

OSSEO AREA SCHOOLS

ISD  279

Comprehensive
ANNUAL FINANCIAL
REPORT

For the fiscal year ended June 30, 2013

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 279
OSSEO AREA SCHOOLS
Maple Grove, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended June 30, 2013

INDEPENDENT SCHOOL DISTRICT NO. 279
OSSEO AREA SCHOOLS

11200 – 93rd Avenue North
Maple Grove, MN 55369

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SECTION I

INTRODUCTION

November 12, 2013

FISCAL YEAR 2013 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, 2013, 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, 2013. 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 Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. 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., have issued an unmodified opinion on the District's financial statements for the year ended June 30, 2013. 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 20,535 students in fiscal year (FY) 2013 from a population of 138,789 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 Osseo, Maple Grove, and Brooklyn Park, 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 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. The District is home to three National Blue Ribbon elementary schools: Cedar Island (1990); Park Brook (1997); and Rush Creek (2007). Woodland Elementary was named a Minnesota School of Excellence (2011) and a Family Friendly School (2009). Magnet schools have earned state and national recognition as Schools of Excellence or Schools of Distinction.

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic education, special education for exceptional children, and vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood and extended day programs, along with a myriad of classes for lifelong learning experiences for children and adults.

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.

During FY 2013, the District operated 30 buildings: 3 high schools, 4 junior high schools, 17 elementary schools, 1 area learning center, 2 early childhood sites, 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: E-3, 4-6, K-6, 7-9, and 10-12.

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

The District intentionally focuses efforts of staff and other resources to identify available financial resources that are available in order to maximize revenue. With the exception of the voter-approved operating referendum and bond referendum, the District is dependent on the state of Minnesota for its revenue authority and state aid. Recent experience demonstrates that legislated revenue for education has not been sufficient to meet instructional program needs and increased costs due to inflation.

The state continues to face substantial challenges balancing revenues and expenditures. In order to address state cash flow needs, the Legislature imposed school aid payment and property tax recognition shifts, reducing cash flows for public school districts. A plan to pay back these shifts has been implemented and some of the shifts have been decreased. In 2013, the Legislature approved an increase in the general education formula for FY 2014 and FY 2015 of 1.5 percent for each fiscal year.

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

- State aid versus local taxpayer 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 operating referendum requests
- Impact to local taxpayers for capital projects levy 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 grants

BUDGET PROCESS AND LONG-TERM FINANCIAL PLANNING

In FY 2013, the District implemented a long-range financial planning model to complement the annual budget framework. This model was developed in FY 2012 and implemented in FY 2013 for the FY 2014 budget process. The budget planning steps began in November 2012, using the [Long-Range Financial Model \(LRFM\) and Annual Budget Framework](#) and the [FY 2014 Budget Planning Timeline](#). The following key budget considerations were used during the FY 2014 budget reduction process:

Outcomes for Budget Reduction Process –

1. Create budget reduction 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 fewer resources.
3. Provide budget recommendations for School Board approval that achieve a school district budget that maintains required fund balance.

Budget Reduction Proposal Process –

1. The system has identified legally required and mandated essential services and programs. These will not be considered for reduction.
2. The analysis of budget reductions 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 reductions.

3. The third analysis of budget reductions 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. 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?
5. All proposed reductions will be evaluated using the Program Efficiency Abandonment and Redirection (PEAR) process. The process considers the impact of the reduction, elimination, or restructuring of services on the education programs.
6. Staff and citizen idea input will be solicited and shared with budget managers for consideration in the budget planning process.
7. Stakeholder survey will be used to determine which programs are seen as essential for the community and which programs are not.

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 the proposals at several work sessions in December 2012, January 2013, and February 2013. The public provided input on financial priorities via a survey in December 2012. Public feedback on the proposals was obtained in February through community forums and email correspondence. The School Board approved fiscal year 2014 budget reductions of \$3,074,509 for the general operating/transportation budget on March 5, 2013.

MISSION, CORE VALUES, AND STRATEGIC OBJECTIVES

The District's mission, 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.

CORE VALUES

1. We believe that lifelong learning is essential for the individual and community to thrive.
2. We believe that everyone has equal intrinsic values.
3. We believe that trust is essential to sustaining successful relationships and to achieving results.
4. We believe that better decisions emerge when diverse perspectives are intentionally included in a collaborative process.
5. We believe that everyone benefits when cultural differences are acknowledged and understood, and individuals are treated respectfully and equitably.
6. We believe that everyone can learn more.

STRATEGIC OBJECTIVES

By 2015, All Students Will –

1. Articulate, plan for, and progress toward their evolving dreams.
2. Choose to contribute to community in a mutually meaningful way.
3. Demonstrate initiative and persistence to continually learn that which is important to them.

STRATEGIES: Result Statements by Strategy

Result statements in **color** are priority results for 2013–2014.

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

- **Standards-based instruction and grading are used in all classrooms to ensure equitable achievement.**
- **The District uses a comprehensive system to measure and report progress on equitable gains and to plan for continuous improvement.**
- **Departments and sites use equitable student achievement gain data to create and implement high quality improvement plans.**
- **A plan has been developed to expand full-day kindergarten opportunities.**
- **All sites have implemented research-based positive behavior intervention practices that promote equitable student achievement.**
- **A progress monitoring and intervention plan has been implemented at all sites to reduce overrepresentation of students of color in special education.**
- **A plan has been developed to expand the use of instructional technology and digital learning to promote equitable student achievement.**
- Extended learning opportunities have expanded to provide more K–12 interventions for students who need them.
- Preschool opportunities have expanded to provide more pre-K interventions for students who need them.

*Equitable student achievement has three components.

1. Ensure high levels of achievement for all students.
2. Accelerate achievement for students of color and other underperforming groups.
3. Close the achievement gap for all students.

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

- **Community members have increased trust in the District.**
- Community members and students are engaged in collaborative activities that result in mutual benefit.

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

- **Families and students feel welcome at school and respected and trusted by school staff.**
- Communications between home and school regarding school programs and student progress are differentiated to meet student and family needs.
- Families have the knowledge and skills to navigate the school system and effectively engage in their student's education.

- Resources and services are coordinated, communicated, and accessible to students and families.
- Volunteer initiatives contribute to student learning and support schools and families.

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

- Employees identify and respond to the influence of race and culture on learning.
- The long-range financial planning framework has been evaluated and refined to ensure that it continues to align system resources with our mission and strategic objectives.
- A plan has been developed to recruit and retain a workforce that is more reflective of the racial and gender diversity in our student population.
- Staff managers demonstrate core competencies of standards of management practice.

The 2013–2014 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 insure 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 operating fund at June 30, 2013 was 17.6 percent of total General Fund expenditures. This amount was within the policy guidelines set by the School Board for budgetary and planning purposes.

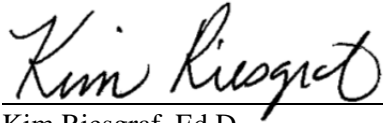
As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

AWARDS AND ACKNOWLEDGEMENTS

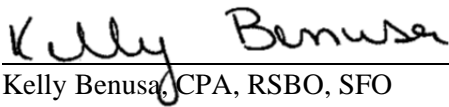
This report will be submitted to the Association of School Business Officials International for consideration for the Certificate of Excellence (COE) in Financial Reporting. The District received this award as a result of its initial submission in FY 1990 and all subsequent submissions on an annual basis through FY 2012. In order to receive this award, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles 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 Certificate of Excellence 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 their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

