30, 2018, the unassigned fund balance of the General Fund was 25.7 percent of the fiscal 2018 General Fund Operating Account expenditures.

X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Use of Estimates

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

Z. Change in Accounting Principle

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This statement establishes standards for employer recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB. Certain amounts necessary to fully restate fiscal year 2017 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this statement resulted in the following restatement of government-wide net position as of June 30, 2017. The details of the restatement are as follows:

	<u>Governmental Activities</u>	<u>Internal Service Funds</u>
Net position – beginning, as previously reported	\$ 51,529,345	\$ 18,486,083
Change in accounting principle		
Net other post-employment benefit obligation, previous reporting standards	9,544,262	9,544,262
Net other post-employment benefit obligation, current reporting standards	(19,256,563)	(19,256,563)
Deferred outflows of resources, under current reporting standards	<u>849,061</u>	<u>849,061</u>
Total change in accounting principle	<u>(8,863,240)</u>	<u>(8,863,240)</u>
Net position – beginning, as restated	<u><u>\$ 42,666,105</u></u>	<u><u>\$ 9,622,843</u></u>

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 63,205,567
Investments	125,511,902
Cash on hand	<u>4,650</u>
Total	<u>\$ 188,722,119</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 149,537,004
Statement of Net Position – restricted assets – temporarily restricted	
Cash and investments for OPEB	23,541,604
Cash and investments for debt service	13,552,190
Statement of Fiduciary Net Position – Employee Benefit Trust Funds	
Investments held by trustee, at fair value	
MNTrust Investment Shares Portfolio	250,294
Statement of Fiduciary Net Position – Agency Fund	
Cash and temporary investments	<u>1,841,027</u>
Total	<u>\$ 188,722,119</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 \$63,205,567, while the balance on the bank records was \$63,205,607. At June 30, 2018, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years				Total
	Rating	Agency		Less Than 1	1 to 5	5 to 10	More Than 10	
U.S. treasury securities	AA	S&P	Level 1	\$ 24,856,642	\$ 4,976,196	\$ 421,065	\$ –	\$ 30,253,903
U.S. government agencies	AA	S&P	Level 2	\$ 998,678	\$ 9,915,060	\$ 249,570	\$ –	\$ 11,163,308
Municipal bonds	AAA	S&P	Level 2	\$ –	\$ –	\$ 244,500	\$ 145,155	389,655
Municipal bonds	AA	S&P	Level 2	\$ –	\$ 198,207	\$ 390,182	\$ 1,232,332	1,820,721
Municipal bonds	Aa	Moody's	Level 2	\$ 2,348,764	\$ 59,000	\$ –	\$ 433,474	2,841,238
Corporate obligations	AAA	S&P	Level 1	\$ –	\$ –	\$ –	\$ 249,517	249,517
Corporate obligations	AA	S&P	Level 1	\$ –	\$ 787,055	\$ 951,902	\$ 792,770	2,531,727
Corporate obligations	A	S&P	Level 1	\$ 924,484	\$ 1,263,977	\$ 1,485,859	\$ 1,398,364	5,072,684
Corporate obligations	BBB	S&P	Level 1	\$ –	\$ 195,423	\$ 469,945	\$ 516,426	1,181,794
Stocks	N/A	N/A	Level 2	N/A	N/A	N/A	N/A	7,013,074
Negotiable certificates of deposit	N/A	N/A	Level 2	\$ 1,723,092	\$ 1,571,126	\$ –	\$ –	3,294,218
Investment pools/mutual funds								
Minnesota School District								
Liquid Asset Fund (MSDLAF)	AAA	S&P	Amortized Cost	N/A	N/A	N/A	N/A	8,151,224
First American Government								
Obligations Fund Class D	AAA	S&P	Amortized Cost	N/A	N/A	N/A	N/A	152
Goldman Sachs Financial								
Square Prime Obligations Fund Class FST	AAA	S&P	Amortized Cost	N/A	N/A	N/A	N/A	314,700
MNTrust Investment								
Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	N/A	N/A	46,184,987
MNTrust Investment								
Term Series	AAA	S&P	Amortized Cost	N/A	N/A	N/A	N/A	5,049,000
Total investments								<u>\$ 125,511,902</u>

N/A – Not Applicable

The amount in investment pools/mutual funds includes amounts invested in the MNTrust Investment Shares Portfolio (MNTrust) and amounts invested in the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investment in these funds 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.

For MNTrust and MSDLAF investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class. Within MSDLAF, the redemption notice period is 14 days for the MAX Class. Within MNTrust, the redemption notice period is 7 days for the Term Series.

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The District has an internal investment policy that limits investment choices and addresses these potential risks beyond the statutory limitations described above. The District’s policy requires that investments be diversified to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. No more than 66 percent of the total portfolio can be placed with any one depository. The maximum percentage in which the portfolio can be invested in specific instruments is as follows:

U.S. treasury obligations	100%
U.S. government agency securities and instrumentalities of government sponsored corporations	75%
Repurchase agreements	25%
Certificates of deposit – FDIC covered	100%
Certificates of deposit – savings and loans	75%
Local government investment pool	75%
Money market funds	75%

For assets held in the Post-Employment Benefits Revocable Trust Internal Service Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. Minnesota Statutes authorize the Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers’ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the Minnesota State Board of Investments.

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policy does not further address concentration risk. The District’s investment portfolio includes an investment in Federal Farm Credit Bank totaling 7.9 percent of the overall portfolio.

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, the District considers such things as interest rates and cash flow needs when purchasing investments.

NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation activity for the current year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 8,323,417	\$ –	\$ –	\$ –	\$ 8,323,417
Construction in progress	6,699,868	30,828,174	–	(14,730,603)	22,797,439
Total capital assets, not depreciated	15,023,285	30,828,174	–	(14,730,603)	31,120,856
Capital assets, depreciated					
Land improvements	32,672,400	1,171,325	(2,945,954)	–	30,897,771
Buildings	443,751,224	5,517,893	(7,477,001)	14,730,603	456,522,719
Furniture and equipment	10,744,070	207,214	(1,293,229)	–	9,658,055
Total capital assets, depreciated	487,167,694	6,896,432	(11,716,184)	14,730,603	497,078,545
Less accumulated depreciation for					
Land improvements	(21,804,220)	(953,672)	2,677,839	–	(20,080,053)
Buildings	(151,702,681)	(9,130,453)	2,575,377	–	(158,257,757)
Furniture and equipment	(7,034,900)	(576,254)	1,278,946	–	(6,332,208)
Total accumulated depreciation	(180,541,801)	(10,660,379)	6,532,162	–	(184,670,018)
Net capital assets, depreciated	306,625,893	(3,763,947)	(5,184,022)	14,730,603	312,408,527
Total capital assets, net	<u>\$ 321,649,178</u>	<u>\$ 27,064,227</u>	<u>\$ (5,184,022)</u>	<u>\$ –</u>	<u>\$ 343,529,383</u>

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

District support services	\$ 2,085,829
Elementary and secondary regular instruction	66,137
Vocational education instruction	2,856
Special education instruction	4,643
Instructional support services	31,797
Food service	217,565
Community service	34,552
Unallocated depreciation expense	<u>8,217,000</u>
Total depreciation expense	<u>\$ 10,660,379</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds and Notes

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

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds and notes, including refunding bonds					
2009A Taxable OPEB Bonds	01/07/2009	6.00%	\$ 16,000,000	02/01/2022	\$ 9,935,000
2009B Alternative Facilities Bonds	06/11/2009	3.13%–4.00%	\$ 8,945,000	02/01/2022	8,945,000
2010A Refunding Bonds	03/25/2010	4.00%–5.00%	\$ 35,790,000	02/01/2021	13,560,000
2011A Alternative Facilities Bonds	04/27/2011	4.00%–4.13%	\$ 8,685,000	02/01/2023	8,685,000
2013A Alternative Facilities Bonds	06/04/2013	0.30%–1.75%	\$ 6,625,000	02/01/2023	6,525,000
2014A Capital Facilities Bonds	11/18/2014	2.00%–3.00%	\$ 5,770,000	02/01/2029	4,450,000
2015A Alternative Facilities Bonds	05/06/2015	2.00%–3.00%	\$ 9,355,000	02/01/2025	9,355,000
2015B Capital Notes	05/06/2015	2.00%–3.00%	\$ 1,475,000	02/01/2025	1,040,000
2015C Refunding Bonds	05/06/2015	2.00%–5.00%	\$ 42,075,000	02/01/2021	22,230,000
2016A Facilities Maintenance Bonds	11/16/2016	2.75%–4.00%	\$ 50,745,000	02/01/2032	50,745,000
2018A Refunding Bonds	05/10/2018	5.00%	\$ 12,900,000	02/01/2021	12,900,000
Total general obligation bonds and notes					<u>\$ 148,370,000</u>

B. Certificates of Participation

The District currently has the following certificates of participation outstanding:

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
2014B Certificates of Participation	11/18/2014	2.00%–4.00%	\$ 14,085,000	02/01/2030	\$ 11,870,000

C. Description of Long-Term Liabilities

General Obligation Bonds and Notes – These obligations were issued to finance acquisition and/or construction of capital facilities, finance OPEB, or to refinance (refund) previous bond issues. Assets of the debt service funds, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

In May 2018, the District issued \$12,900,000 of General Obligation School Building Refunding Bonds, Series 2018A. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2019 through 2021 maturities of the District's 2010A Bonds totaling \$13,560,000 on August 1, 2018. This current refunding will reduce the District's total future debt service payments by approximately \$385,260 and will result in present value savings of approximately \$369,752.

Certificates of Participation – In November 2014, the District sold \$14,085,000 of certificates of participation to finance the construction of additions to several high school sites. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

Capital Leases Payable – The District entered into capital lease agreements to finance equipment purchases, which call for monthly principal and interest payments through July 2019 with interest rates ranging from 0.70 percent to 2.71 percent. These leases are paid by the General Fund. Amortization of the leased equipment required to be capitalized is included in depreciation. At June 30, 2018, the capitalized assets under capital lease have been recorded at \$1,043,848 (the present value of future minimum lease payments as of the inception dates of the leases).

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

Post-Employment Severance Benefits Payable – Post-employment severance benefits payable consist of early retirement incentive pay (based on convertible sick leave) payable to employees upon retirement. Post-employment severance benefits are paid by the Retirement Incentive Pay Internal Service Fund.

Net Pension Liability and Total OPEB Obligation – The details of these liabilities are discussed elsewhere in these notes. Such benefits are financed by the governmental funds and the Post-Employment Benefits Revocable Trust Fund, respectively.

District employees participate in two defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer 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, 2018:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 48,505,128	\$ 14,273,688	\$ 10,852,170	\$ 5,841,634
State-wide, multiple-employer – TRA	472,256,596	276,268,377	76,649,173	82,484,346
Total	<u>\$ 520,761,724</u>	<u>\$ 290,542,065</u>	<u>\$ 87,501,343</u>	<u>\$ 88,325,980</u>

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire general obligation bonds and notes, certificates of participation, and capital leases:

Year Ending June 30,	General Obligation Bonds and Notes		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 27,510,000	\$ 5,257,313	\$ 810,000	\$ 431,975	\$ 1,099,960	\$ 12,975
2020	16,705,000	4,436,663	835,000	407,675	508,681	12,706
2021	17,580,000	3,632,688	860,000	382,625	–	–
2022	12,435,000	2,783,888	885,000	356,825	–	–
2023	12,325,000	2,248,663	920,000	321,425	–	–
2024–2028	31,700,000	7,447,282	5,190,000	1,024,125	–	–
2029–2033	30,115,000	2,214,598	2,370,000	116,187	–	–
	<u>\$ 148,370,000</u>	<u>\$ 28,021,095</u>	<u>\$ 11,870,000</u>	<u>\$ 3,040,837</u>	<u>\$ 1,608,641</u>	<u>\$ 25,681</u>

E. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle *	Restated Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Long-term liabilities							
General obligation bonds and notes	\$ 148,925,000	\$ –	\$ 148,925,000	\$ 12,900,000	\$ 13,455,000	\$ 148,370,000	\$ 27,510,000
Certificates of participation	12,655,000	–	12,655,000	–	785,000	11,870,000	810,000
Capital leases	4,393,589	–	4,393,589	800,876	3,585,824	1,608,641	1,099,960
Unamortized premiums on debt issued	9,350,798	–	9,350,798	687,685	3,058,339	6,980,144	–
Net pension liability	606,759,670	–	606,759,670	26,500,061	112,498,007	520,761,724	–
Post-employment severance benefits payable	8,733,767	–	8,733,767	1,588,923	1,768,712	8,553,978	1,751,030
Total OPEB obligation	<u>9,544,262</u>	<u>9,712,301</u>	<u>19,256,563</u>	<u>1,336,257</u>	<u>2,047,574</u>	<u>18,545,246</u>	<u>–</u>
	<u>\$ 800,362,086</u>	<u>\$ 9,712,301</u>	<u>\$ 810,074,387</u>	<u>\$ 43,813,802</u>	<u>\$ 137,198,456</u>	<u>\$ 716,689,733</u>	<u>\$ 31,170,990</u>

* The amounts in this column reflect only a portion of the change in accounting principle described earlier in these notes.

NOTE 5 – FUND BALANCES

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

A. Classifications

At June 30, 2018, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 377,230	\$ –	\$ –	\$ 1,934	\$ 379,164
Restricted					
Operating capital	10,237,338	–	–	–	10,237,338
Gifted and talented	234,075	–	–	–	234,075
Safe schools crime levy	8,470	–	–	–	8,470
Medical Assistance	928,733	–	–	–	928,733
Basic skills	6,342	–	–	–	6,342
Certificates of participation	–	171	–	–	171
Capital notes	–	111,802	–	–	111,802
Long-term facilities maintenance	–	12,873,152	–	–	12,873,152
Food service	–	–	–	4,362,006	4,362,006
Community education	–	–	–	203,905	203,905
Early childhood family education programs	–	–	–	1,486,330	1,486,330
School readiness	–	–	–	1,263,851	1,263,851
Adult basic education	–	–	–	4,652	4,652
Bond refunding	–	–	13,552,190	–	13,552,190
General debt service	–	–	2,467,577	–	2,467,577
OPEB bonds debt service	–	–	569,479	–	569,479
Total restricted	<u>11,414,958</u>	<u>12,985,125</u>	<u>16,589,246</u>	<u>7,320,744</u>	<u>48,310,073</u>
Assigned					
Subsequent year budget	3,634,947	–	–	–	3,634,947
Unassigned					
Long-term facilities maintenance restricted account deficit	(137,035)	–	–	–	(137,035)
Unassigned	67,945,278	–	–	–	67,945,278
Total unassigned	<u>67,808,243</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>67,808,243</u>
Total	<u>\$ 83,235,378</u>	<u>\$ 12,985,125</u>	<u>\$ 16,589,246</u>	<u>\$ 7,322,678</u>	<u>\$ 120,132,427</u>

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN

A. Plan Description

The District provides post-employment healthcare benefits to certain eligible employees. The District provides these benefits in a single-employer defined benefit healthcare plan administered by the District. The plan does not issue a publicly available financial report. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Others’ Post-Employment Medical Plan – All retirees of the District have the option to continue their medical coverage into retirement. Retirees must pay the full district premium rate for their coverage and dependent coverage. Coverage in the District’s plan ends at age 65.

Teachers’ Post-Employment Medical Plan – Teachers with 15 continuous years of service are eligible to receive a contribution towards the teacher’s health insurance after retirement from age 55 to 65. The amount will be determined by multiplying the teacher’s daily rate of pay at the time of retirement times the number of the teacher’s accumulated sick leave days in excess of 123 days as of the date of retirement. However, the total amount will not exceed \$37,800. The monthly district contribution toward the premium will be determined using the cumulative total amount earned divided by the number of months until the teacher qualifies for Medicare. The benefit amount will not exceed 100 percent of the premium of the insurance plan selected by the teacher. If the teacher’s full-time equivalent (FTE) status is not full-time at the time of retirement, the benefit will be prorated according to the teacher’s current FTE.

Administrators’ Post-Employment Medical Plan – The District pays for full medical plan coverage after retirement for certain administrators and their spouses and dependents up to age 65.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District. The District’s contributions in the current year totaled \$839,313 as required on a pay-as-you-go basis to finance the current year benefits as described in the previous section

C. Membership

Membership in the plan consisted of the following as of March 1, 2016:

Retirees and beneficiaries receiving benefits	202
Active plan members	<u>2,887</u>
Total members	<u><u>3,089</u></u>

D. Total OPEB Liability of the District

The District’s total OPEB liability of \$18,545,246 at year-end was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.53%
20-year municipal bond yield	3.53%
Inflation rate	2.75%
Salary increases	3.50% to 9.50%
Healthcare cost trend rate	6.80% grading to 4.40% over 58 years

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

F. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance – July 1, 2017	\$ 19,256,563
Changes for the year	
Service cost	1,361,945
Interest	558,450
Changes of assumptions	(584,138)
Benefit payments	<u>(2,047,574)</u>
Total net changes	<u>(711,317)</u>
Ending balance – June 30, 2018	<u>\$ 18,545,246</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 2.85 percent to 3.53 percent.

G. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.53%	3.53%	4.53%
Total OPEB liability	\$ 19,404,245	\$ 18,545,246	\$ 17,692,868

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability 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:

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB healthcare cost trend rate	5.80% decreasing to 3.40% over 58 years	6.80% decreasing to 4.40% over 58 years	7.80% decreasing to 5.50% over 58 years
Total OPEB liability	\$ 17,081,608	\$ 18,545,246	\$ 20,226,448

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

For the current year ended, the District recognized OPEB expense of \$645,624. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ –	\$ 507,880
District’s contributions to the OPEB subsequent to the measurement date	<u>839,313</u>	<u>–</u>
Total	<u><u>\$ 839,313</u></u>	<u><u>\$ 507,880</u></u>

A total of \$839,313 reported as deferred outflows of resources related to OPEB subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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
2019	\$ (76,258)
2020	(76,258)
2021	(76,258)
2022	(76,258)
2023	(76,258)
Thereafter	<u>(126,590)</u>
	<u><u>\$ (507,880)</u></u>

NOTE 7 – 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 through 2018, and 1.0 percent thereafter.

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 7 – 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 7 – 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 2018; the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2018, were \$3,813,782. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2017		2018	
	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, 2018, were \$9,734,349. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

	<i>in thousands</i>
Employer contributions reported in the TRA’s CAFR Statement of Changes in Fiduciary Net Position	\$ 367,791
Add employer contributions not related to future contribution efforts	810
Deduct the TRA’s contributions not included in allocation	<u>(456)</u>
Total employer contributions	368,145
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 403,733</u>

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2018, the District reported a liability of \$48,505,128 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.7598 percent at the end of the measurement period and 0.7462 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. 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 the net pension liability	\$ 48,505,128
State’s proportionate share of the net pension liability associated with the District	<u>609,916</u>
Total	<u>\$ 49,115,044</u>

For the year ended June 30, 2018, the District recognized pension expense of \$5,824,019 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$17,615 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$6 million to the GERF.

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

At June 30, 2018, the District reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,598,581	\$ 3,060,421
Changes in actuarial assumptions	7,908,755	4,862,644
Differences between projected and actual investment earnings	–	2,204,093
Changes in proportion	952,570	725,012
District’s contributions to the GERF subsequent to the measurement date	<u>3,813,782</u>	<u>–</u>
Total	<u>\$ 14,273,688</u>	<u>\$ 10,852,170</u>

A total of \$3,813,782 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, 2019. 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
2019	\$ (687,128)
2020	\$ 3,036,185
2021	\$ (682,372)
2022	\$ (2,058,949)

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of \$472,256,596 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2017, 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 2.3658 percent at the end of the measurement period and 2.2898 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 472,256,596
State’s proportionate share of the net pension liability associated with the District	\$ 45,651,630

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

For the year ended June 30, 2018, the District recognized pension expense of \$81,608,783. It also recognized \$875,563 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, the District reported its proportionate share of the TRA’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,682,429	\$ 3,315,856
Changes in actuarial assumptions	247,732,716	66,155,693
Difference between projected and actual investment earnings	–	5,016,398
Changes in proportion	15,118,883	2,161,226
District’s contributions to the TRA subsequent to the measurement date	9,734,349	–
Total	\$ 276,268,377	\$ 76,649,173

A total of \$9,734,349 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, 2019. 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
2019	\$ 49,034,945
2020	\$ 57,590,497
2021	\$ 50,774,943
2022	\$ 43,355,041
2023	\$ (10,870,571)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25% per year	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	5.12%

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 1.0 percent per year for the GERF through 2044, and then 2.5 percent thereafter, and 2.0 percent per year for all future years for the TRA.

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

Actuarial assumptions used in the June 30, 2017 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 occurred in 2017:

1. GERF

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

2. TRA

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 5.12 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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30 %
Bonds	20	0.75 %
Alternative assets	20	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate**1. GERF**

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

2. TRA

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 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 2053 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 (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the GERF net pension liability	\$ 75,235,062	\$ 48,505,128	\$ 26,621,827
TRA discount rate	4.12%	5.12%	6.12%
District’s proportionate share of the TRA net pension liability	\$ 623,287,706	\$ 472,256,596	\$ 344,918,996

H. Pension Plan Fiduciary Net Position

Pension Benefit Reforms – The 2018 pension bill included a number of reforms to the various defined benefit pension plans across the state, including the plans administered by the PERA and the TRA. The reforms include several changes, including modifications in the future COLA and contribution rates.

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 8 – FLEXIBLE BENEFIT PLAN

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

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

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity are included in the financial statements in the Post-Employment Benefits Revocable Trust Internal Service Fund and the Flexible Benefit Plan Trust Fund.

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

NOTE 9 – LEASE ARRANGEMENTS

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of approximately \$414,125 for operating leases during the year ended June 30, 2018. These leases are scheduled to expire on various dates through 2020. Many of the leases are negotiated on a yearly basis and payment commitments extend out one year. The following is a summary of minimum lease payment commitments for all operating leases:

Year Ending June 30,	Amount
2019	\$ 79,126
2020	81,104
	<u>\$ 160,230</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. 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.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. 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.

C. Construction Contracts

At June 30, 2018, the District had commitments totaling approximately \$14.0 million under various construction contracts for which the work was not yet completed.

NOTE 11 – SUBSEQUENT EVENTS

A. Bonds

In October 2018, the District issued \$43,340,000 of General Obligation Facilities Maintenance Bonds, Series 2018B. The bonds bear interest rates ranging from 3.75 percent to 5.00 percent and mature in 2037.

In October 2018, the District issued \$8,390,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2018C. The bonds bear an interest rate of 5.00 percent and mature in 2022.

In October 2018, the District issued \$7,680,000 of General Obligation Taxable OPEB Refunding Bonds, Series 2018D. The bonds bear interest rates ranging from 2.85 percent to 3.05 percent and mature in 2022.

B. Capital Leases

In July 2018, the District entered into a capital lease for custodial equipment in the amount of \$419,845 and a zero percent interest rate. Payments will be made annually, commencing on July 16, 2018 and continuing through July 2020.

In September 2018, the District entered into a capital lease for technology equipment in the amount of \$4,275,263 and a 3.581 percent interest rate. Payments will be made annually, commencing on September 15, 2018 and continuing through July 2020.

In September 2018, the District entered into a capital lease for technology equipment in the amount of \$966,685 and a 3.819 percent interest rate. Payments will be made annually, commencing on September 15, 2018 and continuing through July 2020.

Future minimum payments on these leases are as follows:

Year Ending June 30,	Amount
2019	\$ 1,942,912
2020	1,839,035
2021	1,879,846
	<u>\$ 5,661,793</u>

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2018

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 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	0.7950%	\$ 37,345,117	\$ -	\$ 37,345,117	\$ 41,705,669	89.54%	78.70%
06/30/2016	06/30/2015	0.7414%	\$ 38,423,195	\$ -	\$ 38,423,195	\$ 42,823,653	89.72%	78.20%
06/30/2017	06/30/2016	0.7462%	\$ 60,587,736	\$ 791,251	\$ 61,378,987	\$ 46,140,396	131.31%	68.90%
06/30/2018	06/30/2017	0.7598%	\$ 48,505,128	\$ 609,916	\$ 49,115,044	\$ 48,899,109	99.19%	75.90%

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2018

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	\$ 3,211,774	\$ 3,211,774	\$ -	\$ 42,823,653	7.50%
06/30/2016	\$ 3,460,530	\$ 3,460,530	\$ -	\$ 46,140,396	7.50%
06/30/2017	\$ 3,667,745	\$ 3,667,745	\$ -	\$ 48,899,109	7.50%
06/30/2018	\$ 3,813,782	\$ 3,813,782	\$ -	\$ 50,835,205	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 279

Teachers Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2018

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	2.4605%	\$113,378,068	\$ 7,976,017	\$121,354,085	\$112,313,831	101.00%	81.50%
06/30/2016	06/30/2015	2.2895%	\$141,628,218	\$ 17,371,855	\$159,000,073	\$116,202,693	121.88%	76.80%
06/30/2017	06/30/2016	2.2898%	\$546,171,934	\$ 54,820,624	\$600,992,558	\$119,107,808	458.55%	44.88%
06/30/2018	06/30/2017	2.3658%	\$472,256,596	\$ 45,651,630	\$517,908,226	\$127,198,277	371.28%	51.57%

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2018

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	\$ 8,713,050	\$ 8,713,050	\$ -	\$116,202,693	7.50%
06/30/2016	\$ 8,933,896	\$ 8,933,896	\$ -	\$119,107,808	7.50%
06/30/2017	\$ 9,552,598	\$ 9,552,598	\$ -	\$127,198,277	7.51%
06/30/2018	\$ 9,734,349	\$ 9,734,349	\$ -	\$129,737,193	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Plan
 Schedule of Changes in the District's Total
 OPEB Liability and Related Ratios
 Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,361,945
Interest	558,450
Changes of assumptions	(584,138)
Benefit payments	<u>(2,047,574)</u>
Net change in total OPEB liability	(711,317)
Total OPEB liability – beginning of year	<u>19,256,563</u>
Total OPEB liability – end of year	<u><u>\$ 18,545,246</u></u>
Covered-employee payroll	<u><u>\$ 130,286,782</u></u>
Total OPEB liability as a percentage of covered-employee payroll	<u><u>14.23%</u></u>

Note: The District implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2015 CHANGES IN PLAN PROVISIONS:

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

INDEPENDENT SCHOOL DISTRICT NO. 279

Notes to Required Supplementary Information
June 30, 2018

TRA

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2015 CHANGES IN PLAN PROVISIONS:

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

OPEB PLAN

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- Discount rate was changed from 2.85 percent to 3.53 percent.

SUPPLEMENTAL INFORMATION

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

NONMAJOR GOVERNMENTAL FUNDS

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds

Combining Balance Sheet

as of June 30, 2018

(With Partial Comparative Information for the Year Ended June 30, 2017)

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2018	2017
Assets				
Cash and temporary investments	\$ 4,350,243	\$ 4,434,338	\$ 8,784,581	\$ 7,972,442
Receivables				
Current taxes	–	1,296,435	1,296,435	1,246,771
Delinquent taxes	–	9,275	9,275	20,086
Accounts and interest	–	147,967	147,967	245,988
Due from other governmental units	414,599	432,940	847,539	848,378
Inventory	1,934	–	1,934	2,575
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,766,776</u>	<u>\$ 6,320,955</u>	<u>\$ 11,087,731</u>	<u>\$ 10,336,240</u>
Liabilities				
Salaries payable	\$ 22,531	\$ 423,552	\$ 446,083	\$ 420,066
Accounts and contracts payable	138,049	198,406	336,455	376,654
Unearned revenue	242,256	–	242,256	255,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	402,836	621,958	1,024,794	1,052,569
Deferred inflows of resources				
Property taxes levied for subsequent year	–	2,728,751	2,728,751	2,523,098
Unavailable revenue – delinquent taxes	–	11,508	11,508	12,132
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	–	2,740,259	2,740,259	2,535,230
Fund balances				
Nonspendable for inventory	1,934	–	1,934	2,575
Restricted	4,362,006	2,958,738	7,320,744	6,745,866
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	4,363,940	2,958,738	7,322,678	6,748,441
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,766,776</u>	<u>\$ 6,320,955</u>	<u>\$ 11,087,731</u>	<u>\$ 10,336,240</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2018	2017
Revenue				
Local sources				
Property taxes	\$ -	\$ 2,585,454	\$ 2,585,454	\$ 2,437,044
Investment earnings	44,290	54,617	98,907	55,735
Other	5,470,539	11,696,449	17,166,988	16,736,432
State sources	668,386	4,165,842	4,834,228	4,707,152
Federal sources	6,923,035	474,857	7,397,892	7,548,752
Total revenue	<u>13,106,250</u>	<u>18,977,219</u>	<u>32,083,469</u>	<u>31,485,115</u>
Expenditures				
Current				
Food service	12,369,060	-	12,369,060	12,142,784
Community service	-	18,835,328	18,835,328	17,937,598
Capital outlay	141,252	163,592	304,844	259,327
Total expenditures	<u>12,510,312</u>	<u>18,998,920</u>	<u>31,509,232</u>	<u>30,339,709</u>
Net change in fund balances	595,938	(21,701)	574,237	1,145,406
Fund balances				
Beginning of year	<u>3,768,002</u>	<u>2,980,439</u>	<u>6,748,441</u>	<u>5,603,035</u>
End of year	<u>\$ 4,363,940</u>	<u>\$ 2,958,738</u>	<u>\$ 7,322,678</u>	<u>\$ 6,748,441</u>