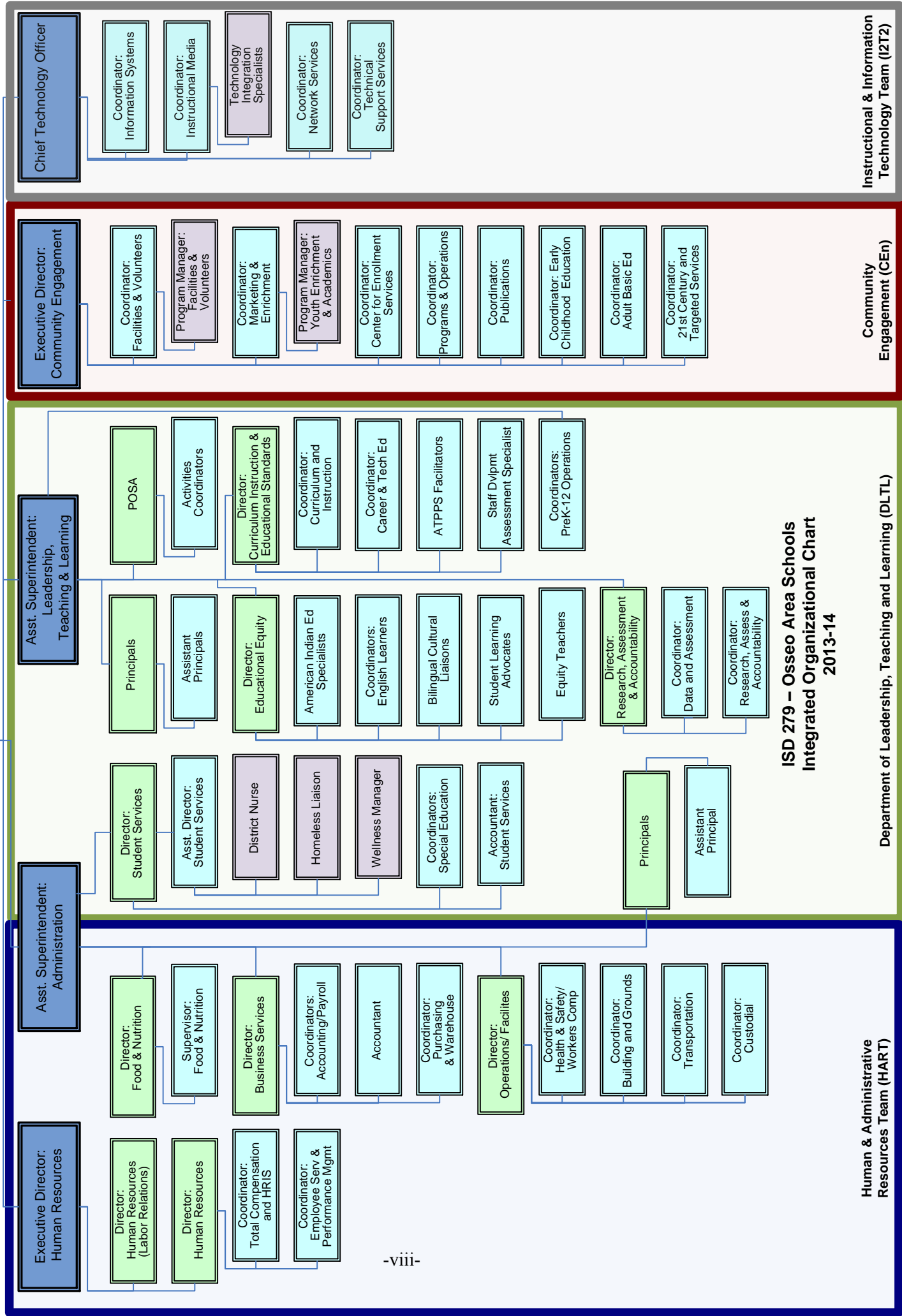
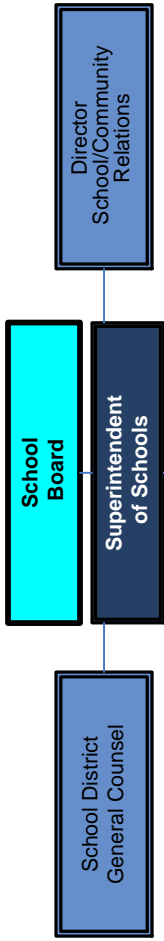
Respectfully submitted,

A handwritten signature in black ink, reading "Kim Riesgraf". The signature is written in a cursive style with a horizontal line underneath.

Kim Riesgraf, Ed.D.
Assistant Superintendent, Administration

A handwritten signature in black ink, reading "Kelly Benusa". The signature is written in a cursive style with a horizontal line underneath.

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



ISD 279 – Osseo Area Schools
Integrated Organizational Chart
2013-14

Human & Administrative Resources Team (HART)

Department of Leadership, Teaching and Learning (DLTL)

Community Engagement (CEn)

Instructional & Information Technology Team (I2T2)

INDEPENDENT SCHOOL DISTRICT NO. 279

School Board and Administration
as of June 30, 2013

SCHOOL BOARD

	Board Position
Dean Henke	Chairperson
Teresa Lunt	Vice Chairperson
Tammie Epley	Clerk
Jim Burgett	Treasurer
Linda Etim	Director
Jacki Girtz	Director

ADMINISTRATION

Cabinet

Kate Maguire, Ed.D.	Superintendent
Teri Staloch, Ed.D.	Assistant Superintendent, Division of Leadership, Teaching, and Learning
Kim Riesgraf, Ed.D.	Assistant Superintendent, Administration
Judy McDonald	Assistant Superintendent, Human Resources
Tim Wilson	Chief Technology Officer
Brian Siverson-Hall	Executive Director, Community Education
Barbara Olson	Director, School/Community Relations
Margaret Westin, Esq.	School District General Counsel

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 Award
is presented to*

Independent School District 279 – Osseo Area Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

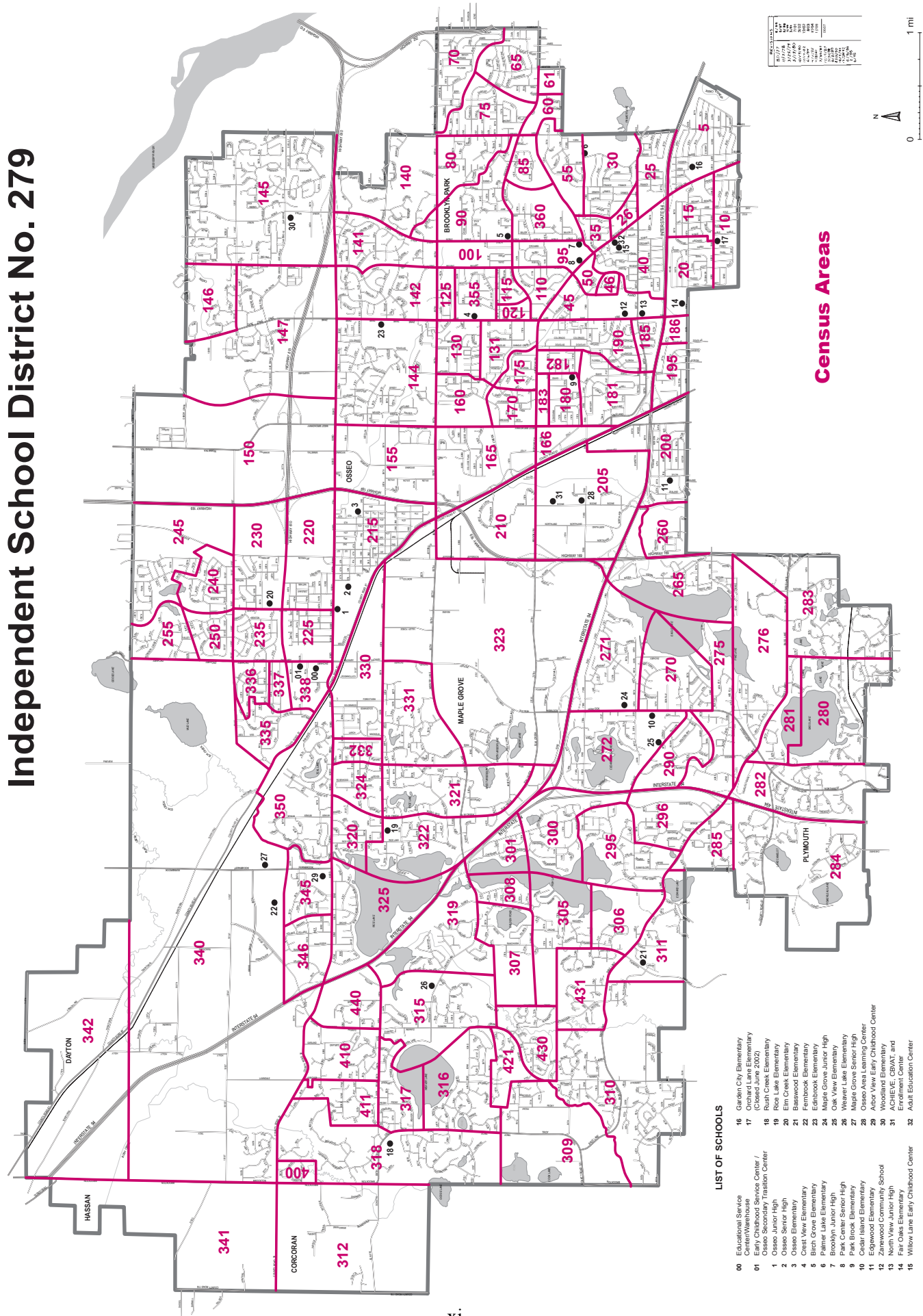
The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Ron McCulley, CPPB, RSBO
President

John D. Musso, CAE, RSBA
Executive Director

Independent School District No. 279



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SECTION II

FINANCIAL

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 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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, 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 2012 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 5, 2012. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2012, 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 12, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 12, 2013

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INDEPENDENT SCHOOL DISTRICT NO. 279

Management's Discussion and Analysis Year Ended June 30, 2013

This section of Independent School District No. 279's (the District) comprehensive annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. 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 2013 include the following:

- Net position increased 2.8 percent over the prior year.
- Overall actual revenues in the Statement of Activities were approximately \$282 million and about \$6.2 million more than expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of five parts: independent auditor's report, Management's Discussion and Analysis (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 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 statements* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*.
- The *fiduciary fund 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 annual report are arranged and relate to one another:

Figure A
Organization of Comprehensive Annual Financial Report

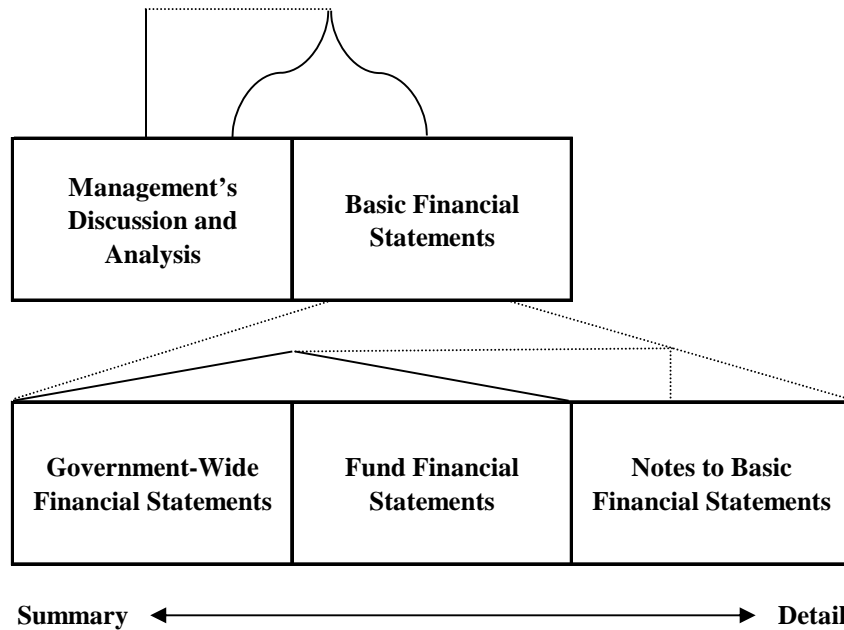


Figure B summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

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 (if any), liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District’s *net position* and how they have changed. Net position—the difference between the District’s assets, deferred outflows of resources (if any), 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 non-financial 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* – Most 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—not 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 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 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 three internal service funds consisting of a self-insured dental 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, Post-Employment Benefits Irrevocable Trust, and Local Collaborative Time Study Grant. 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 \$229,741,789 on June 30, 2013. This was an improvement of 2.8 percent from the prior year.

Table 1 Summary Statement of Net Position – Governmental Activities as of June 30, 2013 and 2012		
	2013	2012
Assets		
Current and other assets	\$ 160,210,017	\$ 156,631,975
Capital assets	299,101,849	301,792,822
Total assets	\$ 459,311,866	\$ 458,424,797
Liabilities		
Long-term liabilities	\$ 168,288,218	\$ 177,807,698
Other liabilities	13,608,989	10,811,108
Total liabilities	\$ 181,897,207	\$ 188,618,806
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 47,672,870	\$ 46,248,520
Net position		
Net investment in capital assets	\$ 178,183,551	\$ 168,810,854
Restricted	11,675,297	9,848,155
Unrestricted	39,882,941	44,898,462
Total net position	\$ 229,741,789	\$ 223,557,471

The District’s improved financial position is the product of many factors. However, one event from last year stands out. The District issued \$6,625,000 in alternative facility bonds, while repaying \$14,626,680 of outstanding general obligation bonds, alternative facility bonds, and capital leases.

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Charges for services	\$ 15,581,317	\$ 17,749,032
Operating grants and contributions	61,361,045	62,160,093
Capital grants and contributions	8,016,685	7,521,842
General revenues		
Property taxes	73,115,399	68,586,485
General grants and aids	122,691,081	123,399,761
Other	1,058,398	601,733
Total revenues	<u>281,823,925</u>	<u>280,018,946</u>
Expenses		
Administration	9,302,245	10,010,161
District support services	7,707,269	7,846,332
Elementary and secondary regular instruction	120,150,495	119,863,495
Vocational education instruction	2,224,938	3,483,484
Special education instruction	46,747,032	44,724,609
Instructional support services	12,485,545	12,333,695
Pupil support services	21,507,907	20,217,797
Sites and buildings	16,097,883	15,331,085
Fiscal and other fixed cost programs	515,881	338,499
Food service	10,891,333	10,795,396
Community service	14,903,788	14,095,978
Depreciation expense (net of allocation to programs)	7,908,028	7,694,060
Interest and fiscal charges on debt	5,197,263	7,214,344
Total expenses	<u>275,639,607</u>	<u>273,948,935</u>
Change in net position	<u><u>\$ 6,184,318</u></u>	<u><u>\$ 6,070,011</u></u>
End of year net position	<u><u>\$ 229,741,789</u></u>	<u><u>\$ 223,557,471</u></u>

Changes in Net Position – The District’s total revenues were \$281,823,925 for the year ended June 30, 2013. Property taxes and general grants and aids accounted for 69.5 percent (see Figure C) of total revenue for the year.

The District’s property taxes were higher and general grants and aids were lower in fiscal year 2013 due to the allocation of revenue between state sources and property taxes in fiscal year 2013 as compared to fiscal year 2012 due to the recognition of the tax shift.

The total cost of all programs and services was \$275,639,607. The District’s expenses are predominantly related to educating and caring for students (76.5 percent) (see Figure D). The administrative activities of the District accounted for 3.4 percent of total costs.

Total revenues exceeded expenses, increasing net position \$6,184,318 over last year.

Figure C – Sources of Revenues for Fiscal Year 2013

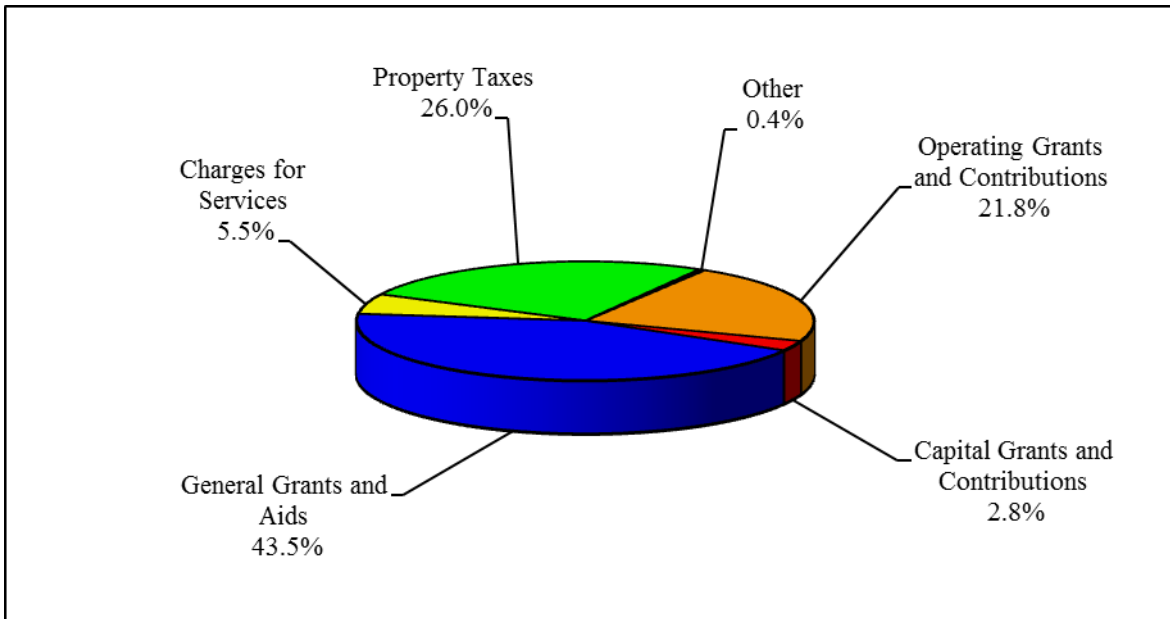
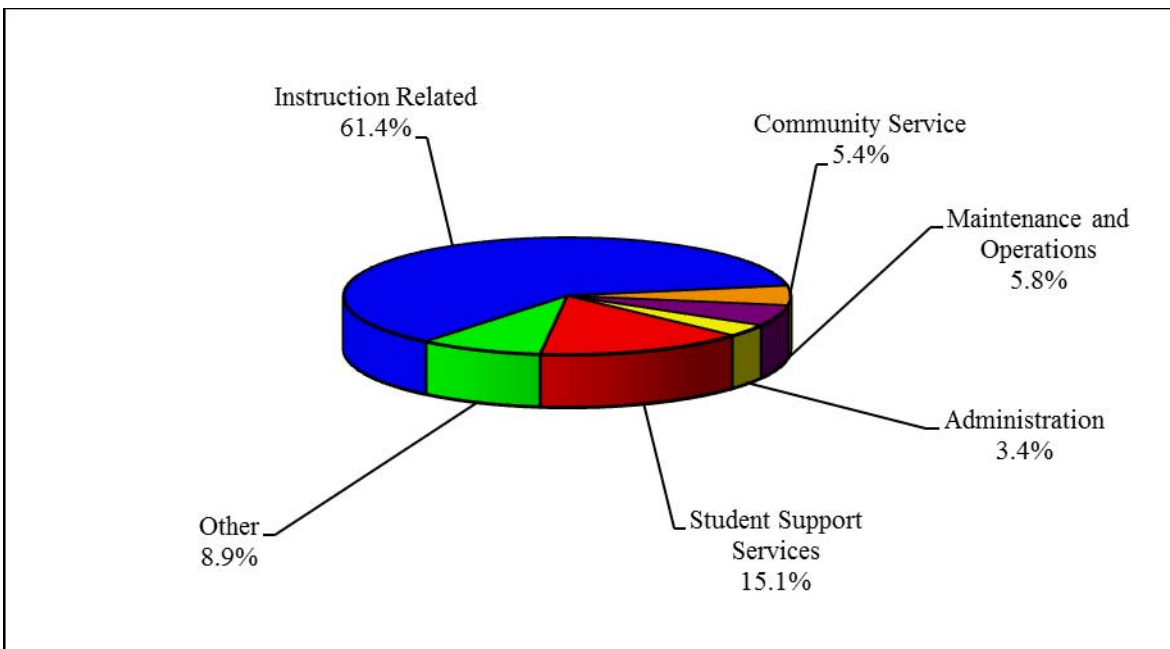