OSSEO AREA SCHOOLS

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INDIVIDUAL FUND SCHEDULES

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 4,350,243	\$ 3,914,109
Receivables		
Due from other governmental units	414,599	250,622
Inventory	<u>1,934</u>	<u>2,575</u>
Total assets	<u>\$ 4,766,776</u>	<u>\$ 4,167,306</u>
Liabilities		
Salaries payable	\$ 22,531	\$ 13,546
Accounts and contracts payable	138,049	129,909
Unearned revenue	<u>242,256</u>	<u>255,849</u>
Total liabilities	402,836	399,304
Fund balances		
Nonspendable for inventory	1,934	2,575
Restricted	<u>4,362,006</u>	<u>3,765,427</u>
Total fund balances	<u>4,363,940</u>	<u>3,768,002</u>
Total liabilities and fund balances	<u>\$ 4,766,776</u>	<u>\$ 4,167,306</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 45,000	\$ 44,290	\$ (710)	\$ 23,439
Other – primarily meal sales	5,395,459	5,470,539	75,080	5,346,728
State sources	682,909	668,386	(14,523)	623,415
Federal sources	7,092,565	6,923,035	(169,530)	6,955,828
Total revenue	<u>13,215,933</u>	<u>13,106,250</u>	<u>(109,683)</u>	<u>12,949,410</u>
Expenditures				
Current				
Salaries	4,309,686	4,263,667	(46,019)	4,138,495
Employee benefits	1,277,360	1,243,468	(33,892)	1,183,449
Purchased services	1,173,762	1,225,018	51,256	1,168,868
Supplies and materials	6,042,568	5,624,862	(417,706)	5,641,051
Other expenditures	–	12,045	12,045	10,921
Capital outlay	125,000	141,252	16,252	100,416
Total expenditures	<u>12,928,376</u>	<u>12,510,312</u>	<u>(418,064)</u>	<u>12,243,200</u>
Net change in fund balances	<u>\$ 287,557</u>	595,938	<u>\$ 308,381</u>	706,210
Fund balances				
Beginning of year		<u>3,768,002</u>		<u>3,061,792</u>
End of year		<u>\$ 4,363,940</u>		<u>\$ 3,768,002</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 4,434,338	\$ 4,058,333
Receivables		
Current taxes	1,296,435	1,246,771
Delinquent taxes	9,275	20,086
Accounts and interest	147,967	245,988
Due from other governmental units	<u>432,940</u>	<u>597,756</u>
Total assets	<u>\$ 6,320,955</u>	<u>\$ 6,168,934</u>
Liabilities		
Salaries payable	\$ 423,552	\$ 406,520
Accounts and contracts payable	<u>198,406</u>	<u>246,745</u>
Total liabilities	621,958	653,265
Deferred inflows of resources		
Property taxes levied for subsequent year	2,728,751	2,523,098
Unavailable revenue – delinquent taxes	<u>11,508</u>	<u>12,132</u>
Total deferred inflows of resources	2,740,259	2,535,230
Fund balances		
Restricted for community education programs	203,905	951,826
Restricted for early childhood family education programs	1,486,330	1,138,364
Restricted for school readiness	1,263,851	885,597
Restricted for adult basic education	<u>4,652</u>	<u>4,652</u>
Total fund balances	<u>2,958,738</u>	<u>2,980,439</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,320,955</u>	<u>\$ 6,168,934</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 2,544,152	\$ 2,585,454	\$ 41,302	\$ 2,437,044
Investment earnings	40,000	54,617	14,617	32,296
Other – primarily tuition and fees	11,588,557	11,696,449	107,892	11,389,704
State sources	4,171,428	4,165,842	(5,586)	4,083,737
Federal sources	543,283	474,857	(68,426)	592,924
Total revenue	<u>18,887,420</u>	<u>18,977,219</u>	<u>89,799</u>	<u>18,535,705</u>
Expenditures				
Current				
Salaries	11,419,341	11,217,790	(201,551)	10,652,970
Employee benefits	3,381,219	3,374,422	(6,797)	3,068,033
Purchased services	3,201,528	2,992,308	(209,220)	2,937,578
Supplies and materials	1,184,597	1,175,438	(9,159)	1,200,851
Other expenditures	50,509	75,370	24,861	78,166
Capital outlay	150,700	163,592	12,892	158,911
Total expenditures	<u>19,387,894</u>	<u>18,998,920</u>	<u>(388,974)</u>	<u>18,096,509</u>
Net change in fund balances	<u>\$ (500,474)</u>	<u>(21,701)</u>	<u>\$ 478,773</u>	<u>439,196</u>
Fund balances				
Beginning of year		<u>2,980,439</u>		<u>2,541,243</u>
End of year		<u>\$ 2,958,738</u>		<u>\$ 2,980,439</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 95,332,764	\$ 89,891,654
Receivables		
Current taxes	33,461,246	34,231,459
Delinquent taxes	269,186	567,499
Accounts and interest	910,473	853,239
Notes	–	441,677
Due from other governmental units	24,547,854	23,398,082
Inventory	<u>377,230</u>	<u>297,954</u>
Total assets	<u>\$ 154,898,753</u>	<u>\$ 149,681,564</u>
Liabilities		
Salaries payable	\$ 602,283	\$ 599,355
Accounts and contracts payable	4,178,016	4,079,184
Due to other governmental units	<u>685,686</u>	<u>689,114</u>
Total liabilities	5,465,985	5,367,653
Deferred inflows of resources		
Property taxes levied for subsequent year	65,866,762	65,075,228
Unavailable revenue – notes receivable	–	459,344
Unavailable revenue – delinquent taxes	<u>330,628</u>	<u>353,393</u>
Total deferred inflows of resources	66,197,390	65,887,965
Fund balances (deficits)		
Nonspendable for inventory	377,230	297,954
Restricted for operating capital	10,237,338	9,051,446
Restricted for gifted and talented	234,075	186,373
Restricted for safe schools crime levy	8,470	22,212
Restricted for Medical Assistance	928,733	1,379,090
Restricted for basic skills	6,342	–
Assigned for subsequent year budget	3,634,947	4,258,291
Unassigned – capital projects levy restricted account deficit	–	(189)
Unassigned – long-term facilities maintenance restricted account deficit	(137,035)	(35,359)
Unassigned	<u>67,945,278</u>	<u>63,266,128</u>
Total fund balances	<u>83,235,378</u>	<u>78,425,946</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 154,898,753</u>	 <u>\$ 149,681,564</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 68,987,234	\$ 69,621,125	\$ 633,891	\$ 64,453,408
Investment earnings	1,265,000	1,015,188	(249,812)	678,911
Other	5,003,400	5,691,273	687,873	5,674,541
State sources	202,163,468	204,440,246	2,276,778	197,130,962
Federal sources	10,420,853	9,800,950	(619,903)	9,076,514
Total revenue	<u>287,839,955</u>	<u>290,568,782</u>	<u>2,728,827</u>	<u>277,014,336</u>
Expenditures				
Current				
Administration				
Salaries	8,255,657	8,306,735	51,078	8,013,365
Employee benefits	2,705,608	2,708,595	2,987	2,523,249
Purchased services	244,827	165,177	(79,650)	162,820
Supplies and materials	65,873	111,357	45,484	88,002
Capital expenditures	16,000	21,993	5,993	2,176
Other expenditures	349,857	200,332	(149,525)	211,726
Total administration	<u>11,637,822</u>	<u>11,514,189</u>	<u>(123,633)</u>	<u>11,001,338</u>
District support services				
Salaries	5,109,196	4,732,681	(376,515)	4,542,524
Employee benefits	1,683,025	1,680,307	(2,718)	1,574,673
Purchased services	208,719	(309,199)	(517,918)	(450,388)
Supplies and materials	580,278	355,234	(225,044)	222,649
Capital expenditures	440,129	261,619	(178,510)	260,263
Other expenditures	234,808	182,519	(52,289)	311,009
Total district support services	<u>8,256,155</u>	<u>6,903,161</u>	<u>(1,352,994)</u>	<u>6,460,730</u>
Elementary and secondary regular instruction				
Salaries	97,316,678	96,227,786	(1,088,892)	93,219,995
Employee benefits	34,211,246	33,979,144	(232,102)	32,539,587
Purchased services	5,577,162	5,440,515	(136,647)	4,753,837
Supplies and materials	3,728,518	3,204,153	(524,365)	2,926,642
Capital expenditures	860,493	907,459	46,966	2,008,862
Other expenditures	332,980	1,258,817	925,837	1,087,823
Total elementary and secondary regular instruction	<u>142,027,077</u>	<u>141,017,874</u>	<u>(1,009,203)</u>	<u>136,536,746</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	2,378,290	2,372,577	(5,713)	2,188,199
Employee benefits	889,946	893,200	3,254	779,961
Purchased services	450,707	405,511	(45,196)	358,273
Supplies and materials	175,840	166,480	(9,360)	121,801
Capital expenditures	35,196	36,828	1,632	60,180
Other expenditures	1,205	50	(1,155)	1,005
Total vocational education instruction	3,931,184	3,874,646	(56,538)	3,509,419
Special education instruction				
Salaries	33,136,532	32,549,012	(587,520)	31,942,832
Employee benefits	12,398,902	12,354,355	(44,547)	12,028,369
Purchased services	3,997,043	3,557,814	(439,229)	3,561,838
Supplies and materials	485,166	362,605	(122,561)	274,372
Capital expenditures	37,325	26,501	(10,824)	99,906
Other expenditures	240,884	401,727	160,843	287,499
Total special education instruction	50,295,852	49,252,014	(1,043,838)	48,194,816
Instructional support services				
Salaries	12,078,419	11,827,434	(250,985)	11,805,908
Employee benefits	3,917,331	3,887,643	(29,688)	3,767,731
Purchased services	1,348,886	1,257,475	(91,411)	956,517
Supplies and materials	2,173,179	1,948,542	(224,637)	1,117,611
Capital expenditures	82,927	680,590	597,663	1,538,703
Other expenditures	108,630	111,491	2,861	78,657
Total instructional support services	19,709,372	19,713,175	3,803	19,265,127
Pupil support services				
Salaries	5,680,502	5,430,032	(250,470)	5,311,746
Employee benefits	2,158,393	2,129,024	(29,369)	2,082,749
Purchased services	15,085,273	15,468,471	383,198	14,229,720
Supplies and materials	167,435	111,938	(55,497)	108,039
Capital expenditures	11,549	9,919	(1,630)	40,608
Other expenditures	950	1,266	316	1,508
Total pupil support services	23,104,102	23,150,650	46,548	21,774,370

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	7,606,508	7,788,560	182,052	6,915,352
Employee benefits	3,032,596	3,312,743	280,147	2,948,211
Purchased services	5,366,712	5,332,706	(34,006)	5,618,022
Supplies and materials	2,364,388	2,250,136	(114,252)	2,136,282
Capital expenditures	9,305,997	7,583,794	(1,722,203)	5,841,017
Other expenditures	30,500	27,251	(3,249)	6,351
Total sites and buildings	<u>27,706,701</u>	<u>26,295,190</u>	<u>(1,411,511)</u>	<u>23,465,235</u>
Fiscal and other fixed cost programs				
Purchased services	550,000	437,569	(112,431)	501,639
Debt service				
Principal	4,370,578	4,370,824	246	4,068,235
Interest and fiscal charges	505,174	504,927	(247)	549,574
Total debt service	<u>4,875,752</u>	<u>4,875,751</u>	<u>(1)</u>	<u>4,617,809</u>
Total expenditures	<u>292,094,017</u>	<u>287,034,219</u>	<u>(5,059,798)</u>	<u>275,327,229</u>
Excess (deficiency) of revenue over expenditures	(4,254,062)	3,534,563	7,788,625	1,687,107
Other financing sources				
Sale of assets	–	473,993	473,993	–
Capital leases issued	–	800,876	800,876	959,875
Total other financing sources	<u>–</u>	<u>1,274,869</u>	<u>1,274,869</u>	<u>959,875</u>
Net change in fund balances	<u>\$ (4,254,062)</u>	4,809,432	<u>\$ 9,063,494</u>	2,646,982
Fund balances				
Beginning of year		<u>78,425,946</u>		<u>75,778,964</u>
End of year		<u>\$ 83,235,378</u>		<u>\$ 78,425,946</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
Comparative Balance Sheet
as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 83,482,235	\$ 79,217,058
Receivables		
Current taxes	33,461,246	34,231,459
Delinquent taxes	269,186	567,499
Accounts and interest	867,714	805,908
Due from other governmental units	24,427,429	23,286,377
Inventory	<u>292,548</u>	<u>257,014</u>
Total assets	<u>\$ 142,800,358</u>	<u>\$ 138,365,315</u>
Liabilities		
Salaries payable	\$ 582,244	\$ 597,242
Accounts and contracts payable	2,293,455	2,286,886
Due to other governmental units	<u>676,876</u>	<u>683,458</u>
Total liabilities	3,552,575	3,567,586
Deferred inflows of resources		
Property taxes levied for subsequent year	65,866,762	65,075,228
Unavailable revenue – delinquent taxes	<u>330,628</u>	<u>353,393</u>
Total deferred inflows of resources	66,197,390	65,428,621
Fund balances		
Nonspendable for inventory	292,548	257,014
Restricted for gifted and talented	234,075	186,373
Restricted for safe schools crime levy	8,470	22,212
Restricted for Medical Assistance	928,733	1,379,090
Restricted for basic skills	6,342	–
Assigned for subsequent year budget	3,634,947	4,258,291
Unassigned	<u>67,945,278</u>	<u>63,266,128</u>
Total fund balances	<u>73,050,393</u>	<u>69,369,108</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 142,800,358</u>	<u>\$ 138,365,315</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		2017	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 55,624,589	\$ 56,258,480	\$ 633,891	\$ 54,872,791
Investment earnings	1,200,000	946,675	(253,325)	648,573
Other	4,798,400	5,168,393	369,993	5,301,497
State sources	193,823,402	196,073,146	2,249,744	188,741,825
Federal sources	10,420,853	9,800,950	(619,903)	9,076,514
Total revenue	265,867,244	268,247,644	2,380,400	258,641,200
Expenditures				
Current				
Administration				
Salaries	8,255,657	8,306,735	51,078	8,013,365
Employee benefits	2,705,608	2,708,595	2,987	2,523,249
Purchased services	244,827	165,177	(79,650)	162,820
Supplies and materials	65,873	111,357	45,484	88,002
Capital expenditures	–	6,171	6,171	–
Other expenditures	349,857	200,332	(149,525)	211,726
Total administration	11,621,822	11,498,367	(123,455)	10,999,162
District support services				
Salaries	5,028,908	4,652,393	(376,515)	4,464,078
Employee benefits	1,661,195	1,658,519	(2,676)	1,553,503
Purchased services	(262,281)	(731,049)	(468,768)	(865,366)
Supplies and materials	335,781	169,993	(165,788)	192,136
Capital expenditures	40,451	39,621	(830)	48,451
Other expenditures	234,808	182,519	(52,289)	311,009
Total district support services	7,038,862	5,971,996	(1,066,866)	5,703,811
Elementary and secondary regular instruction				
Salaries	97,316,678	96,227,786	(1,088,892)	93,219,995
Employee benefits	34,211,246	33,979,144	(232,102)	32,539,587
Purchased services	5,577,162	5,440,515	(136,647)	4,753,837
Supplies and materials	2,694,904	2,434,939	(259,965)	2,295,310
Capital expenditures	335,925	154,329	(181,596)	385,801
Other expenditures	332,980	1,258,817	925,837	1,087,823
Total elementary and secondary regular instruction	140,468,895	139,495,530	(973,365)	134,282,353

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		2017	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	2,378,290	2,372,577	(5,713)	2,188,199
Employee benefits	889,946	893,200	3,254	779,961
Purchased services	450,707	405,511	(45,196)	358,273
Supplies and materials	83,840	83,973	133	93,389
Capital expenditures	10,196	6,722	(3,474)	5,185
Other expenditures	1,205	50	(1,155)	1,005
Total vocational education instruction	3,814,184	3,762,033	(52,151)	3,426,012
Special education instruction				
Salaries	33,136,532	32,549,012	(587,520)	31,942,832
Employee benefits	12,398,902	12,354,355	(44,547)	12,028,369
Purchased services	3,997,043	3,557,814	(439,229)	3,561,838
Supplies and materials	485,166	360,559	(124,607)	274,372
Capital expenditures	34,500	25,722	(8,778)	96,565
Other expenditures	240,884	401,727	160,843	287,499
Total special education instruction	50,293,027	49,249,189	(1,043,838)	48,191,475
Instructional support services				
Salaries	10,262,595	10,133,615	(128,980)	10,720,550
Employee benefits	3,273,041	3,275,185	2,144	3,519,514
Purchased services	1,348,886	1,250,675	(98,211)	930,891
Supplies and materials	753,259	698,029	(55,230)	474,834
Capital expenditures	6,586	5,397	(1,189)	384,538
Other expenditures	108,630	111,491	2,861	78,657
Total instructional support services	15,752,997	15,474,392	(278,605)	16,108,984
Pupil support services				
Salaries	5,680,502	5,430,032	(250,470)	5,311,746
Employee benefits	2,158,393	2,129,024	(29,369)	2,082,749
Purchased services	15,085,273	15,468,471	383,198	14,229,720
Supplies and materials	167,435	111,938	(55,497)	108,039
Capital expenditures	–	314	314	15,377
Other expenditures	950	1,266	316	1,508
Total pupil support services	23,092,553	23,141,045	48,492	21,749,139

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		2017	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	7,606,508	7,006,741	(599,767)	6,690,733
Employee benefits	3,032,596	3,018,029	(14,567)	2,874,000
Purchased services	3,838,642	3,396,672	(441,970)	3,615,137
Supplies and materials	2,318,243	2,114,456	(203,787)	2,064,970
Other expenditures	500	340	(160)	410
Total sites and buildings	16,796,489	15,536,238	(1,260,251)	15,245,250
Fiscal and other fixed cost programs				
Purchased services	550,000	437,569	(112,431)	501,639
Total expenditures	269,428,829	264,566,359	(4,862,470)	256,207,825
Excess (deficiency) of revenue over expenditures	(3,561,585)	3,681,285	7,242,870	2,433,375
Other financing (uses)				
Intrafund transfers	–	–	–	(343,907)
Net change in fund balances	<u>\$ (3,561,585)</u>	3,681,285	<u>\$ 7,242,870</u>	2,089,468
Fund balances				
Beginning of year		69,369,108		67,279,640
End of year		<u>\$ 73,050,393</u>		<u>\$ 69,369,108</u>

OSSEO AREA SCHOOLS

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contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account
 Comparative Balance Sheet
 as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 11,850,529	\$ 10,674,596
Receivables		
Accounts and interest	42,759	29,664
Notes	–	459,344
Due from other governmental units	120,425	111,705
Inventory	<u>84,682</u>	<u>40,940</u>
Total assets	<u>\$ 12,098,395</u>	<u>\$ 11,316,249</u>
Liabilities		
Salaries payable	\$ 20,039	\$ 2,113
Accounts and contracts payable	1,884,561	1,792,298
Due to other governmental units	<u>8,810</u>	<u>5,656</u>
Total liabilities	1,913,410	1,800,067
Deferred inflows of resources		
Unavailable revenue – notes receivable	–	459,344
Fund balances (deficits)		
Nonspendable for inventory	84,682	40,940
Restricted for operating capital	10,237,338	9,051,446
Unassigned – capital projects levy restricted account deficit	–	(189)
Unassigned – long-term facilities maintenance restricted account deficit	<u>(137,035)</u>	<u>(35,359)</u>
Total fund balances	<u>10,184,985</u>	<u>9,056,838</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,098,395</u>	<u>\$ 11,316,249</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 13,362,645	\$ 13,362,645	\$ –	\$ 9,580,617
Investment earnings	65,000	68,513	3,513	30,338
Other	205,000	522,880	317,880	373,044
State sources	8,340,066	8,367,100	27,034	8,389,137
Total revenue	<u>21,972,711</u>	<u>22,321,138</u>	<u>348,427</u>	<u>18,373,136</u>
Expenditures				
Current				
Administration				
Capital expenditures	16,000	15,822	(178)	2,176
District support services				
Salaries	80,288	80,288	–	78,446
Employee benefits	21,830	21,788	(42)	21,170
Purchased services	471,000	421,850	(49,150)	414,978
Supplies and materials	244,497	185,241	(59,256)	30,513
Capital expenditures	399,678	221,998	(177,680)	211,812
Total district support services	<u>1,217,293</u>	<u>931,165</u>	<u>(286,128)</u>	<u>756,919</u>
Elementary and secondary regular instruction				
Supplies and materials	1,033,614	769,214	(264,400)	631,332
Capital expenditures	524,568	753,130	228,562	1,623,061
Total elementary and secondary regular instruction	<u>1,558,182</u>	<u>1,522,344</u>	<u>(35,838)</u>	<u>2,254,393</u>
Vocational education instruction				
Supplies and materials	92,000	82,507	(9,493)	28,412
Capital expenditures	25,000	30,106	5,106	54,995
Total vocational education services	<u>117,000</u>	<u>112,613</u>	<u>(4,387)</u>	<u>83,407</u>
Special education instruction				
Supplies and materials	–	2,046	2,046	–
Capital expenditures	2,825	779	(2,046)	3,341
Total special education instruction	<u>2,825</u>	<u>2,825</u>	<u>–</u>	<u>3,341</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Instructional support services				
Salaries	1,815,824	1,693,819	(122,005)	1,085,358
Employee benefits	644,290	612,458	(31,832)	248,217
Purchased services	–	6,800	6,800	25,626
Supplies and materials	1,419,920	1,250,513	(169,407)	642,777
Capital expenditures	76,341	675,193	598,852	1,154,165
Total instructional support services	<u>3,956,375</u>	<u>4,238,783</u>	<u>282,408</u>	<u>3,156,143</u>
Pupil support services				
Capital expenditures	11,549	9,605	(1,944)	25,231
Sites and buildings				
Salaries	–	781,819	781,819	224,619
Employee benefits	–	294,714	294,714	74,211
Purchased services	1,528,070	1,936,034	407,964	2,002,885
Supplies and materials	46,145	135,680	89,535	71,312
Capital expenditures	9,305,997	7,583,794	(1,722,203)	5,841,017
Other expenditures	30,000	26,911	(3,089)	5,941
Total sites and buildings	<u>10,910,212</u>	<u>10,758,952</u>	<u>(151,260)</u>	<u>8,219,985</u>
Debt service				
Principal	4,370,578	4,370,824	246	4,068,235
Interest and fiscal charges	505,174	504,927	(247)	549,574
Total debt service	<u>4,875,752</u>	<u>4,875,751</u>	<u>(1)</u>	<u>4,617,809</u>
Total expenditures	<u>22,665,188</u>	<u>22,467,860</u>	<u>(197,328)</u>	<u>19,119,404</u>
Excess (deficiency) of revenue over expenditures	(692,477)	(146,722)	545,755	(746,268)
Other financing sources				
Capital leases issued	–	800,876	800,876	959,875
Sale of assets	–	473,993	473,993	–
Intrafund transfers	–	–	–	343,907
Total other financing sources	<u>–</u>	<u>1,274,869</u>	<u>1,274,869</u>	<u>1,303,782</u>
Net change in fund balances	<u>\$ (692,477)</u>	1,128,147	<u>\$ 1,820,624</u>	557,514
Fund balances				
Beginning of year		<u>9,056,838</u>		<u>8,499,324</u>
End of year		<u>\$ 10,184,985</u>		<u>\$ 9,056,838</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 19,033,887	\$ 47,404,990
Receivables		
Accounts and interest	<u>141,863</u>	<u>96,919</u>
Total assets	<u>\$ 19,175,750</u>	<u>\$ 47,501,909</u>
Liabilities		
Accounts and contracts payable	\$ 6,190,625	\$ 4,252,130
Fund balances		
Restricted for building projects funded by certificates of participation	171	5
Restricted for building projects funded by capital notes	111,802	110,375
Restricted for long-term facilities maintenance	<u>12,873,152</u>	<u>43,139,399</u>
Total fund balances	<u>12,985,125</u>	<u>43,249,779</u>
Total liabilities and fund balances	<u>\$ 19,175,750</u>	<u>\$ 47,501,909</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund
 Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue		
Local sources		
Investment earnings	\$ 353,388	\$ 219,410
Expenditures		
Capital outlay		
Salaries	9,144	578,560
Employee benefits	1,374	208,776
Purchased services	–	6,092
Capital expenditures	<u>30,607,524</u>	<u>13,376,661</u>
Total capital outlay	30,618,042	14,170,089
Debt service		
Interest and fiscal charges	<u>–</u>	<u>139,308</u>
Total expenditures	<u>30,618,042</u>	<u>14,309,397</u>
Excess (deficiency) of revenue over expenditures	(30,264,654)	(14,089,987)
Other financing sources		
Debt issued	–	50,745,000
Premium on debt issued	<u>–</u>	<u>1,642,510</u>
Total other financing sources	<u>–</u>	<u>52,387,510</u>
Net change in fund balances	(30,264,654)	38,297,523
Fund balances		
Beginning of year	<u>43,249,779</u>	<u>4,952,256</u>
End of year	<u>\$ 12,985,125</u>	<u>\$ 43,249,779</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
 Balance Sheet by Account
 as of June 30, 2018
 (With Comparative Totals as of June 30, 2017)

	General	Other	Totals	
	Obligation Bonds	Post-Employment Benefits Bonds	2018	2017
Assets				
Cash and temporary investments	\$ 11,215,483	\$ 2,105,958	\$ 13,321,441	\$ 13,196,360
Cash and investments held by trustee	13,552,190	–	13,552,190	–
Receivables				
Current taxes	7,936,780	1,388,463	9,325,243	8,954,849
Delinquent taxes	66,123	10,097	76,220	170,414
Due from other governmental units	33,715	15	33,730	33,641
Total assets	\$ 32,804,291	\$ 3,504,533	\$ 36,308,824	\$ 22,355,264
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 16,704,972	\$ 2,922,318	\$ 19,627,290	\$ 18,139,842
Unavailable revenue – delinquent taxes	79,552	12,736	92,288	110,422
Total deferred inflows of resources	16,784,524	2,935,054	19,719,578	18,250,264
Fund balances				
Restricted for bond refunding	13,552,190	–	13,552,190	–
Restricted for general debt service	2,467,577	–	2,467,577	3,632,513
Restricted for OPEB bonds debt service	–	569,479	569,479	472,487
Total fund balances	16,019,767	569,479	16,589,246	4,105,000
Total deferred inflows of resources and fund balances	\$ 32,804,291	\$ 3,504,533	\$ 36,308,824	\$ 22,355,264

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
 Year Ended June 30, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	General	Other	Total	
	Obligation Bonds	Post-Employment Benefits Bonds	2018	2017
Revenue				
Local sources				
Property taxes	\$ 15,087,928	\$ 2,966,470	\$ 18,054,398	\$ 17,877,446
Investment earnings	120,862	16,512	137,374	20,349
State sources	346,793	160	346,953	336,413
Total revenue	<u>15,555,583</u>	<u>2,983,142</u>	<u>18,538,725</u>	<u>18,234,208</u>
Expenditures				
Debt service				
Principal	11,295,000	2,160,000	13,455,000	12,840,000
Interest and fiscal agent fees	5,461,014	726,150	6,187,164	4,830,666
Total expenditures	<u>16,756,014</u>	<u>2,886,150</u>	<u>19,642,164</u>	<u>17,670,666</u>
Excess (deficiency) of revenue over expenditures	(1,200,431)	96,992	(1,103,439)	563,542
Other financing sources				
Premium on debt issued	687,685	–	687,685	590,000
Debt issued	12,900,000	–	12,900,000	–
Total other financing sources	<u>13,587,685</u>	<u>–</u>	<u>13,587,685</u>	<u>590,000</u>
Net change in fund balances	12,387,254	96,992	12,484,246	1,153,542
Fund balances				
Beginning of year	<u>3,632,513</u>	<u>472,487</u>	<u>4,105,000</u>	<u>2,951,458</u>
End of year	<u>\$ 16,019,767</u>	<u>\$ 569,479</u>	<u>\$ 16,589,246</u>	<u>\$ 4,105,000</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Obligation Bonds Debt Service Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 14,932,207	\$ 15,087,928	\$ 155,721	\$ 15,613,448
Investment earnings	15,000	120,862	105,862	6,223
State sources	337,006	346,793	9,787	336,284
Total revenue	<u>15,284,213</u>	<u>15,555,583</u>	<u>271,370</u>	<u>15,955,955</u>
Expenditures				
Debt service				
Principal retirement	11,295,000	11,295,000	–	11,450,000
Interest and fiscal agent fees	<u>5,516,908</u>	<u>5,461,014</u>	<u>(55,894)</u>	<u>4,021,116</u>
Total expenditures	<u>16,811,908</u>	<u>16,756,014</u>	<u>(55,894)</u>	<u>15,471,116</u>
Excess (deficiency) of revenue over expenditures	(1,527,695)	(1,200,431)	327,264	484,839
Other financing sources				
Premium on debt issuance	–	687,685	687,685	590,000
Debt issued	<u>–</u>	<u>12,900,000</u>	<u>12,900,000</u>	<u>–</u>
Total other financing sources	<u>–</u>	<u>13,587,685</u>	<u>13,587,685</u>	<u>590,000</u>
Net change in fund balances	<u>\$ (1,527,695)</u>	12,387,254	<u>\$ 13,914,949</u>	1,074,839
Fund balances				
Beginning of year		<u>3,632,513</u>		<u>2,557,674</u>
End of year		<u>\$ 16,019,767</u>		<u>\$ 3,632,513</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Bonds Debt Service Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual

Year Ended June 30, 2018

(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 2,966,337	\$ 2,966,470	\$ 133	\$ 2,263,998
Investment earnings	25,000	16,512	(8,488)	14,126
State sources	161	160	(1)	129
Total revenue	<u>2,991,498</u>	<u>2,983,142</u>	<u>(8,356)</u>	<u>2,278,253</u>
Expenditures				
Debt service				
Principal retirement	2,160,000	2,160,000	-	1,390,000
Interest and fiscal agent fees	<u>726,700</u>	<u>726,150</u>	<u>(550)</u>	<u>809,550</u>
Total expenditures	<u>2,886,700</u>	<u>2,886,150</u>	<u>(550)</u>	<u>2,199,550</u>
Net change in fund balances	<u>\$ 104,798</u>	96,992	<u>\$ (7,806)</u>	78,703
Fund balances				
Beginning of year		<u>472,487</u>		<u>393,784</u>
End of year		<u>\$ 569,479</u>		<u>\$ 472,487</u>

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INTERNAL SERVICE FUNDS

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2018

(With Comparative Totals as of June 30, 2017)

	<u>Dental Self-Insurance</u>	<u>Medical Self-Insurance</u>	<u>Retirement Incentive Pay</u>
Assets			
Current assets			
Cash and temporary investments	\$ 596,639	\$ 674,476	\$ 11,793,216
Cash and investments held by trustee	-	-	-
Accounts and interest receivable	21,545	13,650	-
Total assets	<u>618,184</u>	<u>688,126</u>	<u>11,793,216</u>
Deferred outflow of resources			
OPEB plan deferments	-	-	-
Liabilities			
Current liabilities			
Accounts and contracts payable	148,400	300,000	-
Due to other governmental units	-	-	-
Post-employment severance benefits payable	-	-	1,751,030
Long-term liabilities			
Total OPEB obligation	-	-	-
Post-employment severance benefits payable	-	-	6,802,948
Total liabilities	<u>148,400</u>	<u>300,000</u>	<u>8,553,978</u>
Deferred inflows of resources			
OPEB plan deferments	-	-	-
Net position			
Restricted for employee benefits	-	-	-
Unrestricted	<u>469,784</u>	<u>388,126</u>	<u>3,239,238</u>
Total net position	<u>\$ 469,784</u>	<u>\$ 388,126</u>	<u>\$ 3,239,238</u>

Post-Employment Benefits Revocable Trust	Totals	
	2018	2017
\$ —	\$ 13,064,331	\$ 14,502,468
23,541,604	23,541,604	23,270,699
242,176	277,371	220,082
<u>23,783,780</u>	<u>36,883,306</u>	<u>37,993,249</u>
839,313	839,313	—
—	448,400	380,076
839,313	839,313	849,061
—	1,751,030	1,474,209
18,545,246	18,545,246	9,544,262
—	6,802,948	7,259,558
<u>19,384,559</u>	<u>28,386,937</u>	<u>19,507,166</u>
507,880	507,880	—
4,730,654	4,730,654	13,058,441
—	4,097,148	5,427,642
<u>\$ 4,730,654</u>	<u>\$ 8,827,802</u>	<u>\$ 18,486,083</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	<u>Dental Self-Insurance</u>	<u>Medical Self-Insurance</u>	<u>Retirement Incentive Pay</u>
Operating revenue			
Contributions from governmental funds	\$ 1,658,252	\$ 5,230,606	\$ 250,000
Operating expenses			
Dental benefit claims	1,770,030	-	-
Medical benefit claims	-	5,521,988	-
Post-employment severance benefits	-	-	1,311,393
OPEB	-	-	-
Total operating expenses	<u>1,770,030</u>	<u>5,521,988</u>	<u>1,311,393</u>
Operating income (loss)	(111,778)	(291,382)	(1,061,393)
Nonoperating revenue			
Investment earnings	<u>4,329</u>	<u>6,861</u>	<u>122,869</u>
Change in net position	(107,449)	(284,521)	(938,524)
Net position			
Beginning of year, as previously reported	577,233	672,647	4,177,762
Change in accounting principle	-	-	-
Beginning of year, as restated	<u>577,233</u>	<u>672,647</u>	<u>4,177,762</u>
End of year	<u>\$ 469,784</u>	<u>\$ 388,126</u>	<u>\$ 3,239,238</u>