Figure D – Expenses for Fiscal Year 2013



- The cost of all *governmental* activities for fiscal year 2013 was \$275,639,607.
- Some of the cost, \$15,581,317, was paid by the users of the District's programs.
- The federal and state governments subsidized certain programs with grants and contributions of \$69,377,730.
- Most of the District's costs, totaling \$195,806,480, were paid for by district taxpayers and the taxpayers of our state through general grants and aids. This portion of governmental activities was paid for with \$73,115,399 in property taxes and \$122,691,081 of state aid based on the state-wide education aid formula.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percent Change	Net Cost of Services		Total Percent Change
	2013	2012	2012-2013	2013	2012	2012-2013
Administration	\$ 9,302,245	\$ 10,010,161	(7.1%)	\$ 8,676,763	\$ 7,246,629	19.7%
District support services	7,707,269	7,846,332	(1.8%)	7,635,207	7,737,834	(1.3%)
Elementary and secondary regular instruction	120,150,495	119,863,495	0.2%	100,296,129	96,852,109	3.6%
Vocational education instruction	2,224,938	3,483,484	(36.1%)	2,042,003	3,212,962	(36.4%)
Special education instruction	46,747,032	44,724,609	4.5%	18,593,543	16,324,804	13.9%
Instructional support services	12,485,545	12,333,695	1.2%	10,373,879	12,143,412	(14.6%)
Pupil support services	21,507,907	20,217,797	6.4%	19,448,117	18,279,344	6.4%
Sites and buildings	16,097,883	15,331,085	5.0%	7,618,289	7,399,559	3.0%
Fiscal and other fixed cost programs	515,881	338,499	52.4%	515,881	338,499	52.4%
Food service	10,891,333	10,795,396	0.9%	(113,792)	188,870	(160.2%)
Community service	14,903,788	14,095,978	5.7%	2,489,250	1,885,542	32.0%
Depreciation expense (net of allocation to programs)	7,908,028	7,694,060	2.8%	7,908,028	7,694,060	2.8%
Interest and fiscal charges on debt	5,197,263	7,214,344	(28.0%)	5,197,263	7,214,344	(28.0%)
Total	\$ 275,639,607	\$ 273,948,935	0.6%	\$ 190,680,560	\$ 186,517,968	2.2%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

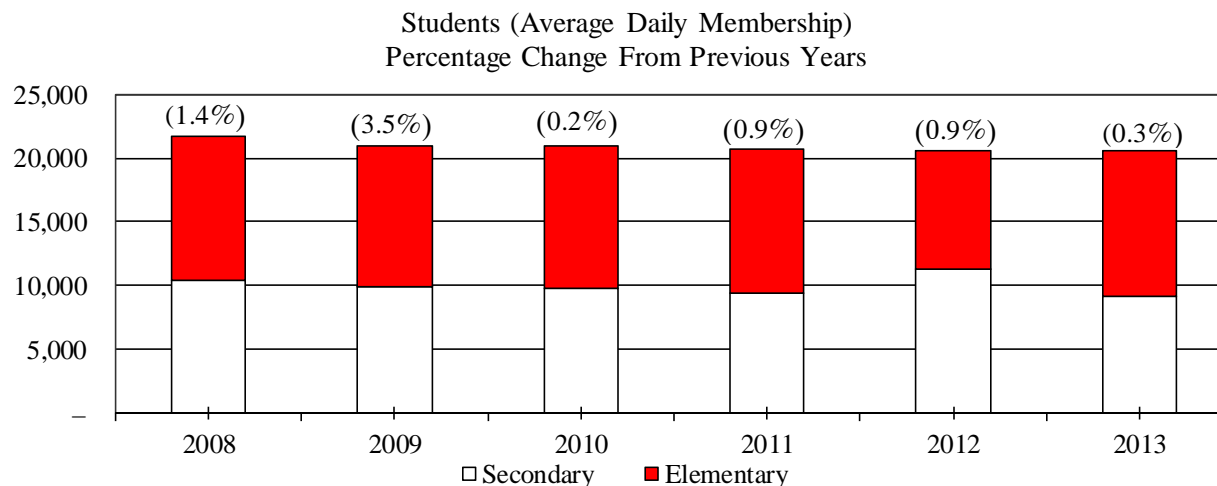
The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$63,874,271, a decrease from last year's ending fund balance of \$66,153,539, or 3.4 percent. This is primarily due to the District repaying \$13,665,000 of outstanding general obligation bonds, alternative facilities bonds, and refunded general obligation bonds during fiscal year 2013.

Revenues for the District's governmental funds were \$281,342,220, while total expenditures were \$293,092,497.

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 7.0 percent decrease in the number of students. Enrollment projections predict a slight decrease in enrollment over the next several years.

The following schedule presents a summary of General Fund revenues:

	Year Ended June 30,		Amount of	Percent
	2013	2012	Increase (Decrease)	Increase (Decrease)
Local sources				
Property taxes	\$ 48,294,901	\$ 44,965,114	\$ 3,329,787	7.4%
Investment earnings	59,778	40,271	19,507	48.4%
Other	5,349,808	7,132,608	(1,782,800)	(25.0%)
State sources	170,604,321	169,038,006	1,566,315	0.9%
Federal sources	8,630,373	11,021,029	(2,390,656)	(21.7%)
Total General Fund revenue	\$ 232,939,181	\$ 232,197,028	\$ 742,153	0.3%

Total General Fund revenue increased by \$742,153, or 0.3 percent, in fiscal year 2013 compared with fiscal year 2012. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including 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. As previously discussed, the District's property taxes were higher and state sources were lower in fiscal year 2013 due to the allocation of revenue between state sources and property taxes in fiscal year 2013 as compared to fiscal year 2012 due to the recognition of the tax shift. The state sources decrease was offset by the new aid for literacy of \$1.4 million and a 1.0 percent increase to the basic formula for general education.

Other sources decreased \$1.8 million in fiscal year 2013 as compared to fiscal year 2012. This decrease was due to COBRA insurance recorded in revenue in previous years, whereas in the current year this amount was net of health insurance expenditures.

Federal sources decreased \$2.4 million in fiscal year 2013 as compared to fiscal year 2012. This decrease was due mostly to federal stimulus aid received in fiscal year 2012.

The following schedule presents a summary of General Fund expenditures:

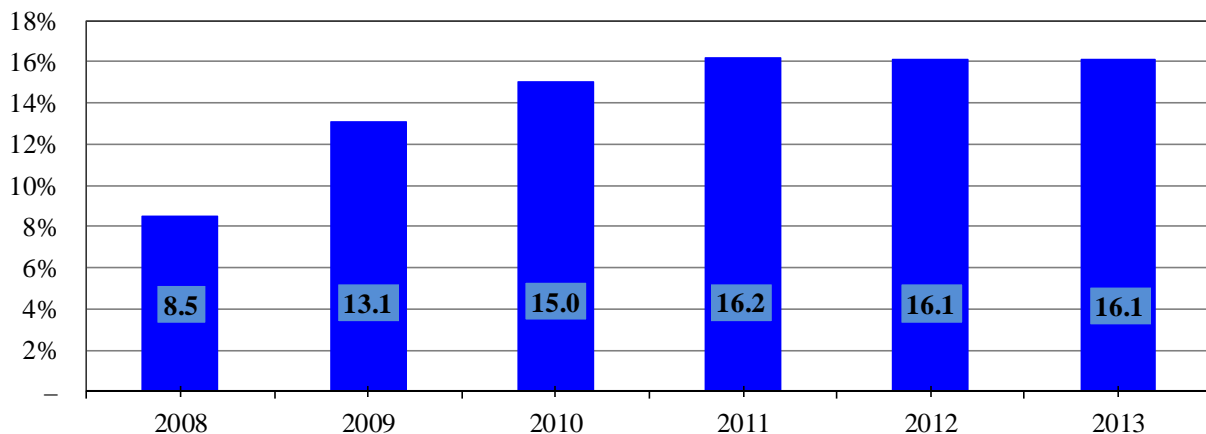
	Year Ended June 30,		Amount of	Percent
	2013	2012	Increase (Decrease)	Increase (Decrease)
Salaries	\$ 147,288,801	\$ 146,567,619	\$ 721,182	0.5%
Employee benefits	48,199,933	46,875,134	1,324,799	2.8%
Purchased services	30,110,732	28,542,917	1,567,815	5.5%
Supplies, materials, and equipment	12,033,822	11,884,733	149,089	1.3%
Other expenditures	2,433,388	2,539,757	(106,369)	(4.2%)
Total expenditures	<u>\$ 240,066,676</u>	<u>\$ 236,410,160</u>	<u>\$ 3,656,516</u>	1.5%

Total General Fund expenditures increased \$3,656,516, or 1.5 percent, from the previous year. The School Board approved budget reductions of \$3 million for the fiscal year 2013. This reduction was partially offset by more than \$650,000 of additional expenditures required for the new literacy incentive aid that was received.

In fiscal year 2013, salaries increased 0.5 percent and employee benefits increased 2.8 percent. The increase in salaries and benefits is attributed to employee contract improvements.

Purchased services increased by \$1.6 million from the prior year. The increase in purchased services was due mainly to increased costs of 6.0 percent in the new transportation contract, additional snow removal required based on the 2013 winter, and increased rates for general liability insurance.

The following graph shows the General Fund unassigned/unreserved fund balance (net of any restricted account deficits) as a percentage of expenditures:



In fiscal year 2013, General Fund revenue and other financing sources were less than expenditures and other financing uses by \$4,376,667. Therefore, total fund balance decreased to \$47,231,011 at June 30, 2013. After deducting nonspendable, assigned, and restricted amounts (including restricted account deficits), the unassigned fund balance increased from \$38,057,262 at June 30, 2012 to \$38,613,941 at June 30, 2013.

The graph on the previous page is the single best measure of overall financial health. The unassigned fund balance of \$38,613,941 at June 30, 2013 represents 16.1 percent of annual expenditures, or more than eight 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:

- 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.
- 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 \$6,093,250, the actual results for the year show a decrease of \$4,376,667.

- Actual revenues were \$1,453,454 less than expected. State sources were under budget by \$1 million due to less general education aid from serving fewer students than previously estimated and special education excess revenue formulas adjustments. Other revenue sources were over budget by \$714,000 due to several items, including more collections from third party billings for medical assistance and increased facility rentals compared to planned amounts. Federal sources were under budgeted entitlement amounts by \$1 million. These grants contain carryover provisions and will be spent down during the next fiscal year as planned.
- Actual expenditures were about \$3.2 million under budget, or a 1.3 percent variance. The main contributing factor to the variance was purchased services and supplies and materials were less than budget due to conservation efforts of staff and administration.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Projects – Building Construction Fund revenues exceeded expenditures by \$2,321,958, resulting in an increased fund balance of \$7,575,525 at June 30, 2013. This surplus was due to the issuance of the 2013A Alternative Facilities Bonds for \$6,625,000. The 2013A bonds were issued to be used to finance fiscal year 2014 and fiscal year 2015 alternative facility projects.

The Debt Service Fund revenues exceeded expenditures and other financing sources and other financing uses by \$94,464 in fiscal year 2013. The remaining fund balance of \$3,847,570 at June 30, 2013 is available for meeting future debt service obligations.

NONMAJOR FUNDS

Expenditures exceeded revenues in the nonmajor funds by \$319,023. The Food Service Special Revenue Fund had an increase in fund balance of \$259,597. This was higher than budgeted due to actual employee settlement costs and purchased food being less than budgeted amounts. The Community Service Special Revenue Fund had a planned decline in fund balance of \$578,620. 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 2013, 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 increased \$113,572, resulting in a net position of \$458,003 at June 30, 2013.

The Retirement Incentive Pay Internal Service Fund change in net position increased \$1,382,010, resulting in a net position of \$2,143,217 at June 30, 2013. This increase is attributed to increased contributions from governmental funds as a result of the projections in an independent actuarial valuation study dated March 1, 2012, which computed future costs in this area and a large increase in teacher retirees for the fiscal year 2013.

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 other post-employment benefits (OPEB) in accordance with standards described in Governmental Accounting Standards Board (GASB) Statement Nos. 43 and 45. This revocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. On June 30, 2013, this fund has a net position of \$11,811,074. The assets held in this fund are dedicated for the purpose of paying these obligations.

The most recent independent actuarial study dated March 1, 2012, 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 pre-funding 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.

POST-EMPLOYMENT BENEFITS IRREVOCABLE TRUST FUND

The Post-Employment Benefits Irrevocable Trust Fund was established to fund OPEB in accordance with standards described in GASB Statement Nos. 43 and 45. This irrevocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. On June 30, 2013, this fund has a net position of \$1,833,641. The assets held in this fund are dedicated for the purpose of paying these obligations.

The most recent independent actuarial study dated March 1, 2012, computed the present value of these benefits. The long-term liability represents the present value of these benefits based on medical benefits earned. The District has been strategic by pre-funding a portion of this post-employment benefits 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 2013, the District had invested almost \$445 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). Land with a book value of \$2,347,465 was sold for \$2,838,854, which accounts for the 22.0 percent decrease in the land category for fiscal year 2013. (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 \$10.4 million as compared to a prior year depreciation expense of \$10.3 million.

Table 4
Capital Assets – Governmental Activities

	2013	2012	Total Percent Change 2012–2013
Land	\$ 8,344,233	\$ 10,691,698	(22.0%)
Land improvements	28,968,868	27,843,458	4.0%
Buildings	395,241,051	387,290,466	2.1%
Furniture and equipment	10,954,314	10,652,175	2.8%
Construction in progress	1,026,401	391,975	161.9%
Less accumulated depreciation	(145,433,018)	(135,076,950)	7.7%
Total	<u>\$ 299,101,849</u>	<u>\$ 301,792,822</u>	(0.9%)

Debt Administration

At June 30, 2013, the District had bonded debt of \$138,715,000. 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

Table 5
Outstanding Long-Term Liabilities

	2013	2012	Total Percent Change
General obligation bond principal payable	\$ 138,715,000	\$ 145,755,000	(4.8%)
Capital leases	1,070,108	2,031,788	(47.3%)
Unamortized premiums on debt issued	6,172,040	7,685,146	(19.7%)
Post-employment severance benefits payable	15,505,628	16,251,016	(4.6%)
Net other post-employment benefit obligation	6,825,442	6,084,748	12.2%
Total	<u>\$ 168,288,218</u>	<u>\$ 177,807,698</u>	(5.4%)

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 \$1,773,605,673.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature approved an increase in the general education formula for fiscal years 2014 and 2015 of 1.5 percent for each fiscal year. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The District will strive to maintain its longstanding 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 financial report 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.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Position
as of June 30, 2013
(With Partial Comparative Information as of June 30, 2012)

	Governmental Activities	
	2013	2012
Assets		
Cash and temporary investments	\$ 74,202,721	\$ 35,342,088
Receivables		
Current taxes	36,368,222	35,809,421
Delinquent taxes	923,189	1,286,575
Accounts and interest receivable	279,249	619,494
Due from other governmental units	29,007,813	64,863,237
Inventory	792,307	910,143
Restricted assets – temporarily restricted		
Cash and investments for OPEB	18,522,571	17,606,335
Interest receivable for OPEB	113,945	194,682
Total restricted assets – temporarily restricted	18,636,516	17,801,017
Capital assets		
Not depreciated	9,370,634	11,083,673
Depreciated, net of accumulated depreciation	289,731,215	290,709,149
Total capital assets, net of accumulated depreciation	299,101,849	301,792,822
Total assets	\$ 459,311,866	\$ 458,424,797
Liabilities		
Salaries payable	\$ 1,009,282	\$ 718,612
Accounts and contracts payable	8,244,388	4,036,558
Due to other governmental units	1,447,158	1,462,607
Unearned revenue	238,537	1,759,947
Accrued interest payable	2,669,624	2,833,384
Long-term liabilities		
Due within one year	17,282,197	16,740,150
Due in more than one year	151,006,021	161,067,548
Total long-term liabilities	168,288,218	177,807,698
Total liabilities	181,897,207	188,618,806
Deferred inflows of resources		
Property taxes levied for subsequent year	47,672,870	46,248,520
Net position		
Net investment in capital assets	178,183,551	168,810,854
Restricted for		
Capital asset acquisition	6,328,649	4,228,672
Food service	3,366,488	3,106,891
Community service	1,877,548	2,458,654
Other purposes (state funding restrictions)	102,612	53,938
Unrestricted	39,882,941	44,898,462
Total net position	229,741,789	223,557,471
Total liabilities, deferred inflows of resources, and net position	\$ 459,311,866	\$ 458,424,797

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Activities
Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