Post-Employment Benefits Revocable Trust	Totals	
	2018	2017
\$ 250,000	\$ 7,388,858	\$ 7,454,355
–	1,770,030	1,664,154
–	5,521,988	4,294,477
–	1,311,393	58,948
645,624	645,624	1,803,035
<u>645,624</u>	<u>9,249,035</u>	<u>7,820,614</u>
(395,624)	(1,860,177)	(366,259)
931,077	1,065,136	1,168,895
535,453	(795,041)	802,636
13,058,441	18,486,083	17,683,447
(8,863,240)	(8,863,240)	–
<u>4,195,201</u>	<u>9,622,843</u>	<u>17,683,447</u>
<u>\$ 4,730,654</u>	<u>\$ 8,827,802</u>	<u>\$ 18,486,083</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
 Combining Statement of Cash Flows
 For the Year Ended June 30, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	Dental Self-Insurance	Medical Self-Insurance	Retirement Incentive Pay
Cash flows from operating activities			
Contributions from governmental funds	\$ 1,663,658	\$ 5,229,022	\$ 250,000
Payments for dental claims	(1,751,706)	-	-
Payments for medical claims	-	(5,471,988)	-
Post-employment severance and OPEB benefit payments	-	-	(1,491,182)
Net cash flows from operating activities	<u>(88,048)</u>	<u>(242,966)</u>	<u>(1,241,182)</u>
Cash flows from investing activities			
Investment income received	<u>4,329</u>	<u>6,861</u>	<u>122,869</u>
Net change in cash and cash equivalents	(83,719)	(236,105)	(1,118,313)
Cash and cash equivalents			
Beginning of year	<u>680,358</u>	<u>910,581</u>	<u>12,911,529</u>
End of year	<u>\$ 596,639</u>	<u>\$ 674,476</u>	<u>\$ 11,793,216</u>
Reconciliation of operating income to net cash flows from operating activities			
Operating income (loss)	\$ (111,778)	\$ (291,382)	\$ (1,061,393)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets and liabilities			
Accounts and interest receivable	5,406	(1,584)	-
Deferred outflow of resources	-	-	-
Accounts and contracts payable	18,324	50,000	-
Due to other governmental units	-	-	-
Post-employment severance benefits payable	-	-	(179,789)
Total OPEB obligation	-	-	-
Deferred inflows of resources	-	-	-
Net cash flows from operating activities	<u>\$ (88,048)</u>	<u>\$ (242,966)</u>	<u>\$ (1,241,182)</u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:			
Cash and temporary investments	\$ 596,639	\$ 674,476	\$ 11,793,216
Cash and investments held by trustee	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 596,639</u>	<u>\$ 674,476</u>	<u>\$ 11,793,216</u>

Post-Employment Benefits Revocable Trust	Totals	
	2018	2017
\$ 250,000	\$ 7,392,680	\$ 7,415,338
–	(1,751,706)	(1,670,745)
–	(5,471,988)	(4,044,477)
(849,061)	(2,340,243)	(2,061,395)
<u>(599,061)</u>	<u>(2,171,257)</u>	<u>(361,279)</u>
869,966	1,004,025	1,162,317
270,905	(1,167,232)	801,038
23,270,699	37,773,167	36,972,129
<u>\$ 23,541,604</u>	<u>\$ 36,605,935</u>	<u>\$ 37,773,167</u>
\$ (395,624)	\$ (1,860,177)	\$ (366,259)
–	3,822	(39,017)
(839,313)	(839,313)	–
–	68,324	243,409
(9,748)	(9,748)	328,977
–	(179,789)	(1,482,363)
137,744	137,744	953,974
507,880	507,880	–
<u>\$ (599,061)</u>	<u>\$ (2,171,257)</u>	<u>\$ (361,279)</u>
\$ –	\$ 13,064,331	\$ 14,502,468
<u>23,541,604</u>	<u>23,541,604</u>	<u>23,270,699</u>
<u>\$ 23,541,604</u>	<u>\$ 36,605,935</u>	<u>\$ 37,773,167</u>

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

FIDUCIARY FUNDS

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2018

	<u>Balance – July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance – June 30, 2018</u>
Local collaborative time study				
Assets				
Cash and temporary investments	<u>\$ 1,402,307</u>	<u>\$ –</u>	<u>\$ 65,766</u>	<u>\$ 1,336,541</u>
Liabilities				
Due to other governmental units	<u>\$ 1,402,307</u>	<u>\$ –</u>	<u>\$ 65,766</u>	<u>\$ 1,336,541</u>
Northwest Family Service Center				
Assets				
Cash and temporary investments	<u>\$ 353,461</u>	<u>\$ 403,408</u>	<u>\$ 252,383</u>	<u>\$ 504,486</u>
Liabilities				
Due to other governmental units	<u>\$ 353,461</u>	<u>\$ 403,408</u>	<u>\$ 252,383</u>	<u>\$ 504,486</u>
Total agency funds				
Assets				
Cash and temporary investments	<u>\$ 1,755,768</u>	<u>\$ 403,408</u>	<u>\$ 318,149</u>	<u>\$ 1,841,027</u>
Liabilities				
Due to other governmental units	<u>\$ 1,755,768</u>	<u>\$ 403,408</u>	<u>\$ 318,149</u>	<u>\$ 1,841,027</u>

SECTION III

STATISTICAL

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 279 – Osseo 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. 279

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 144,073,305	\$ 150,448,560	\$ 163,464,982	\$ 168,810,854
Restricted	13,292,206	15,771,277	12,675,484	9,848,155
Unrestricted	31,514,504	37,845,296	41,346,994	44,898,462
Total governmental activities net position	<u>\$ 188,880,015</u>	<u>\$ 204,065,133</u>	<u>\$ 217,487,460</u>	<u>\$ 223,557,471</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 unrestricted net position by approximately \$175.4 million.

Note 2: The District implemented GASB Statement No. 75 in fiscal 2018. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$8.8 million.

	2013	2014	2015	2016	2017	2018
\$	178,183,551	\$ 188,480,399	\$ 188,563,705	\$ 193,342,167	\$ 201,669,570	\$ 209,642,657
	11,675,297	13,284,014	15,826,198	15,552,674	19,153,181	19,443,331
	39,882,941	45,000,285	(112,847,413)	(99,033,629)	(169,293,406)	(246,677,152)
\$	<u>229,741,789</u>	<u>\$ 246,764,698</u>	<u>\$ 91,542,490</u>	<u>\$ 109,861,212</u>	<u>\$ 51,529,345</u>	<u>\$ (17,591,164)</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities				
Administration	\$ 9,010,266	\$ 9,990,833	\$ 9,889,383	\$ 10,010,161
District support services	7,466,464	7,470,338	7,939,090	7,846,332
Elementary and secondary regular instruction	110,299,265	112,598,739	117,486,457	119,863,495
Vocational education instruction	3,009,509	3,414,483	2,979,308	3,483,484
Special education instruction	41,770,841	44,629,039	45,409,052	44,724,609
Instructional support services	13,992,893	12,435,878	15,395,191	12,333,695
Pupil support services	19,904,914	21,266,892	20,512,419	20,217,797
Sites and buildings	15,930,494	15,167,362	13,423,282	15,331,085
Fiscal and other fixed cost programs	406,778	323,660	338,224	338,499
Food service	9,640,003	9,834,805	10,230,489	10,795,396
Community service	13,444,016	13,819,853	13,880,502	14,095,978
Unallocated depreciation expense	6,942,870	7,173,730	7,320,312	7,694,060
Interest and fiscal charges on debt	11,603,663	12,218,481	8,151,200	7,214,344
Total governmental activities expenses	<u>263,421,976</u>	<u>270,344,093</u>	<u>272,954,909</u>	<u>273,948,935</u>
Program revenues				
Governmental activities				
Charges for services				
Food service	5,088,224	5,171,603	4,924,319	4,829,635
Community service	8,106,834	8,126,265	8,417,053	8,722,701
All other	5,267,724	5,142,327	4,963,175	4,196,696
Operating grants and contributions	57,098,030	75,496,551	66,466,389	62,160,093
Capital grants and contributions	8,781,111	7,663,263	7,589,202	7,521,842
Total governmental activities program revenues	<u>84,341,923</u>	<u>101,600,009</u>	<u>92,360,138</u>	<u>87,430,967</u>
Net (expense) revenue	(179,080,053)	(168,744,084)	(180,594,771)	(186,517,968)
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	43,768,195	44,627,270	63,920,940	44,688,424
Property taxes, levied for community service	1,272,495	2,500,000	2,648,450	1,835,225
Property taxes, levied for debt service	18,727,775	19,240,286	19,827,193	19,362,076
Property taxes, levied for capital projects	2,252,863	1,690,268	2,369,678	2,700,760
General grants and aids	128,054,844	110,986,372	103,822,810	123,399,761
Other general revenues	46,918	20,433	52,094	7,514
Gain on sale of capital assets	-	1,242,367	-	-
Investment earnings	4,607,786	3,622,206	1,375,933	594,219
Total governmental activities	<u>198,730,876</u>	<u>183,929,202</u>	<u>194,017,098</u>	<u>192,587,979</u>
Change in net position	<u>\$ 19,650,823</u>	<u>\$ 15,185,118</u>	<u>\$ 13,422,327</u>	<u>\$ 6,070,011</u>

2013	2014	2015	2016	2017	2018
\$ 9,302,245	\$ 9,575,101	\$ 10,381,868	\$ 10,818,228	\$ 11,001,338	\$ 11,514,189
7,707,269	7,526,010	7,703,891	8,179,156	8,567,156	9,685,524
120,150,495	116,638,392	129,757,253	132,739,729	199,497,344	201,729,524
2,224,938	3,141,382	2,577,175	3,382,640	3,512,275	3,877,502
46,747,032	46,401,292	44,261,176	47,918,552	63,245,199	63,405,079
12,485,545	15,078,139	18,218,530	19,542,885	19,301,766	19,776,626
21,507,907	21,381,700	21,213,677	20,057,132	21,774,370	23,150,650
16,097,883	16,537,008	17,371,714	18,587,008	20,886,238	24,049,266
515,881	531,895	607,963	529,352	501,639	437,569
10,891,333	11,330,855	11,239,240	12,207,490	12,579,723	12,641,891
14,903,788	15,230,093	14,421,741	16,419,921	19,965,214	20,570,178
7,908,028	7,141,723	7,290,078	7,814,428	8,015,144	8,217,000
5,197,263	5,198,234	5,557,629	4,063,175	4,456,962	4,678,075
<u>275,639,607</u>	<u>275,711,824</u>	<u>290,601,935</u>	<u>302,259,696</u>	<u>393,304,368</u>	<u>403,733,073</u>
4,694,700	4,681,620	4,554,115	5,018,871	5,324,443	5,426,342
8,504,086	9,559,310	8,675,018	9,518,778	9,954,275	10,433,494
2,382,531	2,084,530	2,357,602	2,101,396	2,240,416	2,173,310
61,361,045	66,776,775	67,178,824	69,859,744	70,475,866	71,983,248
8,016,685	8,295,544	8,343,272	8,831,507	8,419,910	8,401,701
<u>84,959,047</u>	<u>91,397,779</u>	<u>91,108,831</u>	<u>95,330,296</u>	<u>96,414,910</u>	<u>98,418,095</u>
(190,680,560)	(184,314,045)	(199,493,104)	(206,929,400)	(296,889,458)	(305,314,978)
48,214,311	48,483,768	58,867,528	61,342,344	64,372,997	69,614,963
1,888,383	1,922,267	1,917,363	1,998,320	2,435,152	2,584,830
20,440,190	20,463,285	17,940,548	17,810,240	17,843,905	18,036,264
2,572,515	2,631,084	2,622,943	2,622,943	-	-
122,691,081	125,732,058	136,917,820	138,867,011	150,549,947	150,314,612
383,238	895,594	968,988	1,302,473	1,212,290	1,837,047
491,389	733,095	-	-	-	-
183,771	475,803	465,137	1,304,791	2,143,300	2,669,993
<u>196,864,878</u>	<u>201,336,954</u>	<u>219,700,327</u>	<u>225,248,122</u>	<u>238,557,591</u>	<u>245,057,709</u>
<u>\$ 6,184,318</u>	<u>\$ 17,022,909</u>	<u>\$ 20,207,223</u>	<u>\$ 18,318,722</u>	<u>\$ (58,331,867)</u>	<u>\$ (60,257,269)</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved				
Operating Account	\$ 660,346	\$ 533,030	\$ -	\$ -
Capital Expenditure Account	7,336,875	10,161,288	-	-
Unreserved – Capital Expenditure Account	(55,785)	(162,696)	-	-
Unreserved – Operating Account	31,789,373	40,290,600	-	-
Nonspendable				
Operating Account	-	-	2,065,648	465,537
Capital Expenditure Account	-	-	153,481	35,742
Restricted				
Operating Account	-	-	237,001	53,938
Capital Expenditure Account	-	-	7,330,000	4,911,656
Assigned	-	-	7,994,876	8,861,190
Unassigned				
Operating Account	-	-	38,222,696	37,962,599
Capital Expenditure Account	-	-	(564,624)	(682,984)
Total General Fund	<u>\$ 39,730,809</u>	<u>\$ 50,822,222</u>	<u>\$ 55,439,078</u>	<u>\$ 51,607,678</u>
All other governmental funds				
Reserved	\$ 83,953,551	\$ 119,002,177	\$ -	\$ -
Unreserved, reported in				
Special revenue funds	2,312,497	2,871,254	-	-
Debt Service Fund – General Obligation Bonds	5,092,734	4,426,151	-	-
Nonspendable				
Special revenue funds	-	-	465,278	408,864
Capital Projects – Building Construction Fund	-	-	25,359	-
Restricted				
Special revenue funds	-	-	5,237,015	5,201,069
Capital Projects – Building Construction Fund	-	-	9,821,424	5,253,567
Debt Service Fund – General Obligation Bonds	-	-	43,716,229	3,753,106
Unassigned, reported in				
Special revenue funds	-	-	(64,332)	(70,745)
Total all other governmental funds	<u>\$ 91,358,782</u>	<u>\$ 126,299,582</u>	<u>\$ 59,200,973</u>	<u>\$ 14,545,861</u>
Unreserved/unassigned – Operating Account as a percentage of total expenditures	<u>14.0%</u>	<u>18.4%</u>	<u>17.3%</u>	<u>16.9%</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011, which established new fund balance classifications.

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
333,685	397,467	349,941	347,972	257,014	292,548
20,751	14,354	10,794	41,908	40,940	84,682
102,612	131,241	183,529	141,786	1,587,675	1,177,620
7,094,538	8,386,025	9,054,720	8,890,846	9,051,446	10,237,338
1,865,912	-	-	3,628,175	4,258,291	3,634,947
38,579,402	43,436,563	55,738,741	63,161,707	63,266,128	67,945,278
(765,889)	(590,612)	(482,773)	(433,430)	(35,548)	(137,035)
<u>\$ 47,231,011</u>	<u>\$ 51,775,038</u>	<u>\$ 64,854,952</u>	<u>\$ 75,778,964</u>	<u>\$ 78,425,946</u>	<u>\$ 83,235,378</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
437,871	16,823	12,779	8,553	2,575	1,934
-	-	-	-	-	-
4,785,089	4,919,497	5,269,738	5,594,482	6,745,866	7,320,744
7,575,525	3,648,964	15,393,620	4,952,256	43,249,779	12,985,125
3,847,570	3,813,947	51,033,469	2,951,458	4,105,000	16,589,246
(2,795)	-	-	-	-	-
<u>\$ 16,643,260</u>	<u>\$ 12,399,231</u>	<u>\$ 71,709,606</u>	<u>\$ 13,506,749</u>	<u>\$ 54,103,220</u>	<u>\$ 36,897,049</u>
<u>16.7%</u>	<u>18.9%</u>	<u>23.5%</u>	<u>25.8%</u>	<u>24.7%</u>	<u>25.7%</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Local sources				
Taxes	\$ 65,613,628	\$ 68,129,655	\$ 88,854,246	\$ 68,998,755
Investment earnings	4,180,823	3,081,100	951,880	242,195
Other	21,500,746	21,011,030	21,475,142	21,287,557
State sources	178,308,918	159,688,952	153,387,645	172,738,587
Federal sources	12,634,021	31,906,832	21,357,251	16,812,098
Total revenues	<u>282,238,136</u>	<u>283,817,569</u>	<u>286,026,164</u>	<u>280,079,192</u>
Expenditures				
Current				
Administration	9,008,356	9,988,924	9,887,474	10,010,161
District support services	6,597,460	5,386,523	5,925,326	5,738,350
Elementary and secondary regular instruction	118,327,117	110,571,064	115,476,010	121,086,618
Vocational education instruction	3,009,143	3,414,117	2,983,259	3,518,848
Special education instruction	45,242,029	44,620,521	45,407,700	44,716,402
Instructional support services	14,720,337	12,401,998	15,591,201	12,364,771
Pupil support services	20,377,010	21,265,279	20,510,806	20,217,797
Sites and buildings	23,592,865	19,336,434	19,803,684	17,436,926
Fiscal and other fixed cost programs	406,778	323,660	338,224	338,499
Food service	9,475,675	9,551,844	9,987,972	10,517,361
Community service	13,348,656	13,714,124	13,762,170	13,963,156
Capital outlay	2,048,070	7,109,133	6,811,326	7,644,310
Debt service				
Principal	12,557,332	13,161,297	12,730,000	14,221,944
Interest and fiscal charges	11,862,190	12,771,091	11,320,100	9,277,293
Total expenditures	<u>290,573,018</u>	<u>283,616,009</u>	<u>290,535,252</u>	<u>291,052,436</u>
Excess (deficiency) of revenues over expenditures	(8,334,882)	201,560	(4,509,088)	(10,973,244)
Other financing sources (uses)				
Refunding bonds issued	-	52,375,000	5,775,000	-
Debt issued	24,945,000	-	8,685,000	-
Premium on debt issued	80,809	5,384,227	370,331	-
Proceeds from sale of assets	-	5,236,426	15,004	-
Transfers in	208,660	-	-	-
Transfers out	(208,660)	-	-	-
Debt retirement from refunding bonds	-	(17,165,000)	(75,415,000)	(37,895,000)
Capital leases issued	-	-	2,597,000	381,732
Total other financing sources (uses)	<u>25,025,809</u>	<u>45,830,653</u>	<u>(57,972,665)</u>	<u>(37,513,268)</u>
Net change in fund balances	<u>\$ 16,690,927</u>	<u>\$ 46,032,213</u>	<u>\$ (62,481,753)</u>	<u>\$ (48,486,512)</u>
Debt service as a percentage of noncapital expenditures	<u>8.5%</u>	<u>9.4%</u>	<u>8.7%</u>	<u>8.3%</u>