		2013			2012	
					Net (Expense)	Net (Expense)
					Revenue and	Revenue and
					Changes in	Changes in
					Net Position	Net Position
		Program Revenues				
		Operating	Capital			
		Grants and	Grants and			
		Contributions	Contributions			
Functions/Programs	Expenses	Charges for			Governmental	Governmental
		Services			Activities	Activities
Governmental activities						
Administration	\$ 9,302,245	\$ 362,426	\$ 263,056	\$ –	\$ (8,676,763)	\$ (7,246,629)
District support services	7,707,269	16,977	55,085	–	(7,635,207)	(7,737,834)
Elementary and secondary						
regular instruction	120,150,495	1,410,548	18,443,818	–	(100,296,129)	(96,852,109)
Vocational education						
instruction	2,224,938	–	182,935	–	(2,042,003)	(3,212,962)
Special education instruction	46,747,032	8,820	28,144,669	–	(18,593,543)	(16,324,804)
Instructional support services	12,485,545	2,589	1,990,815	118,262	(10,373,879)	(12,143,412)
Pupil support services	21,507,907	–	2,059,790	–	(19,448,117)	(18,279,344)
Sites and buildings	16,097,883	581,171	–	7,898,423	(7,618,289)	(7,399,559)
Fiscal and other fixed cost						
programs	515,881	–	–	–	(515,881)	(338,499)
Food service	10,891,333	4,694,700	6,310,425	–	113,792	(188,870)
Community service	14,903,788	8,504,086	3,910,452	–	(2,489,250)	(1,885,542)
Depreciation expense (net						
of allocations to programs)	7,908,028	–	–	–	(7,908,028)	(7,694,060)
Interest and fiscal charges	5,197,263	–	–	–	(5,197,263)	(7,214,344)
Total governmental						
activities	<u>\$275,639,607</u>	<u>\$15,581,317</u>	<u>\$61,361,045</u>	<u>\$ 8,016,685</u>	(190,680,560)	(186,517,968)
General revenues						
Taxes						
Property taxes, levied for general purposes					48,214,311	44,688,424
Property taxes, levied for community service					1,888,383	1,835,225
Property taxes, levied for debt service					20,440,190	19,362,076
Property taxes, levied for building construction					2,572,515	2,700,760
General grants and aids					122,691,081	123,399,761
Other general revenues					383,238	7,514
Gain on sale of capital assets					491,389	–
Investment earnings					183,771	594,219
Total general revenues					<u>196,864,878</u>	<u>192,587,979</u>
Change in net position					6,184,318	6,070,011
Net position – beginning					<u>223,557,471</u>	<u>217,487,460</u>
Net position – ending					<u>\$ 229,741,789</u>	<u>\$ 223,557,471</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Balance Sheet
Governmental Funds
as of June 30, 2013
(With Partial Comparative Information as of June 30, 2012)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 27,315,822	\$ 8,208,725	\$ 14,341,061
Receivables			
Current taxes	25,246,842	–	10,227,907
Delinquent taxes	632,017	–	268,731
Accounts and interest	166,757	369	–
Due from other governmental units	28,359,681	–	477
Inventory	354,436	–	–
Total assets	<u>\$ 82,075,555</u>	<u>\$ 8,209,094</u>	<u>\$ 24,838,176</u>
Liabilities			
Salaries payable	\$ 711,267	\$ 5,140	\$ –
Accounts and contracts payable	5,978,171	628,429	–
Due to other governmental units	1,447,158	–	–
Due to other funds	–	–	–
Unearned revenue	–	–	–
Total liabilities	<u>8,136,596</u>	<u>633,569</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	26,037,051	–	20,705,227
Unavailable revenue – delinquent taxes	670,897	–	285,379
Total deferred inflows of resources	<u>26,707,948</u>	<u>–</u>	<u>20,990,606</u>
Fund balances (deficit)			
Nonspendable	354,436	–	–
Restricted	7,197,150	7,575,525	3,847,570
Assigned	1,865,912	–	–
Unassigned	37,813,513	–	–
Total fund balances	<u>47,231,011</u>	<u>7,575,525</u>	<u>3,847,570</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 82,075,555</u>	<u>\$ 8,209,094</u>	<u>\$ 24,838,176</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2013	2012
\$ 4,874,929	\$ 54,740,537	\$ 24,001,418
893,473	36,368,222	35,809,421
22,441	923,189	1,286,575
112,123	279,249	619,494
647,655	29,007,813	64,863,237
437,871	792,307	910,143
<u>\$ 6,988,492</u>	<u>\$ 122,111,317</u>	<u>\$ 127,490,288</u>
\$ 292,875	\$ 1,009,282	\$ 718,612
282,452	6,889,052	3,913,868
—	1,447,158	1,462,607
—	—	6,138,674
238,537	238,537	1,759,947
<u>813,864</u>	<u>9,584,029</u>	<u>13,993,708</u>
930,592	47,672,870	46,248,520
23,871	980,147	1,094,521
<u>954,463</u>	<u>48,653,017</u>	<u>47,343,041</u>
437,871	792,307	910,143
4,785,089	23,405,334	19,173,336
—	1,865,912	8,861,190
(2,795)	37,810,718	37,208,870
<u>5,220,165</u>	<u>63,874,271</u>	<u>66,153,539</u>
<u>\$ 6,988,492</u>	<u>\$ 122,111,317</u>	<u>\$ 127,490,288</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, 2013
(With Partial Comparative Information as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
Total fund balances – governmental funds	\$ 63,874,271	\$ 66,153,539
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	444,534,867	436,869,772
Accumulated depreciation	(145,433,018)	(135,076,950)
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	(138,715,000)	(145,755,000)
Capital leases	(1,070,108)	(2,031,788)
Premium on bonds	(6,172,040)	(7,685,146)
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.		
	14,412,294	12,821,907
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(2,669,624)	(2,833,384)
Certain revenues (including delinquent property taxes) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.		
	<u>980,147</u>	<u>1,094,521</u>
Total net position – governmental activities	<u><u>\$ 229,741,789</u></u>	<u><u>\$ 223,557,471</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 48,294,901	\$ 2,572,515	\$ 20,471,488
Investment earnings	59,778	3,130	9,433
Other	5,349,808	–	–
State sources	170,604,321	–	3,526
Federal sources	8,630,373	–	–
	<u>232,939,181</u>	<u>2,575,645</u>	<u>20,484,447</u>
Expenditures			
Current			
Administration	9,302,245	–	–
District support services	5,628,062	–	–
Elementary and secondary regular instruction	121,609,632	–	–
Vocational education instruction	2,222,082	–	–
Special education instruction	46,755,363	–	–
Instructional support services	12,502,018	–	–
Pupil support services	21,507,907	–	–
Sites and buildings	19,041,698	–	–
Fiscal and other fixed cost programs	515,881	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	6,837,675	–
Debt service			
Principal	961,680	–	13,665,000
Interest and fiscal charges	20,108	41,012	6,820,164
Total expenditures	<u>240,066,676</u>	<u>6,878,687</u>	<u>20,485,164</u>
Excess (deficiency) of revenue over expenditures	(7,127,495)	(4,303,042)	(717)
Other financing sources (uses)			
Debt issued	–	6,625,000	–
Premium on debt issued	–	–	7,155
Bond retirement from escrow	–	–	–
Capital lease issued	–	–	–
Proceeds from sale of assets	2,750,828	–	88,026
Total other financing sources (uses)	<u>2,750,828</u>	<u>6,625,000</u>	<u>95,181</u>
Net change in fund balances	(4,376,667)	2,321,958	94,464
Fund balances			
Beginning of year	<u>51,607,678</u>	<u>5,253,567</u>	<u>3,753,106</u>
End of year	<u>\$ 47,231,011</u>	<u>\$ 7,575,525</u>	<u>\$ 3,847,570</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2013	2012
\$ 1,890,869	\$ 73,229,773	\$ 68,998,755
6,740	79,081	242,195
14,083,744	19,433,552	21,287,557
3,105,565	173,713,412	172,738,587
6,256,029	14,886,402	16,812,098
25,342,947	281,342,220	280,079,192
—	9,302,245	10,010,161
—	5,628,062	5,738,350
—	121,609,632	121,086,618
—	2,222,082	3,518,848
—	46,755,363	44,716,402
—	12,502,018	12,364,771
—	21,507,907	20,217,797
—	19,041,698	17,436,926
—	515,881	338,499
10,634,472	10,634,472	10,517,361
14,742,075	14,742,075	13,963,156
285,423	7,123,098	7,644,310
—	14,626,680	14,221,944
—	6,881,284	9,277,293
25,661,970	293,092,497	291,052,436
(319,023)	(11,750,277)	(10,973,244)
—	6,625,000	—
—	7,155	—
—	—	(37,895,000)
—	—	381,732
—	2,838,854	—
—	9,471,009	(37,513,268)
(319,023)	(2,279,268)	(48,486,512)
5,539,188	66,153,539	114,640,051
\$ 5,220,165	\$ 63,874,271	\$ 66,153,539

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, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Total net change in fund balances – governmental funds	\$ (2,279,268)	\$ (48,486,512)
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	10,070,215	9,886,251
Depreciation expense	(10,393,150)	(10,191,576)
A gain (loss) on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(2,368,038)	(98,126)
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.	(6,625,000)	–
The amount of capital lease proceeds is reported in the governmental funds as a source of financing. Capital lease proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	–	(381,732)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	1,590,387	1,574,083
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	13,665,000	51,170,000
Capital leases	961,680	946,944
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.	163,760	975,792
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.	1,513,106	1,087,157
Certain revenues (including delinquent property taxes) 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>(114,374)</u>	<u>(412,270)</u>
Change in net position – governmental activities	<u>\$ 6,184,318</u>	<u>\$ 6,070,011</u>

See notes to basic financial statements

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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, 2013