2013	2014	2015	2016	2017	2018
\$ 73,229,773	\$ 52,139,640	\$ 81,224,509	\$ 83,812,427	\$ 84,767,898	\$ 90,260,977
79,081	122,297	169,450	348,164	974,405	1,604,857
19,433,552	20,774,516	20,092,851	21,359,596	22,410,973	22,858,261
173,713,412	203,939,595	193,878,147	198,912,577	202,174,527	209,621,427
14,886,402	15,145,733	14,660,370	15,210,620	16,625,266	17,198,842
281,342,220	292,121,781	310,025,327	319,643,384	326,953,069	341,544,364
9,302,245	9,575,101	10,381,868	10,818,228	11,001,338	11,514,189
5,628,062	5,437,320	5,622,720	6,172,803	6,460,730	6,903,161
121,609,632	118,710,180	130,841,833	133,079,885	136,536,746	141,017,874
2,222,082	3,138,526	2,573,885	3,380,229	3,509,419	3,874,646
46,755,363	46,402,897	46,296,441	48,125,942	48,194,816	49,252,014
12,502,018	15,006,315	18,270,519	19,590,144	19,265,127	19,713,175
21,507,907	21,381,700	21,259,449	20,059,076	21,774,370	23,150,650
19,041,698	18,914,056	17,581,741	19,359,537	23,465,235	26,295,190
515,881	531,895	607,963	529,352	501,639	437,569
10,634,472	11,127,023	11,232,077	12,021,733	12,142,784	12,369,060
14,742,075	15,201,013	14,465,450	16,420,852	17,937,598	18,835,328
7,123,098	6,886,511	22,990,007	13,341,882	14,429,416	30,922,886
14,626,680	15,289,675	13,293,208	16,895,743	16,908,235	17,825,824
6,881,284	6,343,571	6,032,813	6,478,143	5,519,548	6,692,091
293,092,497	293,945,783	321,449,974	326,273,549	337,647,001	368,803,657
(11,750,277)	(1,824,002)	(11,424,647)	(6,630,165)	(10,693,932)	(27,259,293)
-	-	42,075,000	-	-	-
6,625,000	-	30,685,000	-	50,745,000	12,900,000
7,155	-	6,295,789	-	2,232,510	687,685
2,838,854	2,124,000	-	-	-	473,993
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(46,930,000)	-	-
-	-	4,759,147	6,281,320	959,875	800,876
9,471,009	2,124,000	83,814,936	(40,648,680)	53,937,385	14,862,554
\$ (2,279,268)	\$ 299,998	\$ 72,390,289	\$ (47,278,845)	\$ 43,243,453	\$ (12,396,739)
7.5%	7.5%	6.5%	7.5%	6.9%	7.4%

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Expenditures by Program
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2009	\$ 8,999,895 4.0%	\$ 6,058,214 2.7%	\$ 115,806,205 50.9%	\$ 2,985,960 1.3%	\$ 45,205,282 19.8%
2010	9,979,526 4.6%	5,245,557 2.4%	108,739,133 49.8%	3,405,199 1.6%	44,613,682 20.4%
2011	9,874,328 4.5%	5,063,114 2.3%	112,961,341 51.0%	2,973,611 1.3%	45,401,988 20.5%
2012	10,003,428 4.4%	5,214,235 2.3%	117,955,040 52.4%	3,484,305 1.5%	44,680,840 19.9%
2013	9,281,897 4.0%	5,449,851 2.4%	119,645,813 52.0%	2,172,192 0.9%	46,746,603 20.3%
2014	9,560,101 4.1%	4,824,781 2.1%	116,517,752 50.6%	3,110,026 1.4%	46,398,074 20.2%
2015	10,379,805 4.4%	4,938,420 2.1%	122,827,042 51.8%	2,529,300 1.1%	46,277,695 19.5%
2016	10,815,433 4.4%	5,521,493 2.3%	129,193,844 52.8%	3,124,154 1.3%	48,120,113 19.6%
2017	10,999,162 4.3%	5,703,811 2.2%	134,282,353 52.4%	3,426,012 1.3%	48,191,475 18.9%
2018	11,498,367 4.4%	5,971,996 2.3%	139,495,530 52.7%	3,762,033 1.4%	49,249,189 18.6%

<u>Instructional Support Services</u>	<u>Pupil Support Services</u>	<u>Sites and Buildings</u>	<u>Fiscal and Other Fixed Cost Programs</u>	<u>Total</u>	<u>Percent Increase (Decrease) From Prior Year</u>
\$ 13,760,634 6.0%	\$ 20,370,175 8.9%	\$ 14,143,153 6.2%	\$ 406,778 0.2%	\$ 227,736,296 100.0%	(0.2%)
11,675,311 5.4%	21,265,279 9.7%	13,157,337 6.0%	323,660 0.1%	218,404,684 100.0%	(4.1%)
10,806,374 4.9%	20,510,261 9.3%	13,479,877 6.1%	338,224 0.1%	221,409,118 100.0%	1.4%
9,798,501 4.4%	20,216,904 9.0%	13,252,957 5.9%	338,499 0.2%	224,944,709 100.0%	1.6%
11,342,939 4.9%	21,506,904 9.3%	13,696,405 6.0%	515,881 0.2%	230,358,485 100.0%	2.4%
13,867,690 6.0%	21,381,700 9.3%	13,956,139 6.1%	531,895 0.2%	230,148,158 100.0%	(0.1%)
14,139,992 6.0%	21,247,802 9.0%	13,898,296 5.9%	607,963 0.2%	236,846,315 100.0%	2.9%
13,472,009 5.5%	20,033,798 8.2%	14,018,585 5.7%	529,352 0.2%	244,828,781 100.0%	3.4%
16,108,984 6.3%	21,749,139 8.5%	15,245,250 5.9%	501,639 0.2%	256,207,825 100.0%	4.7%
15,474,392 5.9%	23,141,045 8.8%	15,536,238 5.8%	437,569 0.1%	264,566,359 100.0%	3.3%

OSSEO AREA SCHOOLS

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INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Year Ended June 30,	Local Property Tax Levies (1)	State Revenue (1)	Federal Revenue	Other Local and Miscellaneous	Total
2009	\$ 43,470,958 19%	\$ 165,720,993 74%	\$ 7,978,772 4%	\$ 6,585,131 3%	\$ 223,755,854 100%
2010	44,661,262 20%	148,358,068 66%	26,935,136 12%	5,593,167 2%	225,547,633 100%
2011	63,977,647 28%	142,872,500 62%	15,979,803 7%	6,275,759 3%	229,105,709 100%
2012	44,965,114 20%	161,516,194 72%	11,021,029 5%	6,265,415 3%	223,767,752 100%
2013	48,294,901 21%	162,587,636 73%	8,630,373 4%	4,383,922 2%	223,896,832 100%
2014	27,849,067 12%	191,674,840 82%	8,805,345 4%	4,902,566 2%	233,231,818 100%
2015	53,770,557 22%	181,828,908 73%	7,987,321 3%	5,566,469 2%	249,153,255 100%
2016	56,353,162 22%	185,858,768 73%	8,184,157 3%	5,440,123 2%	255,836,210 100%
2017	54,872,791 21%	188,741,825 73%	9,076,514 4%	5,950,070 2%	258,641,200 100%
2018	56,258,480 21%	196,073,146 73%	9,800,950 4%	6,115,068 2%	268,247,644 100%

(1) Basic general education revenue in the General Fund is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The state periodically changes the mix of property tax and state aid revenue with no net effect on total revenue.

2013	2014	2015	2016	2017	2018
\$ 223,896,832	\$ 233,231,818	\$ 249,153,255	\$ 255,836,210	\$ 258,641,200	\$ 268,247,644
9,042,349	9,267,986	13,903,601	14,294,742	18,373,136	22,321,138
11,008,927	11,079,495	11,346,564	12,189,464	12,949,410	13,106,250
14,334,020	15,289,169	15,056,548	16,828,669	18,535,705	18,977,219
19,503,802	19,639,753	15,637,131	15,564,377	15,955,955	15,555,583
980,645	978,083	2,293,296	2,284,434	2,278,253	2,983,142
<u>\$ 278,766,575</u>	<u>\$ 289,486,304</u>	<u>\$ 307,390,395</u>	<u>\$ 316,997,896</u>	<u>\$ 326,733,659</u>	<u>\$ 341,190,976</u>
\$ 230,358,485	\$ 230,148,158	\$ 236,846,315	\$ 244,828,781	\$ 256,207,825	\$ 264,566,359
9,708,191	9,931,619	17,889,774	20,659,479	19,119,404	22,467,860
10,749,330	11,318,737	11,461,024	12,140,458	12,243,200	12,510,312
14,912,640	15,333,772	14,595,891	16,557,157	18,096,509	18,998,920
19,524,714	19,691,009	15,751,468	16,813,272	15,471,116	16,756,014
960,450	960,450	2,175,450	2,187,550	2,199,550	2,886,150
<u>\$ 286,213,810</u>	<u>\$ 287,383,745</u>	<u>\$ 298,719,922</u>	<u>\$ 313,186,697</u>	<u>\$ 323,337,604</u>	<u>\$ 338,185,615</u>

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INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue per Student
 Year Ended June 30, 2018
 (Modified Accrual Basis of Accounting)

	<u>Hennepin County Average</u>	<u>ISD No. 279</u>
General education formula revenue per pupil unit (1)		
General education (includes transportation)	\$ 6,188	\$ 6,188
Referendum	1,473	1,655
Gifted and talented, extended, compensatory, and English learner	712	909
Operating capital	232	226
Supplemental, equity, and other	<u>565</u>	<u>539</u>
General education formula revenue per pupil unit (property tax and state aid)	<u>\$ 9,170</u>	<u>\$ 9,517</u>
General Fund – Operating Account revenue per student (2)		
General education formula revenue per student (property tax and state aid)		\$ 11,405
Less Capital Expenditure Account		<u>(996)</u>
General education formula revenue per student – General Fund – Operating Account		10,409
State categorical revenue (special education, secondary vocational, cooperation, and other)		<u>1,631</u>
Total property tax and state aid revenue		12,040
Federal revenue (special education, Title I, and other)		468
Other local revenue – interest, participation fees, and other		<u>292</u>
Total General Fund – Operating Account revenue per student		<u>\$ 12,800</u>

(1) Pupil units or adjusted pupil units consist of differential weighting of students by grade level for funding purposes.

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

Source: General education formula revenue per pupil unit is from the Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 279

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>
2009	\$ 14,948,296,100	\$ 94,114,500	\$ 15,042,410,600
2010	14,173,173,200	95,121,100	14,268,294,300
2011	13,032,638,800	101,798,900	13,134,437,700
2012	11,833,845,856	105,372,900	11,939,218,756
2013	11,073,727,012	116,771,700	11,190,498,712
2014	11,124,552,594	120,485,200	11,245,037,794
2015	12,260,171,126	126,039,300	12,386,210,426
2016	13,072,587,948	131,212,400	13,203,800,348
2017	13,963,187,839	135,759,200	14,098,947,039
2018	15,142,279,653	149,778,500	15,292,058,153

Source: Hennepin County Department of Property Tax and Public Records

<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 15,106,544,900	99.6 %
14,290,474,500	99.8
13,157,941,200	99.8
12,694,768,500	94.0
11,981,778,000	93.4
12,032,929,900	93.5
13,117,972,200	94.4
13,913,604,700	94.9
14,790,857,500	95.3
15,935,351,000	96.0

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INDEPENDENT SCHOOL DISTRICT NO. 279

Governmental Fund 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	
2009	\$ 43,470,958	\$ 1,264,260	\$ 2,252,863	\$ 18,625,547	\$ 65,613,628
2010	44,661,262	1,692,225	2,500,000	19,276,168	68,129,655
2011	63,977,647	2,650,091	2,369,678	19,856,830	88,854,246
2012	44,965,114	1,844,014	2,700,760	19,488,867	68,998,755
2013	48,294,901	1,890,869	2,572,515	20,471,488	73,229,773
2014	27,849,067	1,053,994	2,631,084	20,605,495	52,139,640
2015	58,770,557	1,914,828	2,622,943	17,916,181	81,224,509
2016	61,356,156	1,999,515	2,622,943	17,833,813	83,812,427
2017	64,453,408	2,437,044	–	17,877,446	84,767,898
2018	69,621,125	2,585,454	–	18,054,398	90,260,977

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

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Property Classification	City	2018			
			Tax Capacity	Rank	Percentage of Tax Capacity Value	Market Value
Target Corporation	Commercial	Brooklyn Park	\$ 2,449,030	1	1.4 %	\$ 122,489,000
Prisa Arbor Lakes, LLC	Commercial	Maple Grove	1,403,078	2	0.8	70,191,400
KIR Maple Grove, LP	Commercial	Maple Grove	1,061,534	3	0.6	53,114,200
Weidner Property Management	Residential	Plymouth	802,300	4	0.4	64,184,000
KIMCO Realty Corporation	Commercial	Maple Grove	701,158	5	0.4	35,095,400
MFREVF II Maple Grove, LLC	Residential	Plymouth	674,713	6	0.4	53,977,000
BPP, LLC	Industrial	Brooklyn Park	600,754	7	0.3	30,075,200
Brooklyn Park 73rd (DLB), LLC	Residential	Brooklyn Park	600,000	8	0.3	48,000,000
Skye at Arbor Lakes LLLP	Apartment	Maple Grove	577,549	9	0.3	46,203,900
Fairview Hospital	Commercial	Maple Grove	558,926	10	0.3	27,983,800
Cousins Properties	Commercial	Maple Grove	—	—	—	—
Boston Scientific Scimed, Inc.	Industrial	Maple Grove	—	—	—	—
DDRA Maple Grove XNG, LLC	Commercial	Maple Grove	—	—	—	—
Thomson Reuters Prop Tx Services	Apartment	Plymouth	—	—	—	—
Opus Northwest Mgmt, LLC	Commercial	Maple Grove	—	—	—	—
North Memorial Health	Commercial	Maple Grove	—	—	—	—
Total for 10 largest principal taxpayers			<u>\$ 9,429,042</u>		<u>5.2 %</u>	<u>\$ 551,313,900</u>

Note: Minnesota's tax capacity system includes class rates whereby commercial, industrial, and utility properties pay taxes based on a higher percentage of market value than homeowners.