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 40,283,067	\$ 48,412,039	\$ 48,294,901	\$ (117,138)
Investment earnings	41,000	71,000	59,778	(11,222)
Other	4,030,789	4,636,209	5,349,808	713,599
State sources	162,771,323	171,608,405	170,604,321	(1,004,084)
Federal sources	—	9,664,982	8,630,373	(1,034,609)
Total revenue	<u>207,126,179</u>	<u>234,392,635</u>	<u>232,939,181</u>	<u>(1,453,454)</u>
Expenditures				
Current				
Administration	8,466,923	10,149,679	9,302,245	(847,434)
District support services	5,929,466	7,449,181	5,628,062	(1,821,119)
Elementary and secondary regular instruction	79,304,627	121,887,827	121,609,632	(278,195)
Vocational education instruction	2,208,218	2,705,664	2,222,082	(483,582)
Special education instruction	33,856,070	46,400,106	46,755,363	355,257
Instructional support services	8,492,797	12,565,522	12,502,018	(63,504)
Pupil support services	20,118,147	21,879,726	21,507,907	(371,819)
Sites and buildings	16,487,135	18,772,653	19,041,698	269,045
Fiscal and other fixed cost programs	41,362,286	540,000	515,881	(24,119)
Debt service				
Principal	866,247	866,247	961,680	95,433
Interest and fiscal charges	20,108	20,108	20,108	—
Total expenditures	<u>217,112,024</u>	<u>243,236,713</u>	<u>240,066,676</u>	<u>(3,170,037)</u>
Excess (deficiency) of revenue over expenditures	(9,985,845)	(8,844,078)	(7,127,495)	1,716,583
Other financing sources				
Proceeds from sale of assets	<u>—</u>	<u>2,750,828</u>	<u>2,750,828</u>	<u>—</u>
Net change in fund balances	<u>\$ (9,985,845)</u>	<u>\$ (6,093,250)</u>	<u>(4,376,667)</u>	<u>\$ 1,716,583</u>
Fund balances				
Beginning of year			<u>51,607,678</u>	
End of year			<u>\$ 47,231,011</u>	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Position
 Governmental Activities
 Internal Service Funds
 as of June 30, 2013
 (With Partial Comparative Information as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and temporary investments	\$ 19,462,184	\$ 11,340,670
Cash and investments held by trustee	18,522,571	17,606,335
Interest receivable	113,945	194,682
Due from other funds	—	6,138,674
Total assets	<u>38,098,700</u>	<u>35,280,361</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	1,355,336	122,690
Post-employment severance benefits payable	1,992,522	2,113,470
Long-term liabilities		
Net other post-employment benefit obligation	6,825,442	6,084,748
Post-employment severance benefits payable	<u>13,513,106</u>	<u>14,137,546</u>
Total liabilities	<u>23,686,406</u>	<u>22,458,454</u>
Net position		
Restricted for employee benefits	11,811,074	11,716,269
Unrestricted	<u>2,601,220</u>	<u>1,105,638</u>
Total net position	<u>\$ 14,412,294</u>	<u>\$ 12,821,907</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenses, and Changes in Fund Net Position
 Governmental Activities
 Internal Service Funds
 Year Ended June 30, 2013
 (With Partial Comparative Information for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Operating revenue		
Contributions from governmental funds	\$ 6,138,946	\$ 4,934,517
Operating expenses		
Dental benefit claims	1,299,119	1,329,695
Post-employment severance benefits	2,613,436	972,297
Other post-employment benefits	740,694	1,410,466
Total operating expenses	<u>4,653,249</u>	<u>3,712,458</u>
Operating income	1,485,697	1,222,059
Nonoperating revenue		
Investment earnings	<u>104,690</u>	<u>352,024</u>
Change in net position	1,590,387	1,574,083
Net position		
Beginning of year	<u>12,821,907</u>	<u>11,247,824</u>
End of year	<u>\$ 14,412,294</u>	<u>\$ 12,821,907</u>

See notes to basic financial statements

OSSEO AREA SCHOOLS

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INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Cash Flows
Governmental Activities
Internal Service Funds
Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 6,138,946	\$ 4,934,517
Payments for dental claims	(1,307,473)	(1,332,824)
Post-employment severance benefits payments	(2,117,824)	(1,397,425)
Net cash provided (used) by operating activities	<u>2,713,649</u>	<u>2,204,268</u>
Cash flows from noncapital financing activities		
Payment of interfund borrowing	6,138,674	(6,138,674)
Cash flows from investing activities		
Investment income received	<u>185,427</u>	<u>335,875</u>
Net change in cash and cash equivalents	9,037,750	(3,598,531)
Cash and cash equivalents		
Beginning of year	<u>28,947,005</u>	<u>32,545,536</u>
End of year	<u><u>\$ 37,984,755</u></u>	<u><u>\$ 28,947,005</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	\$ 1,485,697	\$ 1,222,059
Adjustments to reconcile operating income to cash provided (used) by operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	1,232,646	(3,129)
Post-employment severance benefits payable	(745,388)	(425,128)
Net other post-employment benefit obligation	<u>740,694</u>	<u>1,410,466</u>
Net cash provided (used) by operating activities	<u><u>\$ 2,713,649</u></u>	<u><u>\$ 2,204,268</u></u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:		
Cash and temporary investments	\$ 19,462,184	\$ 11,340,670
Cash and investments held by trustee	<u>18,522,571</u>	<u>17,606,335</u>
Total cash and cash equivalents	<u><u>\$ 37,984,755</u></u>	<u><u>\$ 28,947,005</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2013

	Employee Benefit Trust Funds	Agency Fund
Assets		
Cash and temporary investments	\$ —	\$ 1,863,573
Investments held by trustee, at fair value		
Negotiable certificates of deposit	978,873	
Municipal bonds	632,905	
First American Prime Obligation Fund	923,842	
MNTrust Investment Shares Portfolio	199,846	
Accounts and interest receivable	5,072	
Total assets	2,740,538	
Liabilities		
Accounts and contracts payable	174,734	\$ —
Due to other governmental units	706,304	1,863,573
Total liabilities	881,038	\$ 1,863,573
Net position		
Held in trust for employee benefits	\$ 1,859,500	

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Employee Benefit Trust Funds
Additions	
Plan member contributions	\$ 1,435,576
Investment earnings	13,036
Total additions	1,448,612
Deductions	
Benefits to plan members	2,135,476
Change in net position	(686,864)
Net position	
Beginning of year	2,546,364
End of year	\$ 1,859,500

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Notes to Basic Financial Statements June 30, 2013

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 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 “depreciation not included in other functions.” 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, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

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 bond issue.

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, K–6 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 three internal service funds. The District's internal service funds include financing for self-insurance of the employee dental insurance program, retirement incentive pay, and post-employment benefits revocable trust activity.

Fiduciary Funds

Employee Benefit Trust Funds – The employee benefit trust funds are used to administer resources received and held by the District as the trustee for others. These funds include the District's Flexible Benefit Plan (Internal Revenue Code § 125 Cafeteria Plan) and the Post-Employment Benefits Irrevocable Trust Fiduciary Fund (Internal Revenue Code § 501(c) 9). The Post-Employment Benefits Irrevocable Trust Fiduciary Fund includes assets held in an irrevocable trust to fund post-employment healthcare benefits of eligible employees.

Agency Fund – The Agency Fund is established to account for cash and other assets held by the District as the agent for others. This fund is 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.

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 and OPEB payable to employees. Interest earned on these investments was allocated directly to those accounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are generally stated at fair value, except for investments in 2a7-like 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.

G. Receivables

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

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the 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 \$25,954,668 of the property tax levy collectible in 2013 as revenue to the District in fiscal year 2013. The remaining portion of the taxes collectible in 2013 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)

K. 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 fair market 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.

L. Interfund Balances

The current portion of interfund balances representative of lending/borrowing arrangements outstanding at year-end is reported as due to/due from other funds. Interfund balances are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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.

N. 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.

O. 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.

P. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District maintains various early retirement incentive payment plans for its employee groups. The amount of the early retirement incentive payment is calculated by converting a portion of accrued sick leave, by computing a benefit based solely on years of service, or a combination of both. 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. As part of the actuarial valuation, the projected unit credit actuarial cost method is used. A discount rate (equal to the current interest rate on the District's investments) is used to discount the obligation. The District has approximately 428 active participants being funded by the Retirement Incentive Pay Internal Service Fund.

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 fiscal year 2013.

Self-Insurance – The District maintains the Dental Self-Insurance Internal Service Fund to account for and finance its uninsured risk of loss for an employee dental plan. The Flexible Benefit Plan Trust Internal Service Fund is funded by the District, employee contributions, and interest income. The District pays for claims by an individual up to \$1,000. The claims liability of \$114,336 reported in the fund at June 30, 2013 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated.

Although the District only pays up to \$1,000 per individual per year, there is a possibility for loss if claims exceed premiums collected. The District does not expect this occurrence would have a material financial effect on the District.

Changes in the fund's claim liability were:

Year Ended June 30,	Claim Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability End of Year
2012	\$ 125,819	\$ 1,329,695	\$ 1,332,824	\$ 122,690
2013	\$ 122,690	\$ 1,299,119	\$ 1,307,473	\$ 114,336

R. 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 is also considered a cash equivalent.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.”

T. Net Position

In the government-wide financial statements, net position represents the difference between assets and liabilities. 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.”

U. Fund Balance Classifications

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

V. Prior Period Comparative Financial Information/Reclassification

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2012, from which such partial information was derived. Also, certain amounts presented in the prior-year data have been reclassified in order to be consistent with the current year's presentation.

W. Deferred Inflows of Resources

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

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

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

X. 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Y. Changes in Accounting Principles

During the year ended June 30, 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 created two new financial statement elements, *deferred outflows of resources* (a consumption of net position that is applicable to a future reporting period) and *deferred inflows of resources* (an acquisition of net position that is applicable to a future reporting period), which are distinct from assets and liabilities. It also defined *net position* as the residual of all other elements presented in a statement of net position (assets + deferred outflows of resources – liabilities – deferred inflows of resources = net position). GASB Statement No. 65 identified specific items previously reported as assets that will now be classified as either deferred outflows of resources or outflows (expenditures/expenses), and items previously reported as liabilities that will now be reported as either deferred inflows or resources or inflows (revenues).