Source: Hennepin County Department of Property Tax and Public Records

2009

Property Valuation			
Tax Capacity	Rank	Percentage of Tax Capacity Value	Market Value
\$ 1,538,050	2	1.0 %	\$ 76,940,000
-	-	-	-
626,856	7	0.4	31,380,300
-	-	-	-
669,490	4	0.4	33,512,000
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
662,102	6	0.4	33,142,600
1,839,250	1	1.2	92,000,000
1,364,778	3	0.9	68,276,400
665,380	5	0.4	33,306,500
568,914	8	0.4	45,513,100
535,210	9	0.4	26,798,000
478,686	10	0.3	23,934,300
<u>\$ 8,948,716</u>		<u>5.8 %</u>	<u>\$ 464,803,200</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>Year Collectible</u>	<u>General Fund</u>	<u>Community Service Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Levy All Funds</u>
Levies					
	2009	\$ 47,218,603	\$ 1,664,357	\$ 20,085,324	\$ 68,968,284
	2010	46,861,625	1,691,197	20,701,420	69,254,242
	2011	47,820,241	1,875,058	20,446,632	70,141,931
	2012	48,571,280	1,783,976	20,796,263	71,151,519
	2013	51,110,640	1,810,052	20,705,227	73,625,919
	2014	61,625,634	1,836,956	18,197,021	81,659,611
	2015	64,037,957	1,960,560	18,050,797	84,049,314
	2016	64,021,060	2,375,031	17,945,293	84,341,384
	2017	69,353,231	2,523,098	18,139,842	90,016,171
	2018	70,426,884	2,728,751	19,627,290	92,782,925
Net tax rates					
Tax capacity rate					
	2009	7.926 %	1.003 %	12.104 %	21.033 %
	2010	8.188	1.072	13.121	22.381
	2011	9.087	1.271	13.859	24.217
	2012	8.792	1.275	14.863	24.930
	2013	11.044	1.361	15.568	27.973
	2014	14.823	1.375	13.621	29.819
	2015	13.693	1.319	12.144	27.156
	2016	13.348	1.510	11.409	26.267
	2017	14.397	1.506	10.827	26.730
	2018	12.673	1.495	10.753	24.921
Market value rate					
	2009	0.205 %	– %	– %	0.205 %
	2010	0.211	–	–	0.211
	2011	0.230	–	–	0.230
	2012	0.252	–	–	0.252
	2013	0.268	–	–	0.268
	2014	0.309	–	–	0.309
	2015	0.294	–	–	0.294
	2016	0.278	–	–	0.278
	2017	0.275	–	–	0.275
	2018	0.266	–	–	0.266

(1) A portion of the total spread levy is paid through various property tax credits for residential homestead properties, which are paid through state aids.

Note: In fiscal 2012, a portion of the property tax credits was eliminated and replaced with permanent state aid.

Source: Hennepin County Department of Property Tax and Public Records

Less Homestead and Agricultural Credit Aid (HACA) and Fiscal Disparities	Net Levy	Less Referendum Spread on Market Value	Remaining Amount Spread on Tax Capacity Value	Property Tax Credits (1)
\$ (7,119,449)	\$ 61,848,835	\$ (30,549,468)	\$ 31,299,367	\$ (1,109,074)
(8,295,564)	60,958,678	(29,877,170)	31,081,508	(1,261,264)
(8,986,473)	61,155,458	(30,004,643)	31,150,815	(1,365,729)
(9,187,341)	61,964,178	(31,586,126)	30,378,052	(1,402)
(9,538,081)	64,087,838	(31,703,793)	32,384,045	—
(9,799,243)	71,860,368	(36,803,819)	35,056,549	—
(10,726,997)	73,322,317	(38,109,021)	35,213,296	—
(9,941,590)	74,399,794	(37,953,980)	36,445,814	—
(10,497,320)	79,518,851	(39,956,973)	39,561,878	—
(11,070,502)	81,712,423	(41,651,739)	40,060,684	—

INDEPENDENT SCHOOL DISTRICT NO. 279

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	Municipalities				
		Hassan Township	Brooklyn Center	Brooklyn Park	Corcoran	Dayton
Tax capacity rate	2009	21.306%	47.521%	39.652%	30.677%	43.804%
Market value rate	2009	–	0.03387%	0.02310%	–	–
Tax capacity rate	2010	22.883%	51.095%	44.157%	32.995%	50.867%
Market value rate	2010	–	0.03799%	0.02464%	–	–
Tax capacity rate	2011	27.886%	57.217%	50.309%	37.041%	48.567%
Market value rate	2011	–	0.04126%	0.02768%	–	–
Tax capacity rate	2012	–	64.359%	56.087%	39.617%	57.817%
Market value rate	2012	–	0.04326%	0.02950%	–	–
Tax capacity rate	2013	–	71.074%	61.311%	46.111%	64.169%
Market value rate	2013	–	0.04702%	0.02791%	–	–
Tax capacity rate	2014	–	74.133%	60.469%	49.743%	65.600%
Market value rate	2014	–	–	0.02847%	–	–
Tax capacity rate	2015	–	70.026%	56.136%	45.311%	57.029%
Market value rate	2015	–	–	0.02589%	–	–
Tax capacity rate	2016	–	71.775%	55.251%	45.691%	57.150%
Market value rate	2016	–	–	0.02399%	–	–
Tax capacity rate	2017	–	70.498%	54.365%	45.994%	55.467%
Market value rate	2017	–	–	0.02464%	–	–
Tax capacity rate	2018	–	67.067%	51.159%	45.357%	55.664%
Market value rate	2018	–	–	0.01584%	–	–

N/A – Not Available

- (1) The miscellaneous other levy includes AVTI, mosquito control, park/museum, metro transit, other metro services, county parks bonds, and interest. These miscellaneous levies vary slightly between municipalities.

Note 1: Information for the City of Rogers was not available for fiscal 2011.

Note 2: Information for Hassan Township will not be included after fiscal 2011, due to it no longer being part of ISD No. 279 in fiscal 2012.

Source: Hennepin County Department of Property Tax and Public Records

Maple Grove	Osseo	Plymouth	Rogers	ISD No. 279	Hennepin County	Miscellaneous Other (1)	Total Maple Grove Resident
31.259%	46.580%	24.368%	–	21.033%	40.413%	7.111%	99.816%
–	–	0.00701%	–	0.20487%	–	–	0.20487%
33.845%	45.978%	25.495%	–	22.381%	42.640%	8.133%	106.999%
–	–	0.00726%	–	0.21123%	–	–	0.211%
36.714%	55.419%	26.944%	N/A	24.217%	45.840%	9.095%	115.866%
–	–	0.01032%	N/A	0.23032%	–	–	0.230%
39.450%	64.130%	28.146%	41.183%	24.930%	48.231%	9.423%	122.034%
–	–	0.01057%	–	0.25181%	–	–	0.252%
42.142%	77.832%	29.243%	38.291%	27.973%	49.461%	10.383%	129.959%
–	–	0.00596%	–	0.26813%	–	–	0.268%
42.267%	76.941%	29.547%	40.541%	29.819%	49.959%	10.429%	132.474%
–	–	0.00585%	–	0.30947%	–	–	0.309%
39.651%	72.935%	27.847%	40.377%	27.156%	46.398%	9.651%	122.856%
–	–	0.00698%	–	0.29426%	–	–	0.294%
39.196%	70.645%	27.330%	37.879%	26.267%	45.356%	9.449%	120.268%
–	–	0.00531%	–	0.27820%	–	–	0.278%
38.245%	69.097%	26.482%	38.308%	26.730%	44.087%	9.153%	118.215%
–	–	0.00499%	–	0.27516%	–	–	0.275%
36.709%	63.157%	26.344%	36.810%	24.921%	42.808%	8.943%	113.381%
–	–	0.00475%	–	0.26582%	–	–	0.266%

INDEPENDENT SCHOOL DISTRICT NO. 279

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Tax Collection Calendar Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collected</u>	<u>Delinquent Tax Collections</u>
2009	\$ 68,968,284	\$ 67,710,766	98.2 %	\$ 1,139,712
2010	69,254,242	68,476,113	98.9	732,460
2011	70,141,931	70,116,516	100.0	397,828
2012	71,151,519	71,070,094	99.9	27,249
2013	73,625,919	73,513,909	99.9	88,795
2014	81,659,611	81,494,375	99.9	123,110
2015	84,049,314	83,715,659	99.9	256,540
2016	84,341,384	83,868,531	99.4	385,463
2017	90,016,171	89,891,336	99.9	N/A
2018	(1) 92,782,925	N/A	N/A	N/A

Reconciliation of current tax collections with property tax revenue

Collections on property tax levy collectible in 2017	\$ 89,891,336
Less tax shift allocation of the levy collectible in 2017 to fiscal year 2017	(2) (4,278,004)
Add tax shift allocation of the referendum levy collectible in 2018 to fiscal year 2018	(2) 4,560,122
Property tax delinquencies, abatements, and county apportionment	<u>87,523</u>
Total local property tax revenue – fiscal year 2018	<u><u>\$ 90,260,977</u></u>

(1) Only a portion of calendar year 2018 taxes are collectible by June 30, 2018. A total of \$48,700,000 of 2018 taxes were collected by June 30, 2018.

(2) The state of Minnesota calculates the tax shift allocation based on various portions of the total tax levy.

Source: Hennepin County Department of Property Tax and Public Records

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>June 30, 2018 Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
\$ 68,850,478	99.8 %	\$ —	— %
69,208,573	99.9	—	—
70,514,344	100.5	—	—
71,097,343	99.9	—	—
73,602,704	100.0	23,215	—
81,617,485	99.9	42,126	0.1
83,972,199	99.9	77,115	0.1
84,253,994	99.9	87,390	0.1
89,891,336	99.9	124,835	0.1
N/A	N/A	—	N/A
		<u>\$ 354,681</u>	

INDEPENDENT SCHOOL DISTRICT NO. 279

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total Government
	General Obligation Bonds and Notes	Certificates of Participation	Capital Leases	
2009	\$ 246,945,000	\$ –	\$ 1,616,297	\$ 248,561,297
2010	270,610,000	–	–	270,610,000
2011	196,925,000	–	2,597,000	199,522,000
2012	145,755,000	–	2,031,788	147,786,788
2013	138,715,000	–	1,070,108	139,785,108
2014	124,400,000	–	95,433	124,495,433
2015	171,080,000	14,085,000	3,556,372	188,721,372
2016	111,020,000	13,425,000	6,731,949	131,176,949
2017	148,925,000	12,655,000	4,393,589	165,973,589
2018	148,370,000	11,870,000	1,608,641	161,848,641

N/A – Not Available

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

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

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
3.0 %	\$ 1,831
3.2	1,980
2.5	1,476
1.8	1,080
1.7	1,007
1.5	885
2.2	1,327
1.4	902
N/A	1,121
N/A	1,093

INDEPENDENT SCHOOL DISTRICT NO. 279

Ratio of Net Bonded Debt to
Tax Capacity and Legal Debt Margin
Last Ten Fiscal Years

<u>June 30,</u>	<u>Outstanding Bonded Debt</u>	<u>Unamortized Premiums</u>	<u>Balance on Hand – Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Taxable Tax Capacity</u>
2009	\$ 246,945,000	\$ 445,982	\$ 76,455,727	\$ 170,935,255	\$ 148,810,762
2010	270,610,000	10,034,581	115,524,154	165,120,427	138,874,529
2011	196,925,000	8,722,303	43,716,229	161,931,074	128,632,017
2012	145,755,000	7,685,146	3,753,106	149,687,040	121,853,398
2013	138,715,000	6,172,040	3,847,570	141,039,470	115,768,941
2014	124,400,000	5,285,194	3,813,947	125,871,247	117,564,467
2015	185,165,000	10,602,876	51,033,469	144,734,407	129,670,410
2016	124,445,000	8,901,279	2,951,458	130,394,821	138,751,338
2017	161,580,000	9,350,798	4,105,000	166,825,798	148,005,528
2018	160,240,000	6,980,144	16,589,246	150,630,898	181,355,805

(1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.

Note: The legal debt limit for a school district in Minnesota is 15 percent of the actual value of all taxable property within the District. As of June 30, 2018, the legal debt limit was \$2,350,372,780. Outstanding bonded debt as of June 30, 2018 was \$160,240,000, leaving a margin of \$2,190,132,780.

Source: Hennepin County Department of Property Tax and Public Records

<u>Ratio of Net Debt to Tax Capacity Value</u>	<u>Estimated Population (1)</u>	<u>Net Debt per Capita</u>
114.9 %	135,770	\$ 1,259
118.9	136,700	1,208
125.9	135,140	1,198
122.8	136,896	1,093
121.8	138,789	1,016
107.1	140,680	895
111.6	142,167	1,018
94.0	145,451	896
112.7	148,029	1,127
83.1	148,029	1,018

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

Direct and Overlapping Debt
as of June 30, 2018

Taxing Unit	Tax Collection Calendar Year – 2017 Taxable Net Tax Capacity	General Obligation Bonded Debt (1)	Debt Applicable to Tax Capacity in ISD No. 279 (2)	
			Percent	Amount
Direct debt				
Independent School District No. 279	\$ 181,355,805	\$ 160,240,000	100.00 %	\$ 160,240,000
Overlapping debt				
Hennepin County	1,685,924,784	925,550,000	9.53	88,204,915
Cities				
Brooklyn Center	17,596,546	14,220,000	30.99	4,406,778
Brooklyn Park	68,913,539	28,135,000	75.47	21,233,485
Corcoran	8,298,646	4,831,000	6.59	318,363
Dayton	6,764,564	5,620,000	18.88	1,061,056
Maple Grove	90,580,831	55,280,000	91.99	50,852,072
Osseo	2,272,207	4,055,000	100.00	4,055,000
Plymouth	118,988,204	10,320,000	13.31	1,373,592
Rogers	19,614,782	5,365,000	0.18	9,657
Others				
Three Rivers Park District	1,207,240,792	60,560,000	13.32	8,066,592
Metropolitan Council	3,295,889,335	188,620,614	4.88	9,204,686
Total overlapping debt				<u>188,786,195</u>
Total direct and debt outstanding				<u>\$ 349,026,195</u>

(1) Excludes tax and aid anticipation debt, revenue debt, and general obligation debt supported by revenue.

(2) The percent overlap is based on the percentage of tax capacity of the individual entities in the District.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Debt limit	\$ 2,236,745,318	\$ 2,121,656,719	\$ 1,954,105,770	\$ 1,881,545,183
Total net debt applicable to the limit	<u>246,945,000</u>	<u>270,610,000</u>	<u>196,925,000</u>	<u>145,755,000</u>
Legal debt margin	<u>\$ 1,989,800,318</u>	<u>\$ 1,851,046,719</u>	<u>\$ 1,757,180,770</u>	<u>\$ 1,735,790,183</u>
Total net debt applicable to the limit as a percentage of debt limit	11.04%	12.75%	10.08%	7.75%

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.

Source: Hennepin County Department of Property Tax and Public Records

2013	2014	2015	2016	2017	2018
\$ 1,773,605,673	\$ 1,783,879,819	\$ 1,942,619,831	\$ 2,046,404,386	\$ 2,178,203,956	\$ 2,350,372,780
138,715,000	124,400,000	185,165,000	124,445,000	161,580,000	150,305,000
<u>\$ 1,634,890,673</u>	<u>\$ 1,659,479,819</u>	<u>\$ 1,757,454,831</u>	<u>\$ 1,921,959,386</u>	<u>\$ 2,016,623,956</u>	<u>\$ 2,200,067,780</u>
7.82%	6.97%	9.53%	6.08%	7.42%	6.39%

Legal Debt Margin Calculation for Fiscal Year 2018

Market value	\$15,669,151,865
Debt limit (15% of market value)	2,350,372,780
Debt applicable to the limit	
General obligation bonds and notes payable	160,240,000
Less 2009 taxable OPEB bonds	<u>(9,935,000)</u>
Subtotal	<u>150,305,000</u>
Legal debt margin	<u>\$ 2,200,067,780</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Deferred Tax Levies for Future Bond Debt Service
as of June 30, 2018

<u>Tax Collection Calendar Year</u>	<u>Deferred Tax Levies</u>
2019	\$ 27,344,796
2020	27,454,862
2021	15,979,832
2022	15,302,346
2023	9,728,572
2024	8,583,232
2025	5,855,437
2026	8,054,609
2027	8,882,797
2028	8,913,614
2029	8,614,049
2030	9,515,487
2031	<u>6,902,930</u>
Total amount to be levied in future years	161,132,563
2018	Amount levied for collection in 2018 and included in property taxes levied for subsequent year at June 30, 2018
	<u>19,627,290</u>
Total deferred tax levies for future bond debt service	<u><u>\$ 180,759,853</u></u>

Note: These levies are subject to reduction based on excess fund balance limitations in accordance with Minnesota Statutes § 475.61.

Source: Debt service levy schedules in the various bond issues of the District

INDEPENDENT SCHOOL DISTRICT NO. 279

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment (1)</u>	<u>Unemployment Rate (3)</u>
2009	135,770	\$ 8,370,356,270	\$ 61,651	37.0	21,010	8.1 %
2010	136,700	8,383,537,600	61,328	38.0	20,964	7.3
2011	135,140	7,902,446,640	58,476	37.7	20,772	6.4
2012	136,896	8,094,112,896	59,126	37.8	20,591	5.6
2013	138,789	8,304,578,604	59,836	37.2	20,549	5.1
2014	140,680	8,557,283,040	60,828	37.6	20,581	4.2
2015	142,167	8,742,133,164	61,492	37.7	20,373	3.7
2016	145,451	9,194,975,867	63,217	37.8	20,307	3.9
2017	148,029	N/A	N/A	N/A	20,659	3.5
2018	148,029	N/A	N/A	N/A	20,958	N/A

N/A – Not Available

Data sources:

- (1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.
- (2) United States Census Bureau
- (3) United States Department of Agriculture/Economic Research Service

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Employers
Current Year and Nine Years Ago

Employer	2018		2009	
	Employees	Rank	Employees	Rank
Target Corporation	3,700	1	2,000	3
Independent School District No. 279	3,146	2	2,889	2
Boston Scientific Scimed, Inc.	3,000	3	3,600	1
Medtronic	1,520	4	420	8
Caterpillar Paving Products	700	5	745	6
Hy-Vee	700	5	–	–
United Parcel Service	700	5	750	5
Upsher-Smith Laboratories, Inc.	700	5	400	10
Maple Grove Hospital	650	9	–	–
North Hennepin Community College	610	10	420	8
Prudential Insurance Company	–	–	1,600	4
Egan McKay	–	–	585	7
Total	<u>15,426</u>		<u>13,409</u>	

Note: Total employment information is not readily available.

Source: City of Brooklyn Park and City of Maple Grove

INDEPENDENT SCHOOL DISTRICT NO. 279

Building Permits Issued by Major Cities
Last Ten Fiscal Years

Calendar Year	Total Permits		New Residential Permits (1)	
	Number	Value	Number	Value
City of Brooklyn Park				
2008	980	\$ 50,018,009	133	\$ 25,822,197
2009	7,917	95,103,237	109	21,736,225
2010	7,737	53,706,735	68	11,608,882
2011	7,460	74,491,011	78	17,373,799
2012	2,034	124,367,945	143	33,322,357
2013	1,772	114,821,218	168	36,561,609
2014	1,885	164,344,704	140	26,375,881
2015	2,036	149,524,929	142	35,840,775
2016	2,090	106,842,092	137	34,560,904
2017	9,276	177,855,967	109	24,237,813
City of Maple Grove				
2008	6,310	\$ 187,187,396	224	\$ 84,702,911
2009	3,658	116,525,754	219	72,121,817
2010	2,655	136,034,855	284	83,993,912
2011	2,345	149,181,591	226	69,984,374
2012	2,136	120,446,202	231	77,225,361
2013	2,110	202,041,119	265	127,675,752
2014	2,252	193,572,052	278	106,325,973
2015	2,942	141,804,368	192	85,682,575
2016	2,707	122,799,224	160	53,515,660
2017	4,442	182,060,428	267	70,042,713

(1) Includes single-family, duplexes, quad homes, townhomes, multi-unit, and condominiums; excludes apartment complexes.

Note: The District includes portions of eight municipalities. The table above includes the two largest municipalities within the District and is representative of growth in the area. These cities maintain building permit information on a calendar year basis.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Employees by Classification
Last Ten Fiscal Years

Year Ended June 30,	Employees			
	Administrators/ Management (1)	Teachers	Clerical	Educational Support Professionals/ Laundry/Water Safety Instruction
2009	123	1,470	113	732
2010	130	1,467	111	742
2011	132	1,468	110	760
2012	134	1,467	112	783
2013	132	1,487	108	780
2014	137	1,482	110	738
2015	149	1,510	109	811
2016	148	1,543	108	775
2017	155	1,567	106	808
2018	150	1,592	108	829
Percent increase (decrease) over 10 years	22.0%	8.3%	(4.4%)	13.3%

(1) Superintendent, school executives, principals, secondary school building assistant principals, principals on special assignment, directors, coordinators, managers, supervisors, and secondary school building business managers and student management specialist.

Source: The District's Human Resources Department

<u>Food Service</u>	<u>Custodians</u>	<u>Health Services/ Early Childhood/ Other Employees</u>	<u>Total Employees</u>	<u>Total Students (ADM)</u>
152	150	150	2,890	21,010
146	145	144	2,885	20,964
153	145	138	2,906	20,772
160	146	136	2,938	20,591
166	142	124	2,939	20,549
161	142	125	2,895	20,581
156	147	130	3,012	20,373
161	162	128	3,025	20,307
157	172	120	3,085	20,659
159	165	143	3,146	20,958
4.6%	10.0%	(4.7%)	8.9%	(0.2%)

INDEPENDENT SCHOOL DISTRICT NO. 279

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Total population	135,770	136,700	135,140	136,896
Percent of staff with degrees				
Bachelor's	100%	100%	100%	100%
Master's	72%	75%	74%	76%
ACT information				
Average ACT score	22.5	22.4	22.6	22.5
Percent of students taking ACT	57%	60%	60%	63%
National Merit Scholarship Program				
Commended	11	16	14	14
Finalists and semifinalists	4	1	2	3
AP Scholars	62	98	106	117

Source: The District's Division of Leadership, Teaching, and Learning

2013	2014	2015	2016	2017	2018
138,789	140,680	142,167	145,451	148,029	148,029
100%	100%	100%	100%	100%	100%
76%	74%	73%	72%	72%	71%
22.3	22.3	22.3	20.3	20.3	19.6
63%	65%	73%	84%	92%	91%
9	11	11	6	–	6
4	2	1	2	5	3
128	150	149	164	165	201

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Capital assets				
Land	\$ 10,702,198	\$ 10,691,698	\$ 10,691,698	\$ 10,691,698
Land improvements	21,658,286	25,070,461	26,321,967	27,843,458
Buildings	367,767,521	369,466,103	377,938,760	387,290,466
Equipment	10,230,574	10,460,750	10,739,471	10,652,175
Construction in progress	1,560,542	2,037,404	2,726,381	391,975
	<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>	<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>
Capital assets by function and activity				
Administration	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
District support services	114,660,821	113,078,539	113,232,033	112,276,960
Elementary and secondary regular instruction	1,021,287	1,094,002	1,099,553	905,208
Vocational education instruction	27,185	27,185	31,811	64,681
Special education instruction	289,187	289,187	296,042	271,043
Instructional support services	902,640	910,440	1,173,720	1,217,309
Pupil support services	59,647	59,647	59,647	59,647
Food service	4,888,338	4,479,013	5,057,239	5,151,404
Sites and buildings	289,029,995	296,726,190	306,404,239	315,824,027
Community service	1,020,926	1,043,118	1,044,898	1,080,398
	<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>	<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>
Total capital assets by function and activity	<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>	<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>

Source: The District's Business Services Department

2013	2014	2015	2016	2017	2018
\$ 8,344,233	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417
28,968,868	29,488,070	30,394,387	31,479,888	32,672,400	30,897,771
395,241,051	398,977,319	406,467,020	428,532,037	443,751,224	456,522,719
10,954,314	8,573,540	8,798,928	10,098,560	10,744,070	9,658,055
1,026,401	2,513,199	17,292,480	6,655,427	6,699,868	22,797,439
<u>\$ 444,534,867</u>	<u>\$ 447,875,545</u>	<u>\$ 471,276,232</u>	<u>\$ 485,089,329</u>	<u>\$ 502,190,979</u>	<u>\$ 528,199,401</u>
\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
112,323,903	111,389,026	111,399,374	111,381,071	111,333,954	107,606,898
908,265	983,647	983,647	1,155,256	1,172,513	897,678
64,681	64,681	64,681	64,681	64,681	48,341
288,451	297,094	297,094	297,094	297,094	272,402
1,321,797	1,336,797	1,371,261	1,460,404	1,460,404	1,084,157
59,647	59,647	59,647	59,647	59,647	54,438
5,211,253	5,256,134	5,462,112	5,485,642	5,546,180	5,573,434
323,220,971	327,331,102	350,463,871	364,010,989	381,019,401	411,379,171
1,116,804	1,138,322	1,155,450	1,155,450	1,218,010	1,263,787
<u>\$ 444,534,867</u>	<u>\$ 447,875,545</u>	<u>\$ 471,276,232</u>	<u>\$ 485,089,329</u>	<u>\$ 502,190,979</u>	<u>\$ 528,199,401</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Average Class Size
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>ISD No. 279 Staffing Ratio</u>
2009	29.94
2010	29.65
2011	29.13
2012	27.97
2013	27.52
2014	27.63
2015	26.47
2016	26.30
2017	25.60
2018	25.46

Note: This is the government-wide teacher staffing ratio for regular instructional classrooms.

Source: The District's Division of Leadership, Teaching, and Learning

INDEPENDENT SCHOOL DISTRICT NO. 279

School Facilities
as of June 30, 2018

Facility	Use	Constructed	Acres	Square Footage	Enrollment (1)
Arbor View Early Childhood Center	School	1983/2001	5.00	27,000	(2) –
Basswood Elementary	School	1995/2002	36.00	102,648	1,065
Birch Grove Elementary School for the Arts	School	1966/1991/2004	15.00	74,314	445
Cedar Island Elementary	School	1970	23.16	66,871	440
Crest View Elementary	School	1960/1990/1999/2003	16.00	59,208	292
Edinbrook Elementary	School	1988/2002	20.00	106,406	735
Elm Creek Elementary	School	1980	15.00	84,300	527
Fair Oaks Elementary	School	1962/1991/2004	13.16	75,129	415
Fernbrook Elementary	School	1988/2003	43.00	105,440	787
Garden City Elementary	School	1959/1994/2004	10.00	55,153	353
Oak View Elementary	School	1991	22.00	98,600	476
Palmer Lake Elementary	School	1964/1991/2005	15.00	74,463	524
Park Brook Elementary	School	1959/1994/2004	10.00	55,011	293
Rice Lake Elementary	School	1980	15.42	84,300	688
Rush Creek Elementary	School	1995/2002	29.00	102,648	823
Weaver Lake Elementary: A Science, Math, and Technology School	School	1991	29.08	98,600	643
Willow Lane Early Childhood Center	School	1956/1957/1987	11.10	42,796	(2) 195
Woodland Elementary	School	2002	19.00	101,555	723
Zanewood Community School	School	1967/2002	9.21	81,843	399
Brooklyn Middle School: A Science, Technology, Engineering, Arts & Math School	School	1963/1969/1980/2003	28.57	176,104	1,015
Maple Grove Middle School	School	1990/2003	46.62	275,680	1,722
North View Middle School: An International Baccalaureate World School	School	1970/1986/2002/2007	26.04	186,448	658
Osseo Middle School	School	1966/1969/2002/2004	19.89	194,507	1,040
Maple Grove Senior High	School	1996/2002/2004/2015	110.00	351,718	2,245
Osseo Senior High	School	1952/1957/1960/1962/1964/1966/1975/1988/2002/2015	43.63	413,610	2,050
Park Center Senior High: An International Baccalaureate World School	School	1964/1966/1971/1975/1987/1988/2002/2003/2015	31.00	414,774	1,979
Osseo Area Learning Center	School	1973/2000	5.00	47,108	156
Educational Service Center/warehouse/maintenance	Office/maintenance/warehouse	1969/1975/1980/2005	17.76	121,100	–
New ice arena	Sports	1990/2005	3.62	32,640	–
Old ice arena	Sports	1974	–	34,840	–
Adult Education Center	Adult education	2005	–	25,538	–
Osseo Education Center	Special education	1954/1957/1987/2005	11.00	46,144	86
Timberland Properties	CBVAT	Leased	–	12,249	–
Dane Technologies, Inc.	Special education	Leased	–	11,800	–
Total				<u>3,840,545</u>	<u>20,774</u>

(1) Enrollment is defined as the adjusted ADM served, excluding resident students tuitioned out to other Minnesota school districts.

(2) Beginning in fiscal year 2016, both of these sites have been combined on MARSS.

Source: The District's Operations Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service
School Lunch Program Data
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Average Daily Attendance (1)</u>	<u>Total Lunches Served</u>	<u>Days</u>	<u>Average Daily Participation</u>	<u>Participation as a Percentage of Average Daily Attendance</u>
2009	20,379	2,537,579	187	13,570	66.6 %
2010	20,339	2,583,066	205	12,600	61.9
2011	20,141	2,591,135	195	13,288	66.0
2012	19,966	2,550,155	194	13,145	65.8
2013	19,919	2,483,379	196	12,670	63.6
2014	19,963	2,422,337	191	12,682	63.5
2015	19,759	2,510,507	215	11,677	59.1
2016	19,699	2,520,404	215	11,723	59.5
2017	20,020	2,483,812	206	12,057	60.2
2018	20,329	2,483,599	218	11,393	56.0

(1) Based on State Food and Nutrition Department guidelines; attendance is deemed to be 97 percent of enrollment.

Source: The District's Food and Nutrition Department

Free Lunch		Reduced Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
763,322	30.1 %	225,006	8.9 %
856,214	33.1	223,857	8.7
904,757	34.9	256,310	9.9
915,804	35.9	238,826	9.4
970,729	39.1	211,094	8.5
964,628	39.8	230,208	9.5
1,002,132	39.9	261,655	10.4
1,011,298	40.1	253,216	10.0
1,017,620	41.0	260,112	10.5
994,992	40.1	271,193	10.9

INDEPENDENT SCHOOL DISTRICT NO. 279

Students
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (For Students Served or Tuition Paid)					Total	
	Early Childhood and Kindergarten – Handicapped	Kindergarten	Grade 1–6	Grade 7–12	Number	Percent Increase (Decrease)	
2009	283	1,332	9,424	9,971	21,010	(3.5) %	
2010	315	1,435	9,449	9,765	20,964	(0.2)	
2011	313	1,377	9,635	9,447	20,772	(0.9)	
2012	341	1,436	9,487	9,327	20,591	(0.9)	
2013	339	1,444	9,548	9,218	20,549	(0.2)	
2014	342	1,523	9,495	9,221	20,581	0.2	
2015	383	1,432	9,397	9,161	20,373	(1.0)	
2016	366	1,400	9,307	9,234	20,307	(0.3)	
2017	514	1,357	9,237	9,551	20,659	1.7	
2018	540	1,369	9,437	9,612	20,958	1.4	

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

Note 2: 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
Fiscal 2009 through 2014	1.250	1.000	0.612	0.612	1.115	1.060
Fiscal 2015 through 2018	1.000	1.000	0.550	1.000	1.000	1.000

Beginning in fiscal year 2015, the District offered only all-day kindergarten programming; therefore, a 1.0 weighting factor applied to kindergarten students served per MDE guidance.

Source: Minnesota Department of Education

Total Pupil Units	
Number	Percent Increase (Decrease)
24,361	(3.4) %
24,217	(0.6)
23,969	(1.0)
23,715	(1.1)
23,648	(0.3)
23,644	–
22,205	(6.1)
22,153	(0.2)
22,569	1.9
22,880	1.4

Secondary
7–12

1.300

1.200

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

OSSEO AREA SCHOOLS

ISD  279