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 43,361,275
Investments	53,957,206
Cash on hand	<u>5,850</u>
Total	<u><u>\$ 97,324,331</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 74,202,721
Statement of Net Position – restricted assets – temporarily restricted	
Cash and investments for OPEB	18,522,571
Statement of Fiduciary Net Position – Employee Benefit Trust Funds	
Investments held by trustee, at fair value	
Negotiable certificates of deposit	978,873
Municipal bonds	632,905
First American Prime Obligation Fund	923,842
MNTrust Investment Shares Portfolio	199,846
Statement of Fiduciary Net Position – Agency Fund	
Cash and temporary investments	<u>1,863,573</u>
Total	<u><u>\$ 97,324,331</u></u>

B. Deposits

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was \$43,361,275 while the balance on the bank records was \$43,362,021. At June 30, 2013, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years			Total
	Rating	Agency	Less Than 1	1 to 5	5 to 10	
Municipal bonds	AAA	S&P	\$ –	\$ 718,543	\$ –	\$ 718,543
Municipal bonds	AAA	Moody's	\$ –	\$ 316,158	\$ –	316,158
Municipal bonds	Aa	Moody's	\$ 232,484	\$ 982,905	\$ –	1,215,389
Municipal bonds	AA	S&P	\$ –	\$ 5,939,823	\$ 727,980	6,667,803
Municipal bonds	A	S&P	\$ –	\$ 1,274,125	\$ 544,954	1,819,079
Municipal bonds	A	Moody's	\$ –	\$ 339,996	\$ –	339,996
Municipal bonds	Baa	Moody's	\$ –	\$ 289,682	\$ –	289,682
Negotiable certificates of deposit	N/A	N/A	\$ 974,096	\$ 2,238,871	\$ –	3,212,967
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	7,420,862
First American Prime Obligations Fund Class Y	AAA	S&P	N/A	N/A	N/A	923,842
MNTrust Investment Shares Portfolio	Aaa	Moody's	N/A	N/A	N/A	31,032,885
Total investments						<u>\$ 53,957,206</u>

N/A – Not Applicable

The amount in investment pools/mutual funds includes \$17,132,885 invested in the MNTrust Investment Shares Portfolio, \$13,900,000 invested in the MNTrust Term Series, and \$7,420,862 invested in the Minnesota School District Liquid Asset Fund, which are external investment pools regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. 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.

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 Irrevocable and Revocable Trust Funds, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute § 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 State Board of Investments.

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

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District’s investment policies do not limit the maturities of investments; however, 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 year ended June 30, 2013 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 10,691,698	\$ –	\$ (2,347,465)	\$ –	\$ 8,344,233
Construction in progress	391,975	6,154,358	–	(5,519,932)	1,026,401
Total capital assets, not depreciated	11,083,673	6,154,358	(2,347,465)	(5,519,932)	9,370,634
Capital assets, depreciated					
Land improvements	27,843,458	318,644	–	806,766	28,968,868
Buildings	387,290,466	3,268,901	(31,482)	4,713,166	395,241,051
Furniture and equipment	10,652,175	328,312	(26,173)	–	10,954,314
Total capital assets, depreciated	425,786,099	3,915,857	(57,655)	5,519,932	435,164,233
Less accumulated depreciation for					
Land improvements	(16,291,573)	(1,152,708)	–	–	(17,444,281)
Buildings	(111,641,505)	(7,904,775)	10,909	–	(119,535,371)
Furniture and equipment	(7,143,872)	(1,335,667)	26,173	–	(8,453,366)
Total accumulated depreciation	(135,076,950)	(10,393,150)	37,082	–	(145,433,018)
Net capital assets, depreciated	290,709,149	(6,477,293)	(20,573)	5,519,932	289,731,215
Total capital assets, net	<u>\$ 301,792,822</u>	<u>\$ (322,935)</u>	<u>\$ (2,368,038)</u>	<u>\$ –</u>	<u>\$ 299,101,849</u>

Depreciation expense for the year ended June 30, 2013 was charged to the following governmental functions:

District support services	\$ 2,126,149
Elementary and secondary regular instruction	29,617
Vocational education instruction	2,856
Special education instruction	9,077
Instructional support services	88,015
Food service	201,853
Community service	27,555
Depreciation expense (net of allocations to programs)	<u>7,908,028</u>
Total depreciation expense	<u>\$ 10,393,150</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds, including refunding bonds					
2005A Refunding Bonds	10/18/2005	4.50%–5.00%	\$ 67,055,000	02/01/2021	\$ 57,065,000
2006A Alternative Facilities Bonds	12/28/2006	3.85%	\$ 5,235,000	02/01/2017	2,540,000
2009A Taxable OPEB Bonds	01/07/2009	6.00%	\$ 16,000,000	02/01/2022	16,000,000
2009B Alternative Facilities Bonds	06/11/2009	3.13%–4.00%	\$ 8,945,000	02/01/2022	8,945,000
2009C Refunding Bonds	12/03/2009	2.00%–3.00%	\$ 16,585,000	02/01/2014	4,550,000
2010A Refunding Bonds	03/25/2010	4.00%–5.00%	\$ 35,790,000	02/01/2021	32,385,000
2010B Refunding Bonds	11/04/2010	3.00%	\$ 5,775,000	02/01/2014	1,920,000
2011A Alternative Facilities Bonds	04/27/2011	4.00%–4.125%	\$ 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	6,625,000
Total general obligation bonds					<u>\$ 138,715,000</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities, excluding post-employment severance benefits payable and net OPEB obligations:

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 14,315,000	\$ 6,322,865	\$ 974,675	\$ 7,112
2015	11,995,000	5,786,719	95,433	–
2016	12,590,000	5,181,450	–	–
2017	13,220,000	4,546,606	–	–
2018	13,875,000	3,879,244	–	–
2019–2023	72,720,000	8,423,956	–	–
	<u>\$ 138,715,000</u>	<u>\$ 34,140,840</u>	<u>\$ 1,070,108</u>	<u>\$ 7,112</u>

C. Description of Long-Term Liabilities

General Obligation Bonds – 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.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable – The District entered into a capital lease on May 17, 2011. The lease has a three-year term, bears an interest rate of 1.5 percent, and has a final maturity of June 2014. The capital lease will be repaid by the General Fund.

The District entered into a capital lease on July 21, 2011. The lease has a four-year term, bears no interest, and has a final maturity of April 2015. The capital lease will be repaid by the General Fund.

The assets acquired through these leases totaled \$2,978,732 (the present value of the future minimum lease payments as of the inception date), which is reported in furniture and equipment on the Statement of Net Position.

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.

D. Changes in Long-Term Liabilities

	June 30, 2012	Additions	Retirements	June 30, 2013	Due Within One Year
Long-term liabilities					
General obligation bonds	\$ 145,755,000	\$ 6,625,000	\$ 13,665,000	\$ 138,715,000	\$ 14,315,000
Capital leases	2,031,788	–	961,680	1,070,108	974,675
Unamortized premiums on debt issued	7,685,146	7,155	1,520,261	6,172,040	–
Post-employment severance benefits payable	16,251,016	3,239,489	3,984,877	15,505,628	1,992,522
Net OPEB obligation (See Note 6)	6,084,748	1,751,014	1,010,320	6,825,442	–
	<u>\$ 177,807,698</u>	<u>\$ 11,622,658</u>	<u>\$ 21,142,138</u>	<u>\$ 168,288,218</u>	<u>\$ 17,282,197</u>

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, 2013, 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	\$ 354,436	\$ –	\$ –	\$ 437,871	\$ 792,307
Restricted					
Operating capital	7,094,538	–	–	–	7,094,538
Gifted and talented	102,612	–	–	–	102,612
Alternative facilities program	–	7,575,525	–	–	7,575,525
Food service	–	–	–	2,928,617	2,928,617
Community education	–	–	–	1,644,131	1,644,131
Early childhood family education programs	–	–	–	145,127	145,127
Adult basic education	–	–	–	67,214	67,214
General debt service	–	–	3,686,149	–	3,686,149
Other post-employment benefits bonds debt service	–	–	161,421	–	161,421
Total restricted	7,197,150	7,575,525	3,847,570	4,785,089	23,405,334
Assigned					
Assigned for fiscal year 2014 operating account budgeted deficit	1,865,912	–	–	–	1,865,912
Unassigned					
Health and safety restricted account deficit	(765,889)	–	–	–	(765,889)
Safe schools restricted account deficit	(34,539)	–	–	–	(34,539)
School readiness restricted account deficit	–	–	–	(2,795)	(2,795)
Unassigned	38,613,941	–	–	–	38,613,941
Total unassigned	37,813,513	–	–	(2,795)	37,810,718
Total	\$ 47,231,011	\$ 7,575,525	\$ 3,847,570	\$ 5,220,165	\$ 63,874,271

B. 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 percent of the District's General Fund operating expenditure budget, excluding operating capital programs. At June 30, 2013, the unassigned fund balance of the General Fund was 16.8 percent of the fiscal 2013 General Fund Operating Account expenditures.

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 dependant coverage. Coverage in the District's plan ends at age 65.

Teachers' Post-Employment Medical Plan – For teachers with 15 continuous years of service, they 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 dependants up to age 65.

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District net OPEB obligation to the plan:

ARC	\$ 1,842,599
Interest on net OPEB obligation	304,237
Adjustment to ARC	(395,822)
Annual OPEB cost	<u>1,751,014</u>
Contributions made	<u>1,010,320</u>
Increase in net OPEB obligation	<u>740,694</u>
Net OPEB obligation – beginning of year	<u>6,084,748</u>
Net OPEB obligation – end of year	<u><u>\$ 6,825,442</u></u>

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

The District's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for the past three years are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,860,580	\$ 1,725,575	92.7 %	\$ 4,674,282
2012	\$ 2,602,291	\$ 1,191,825	45.8 %	\$ 6,084,748
2013	\$ 1,751,014	\$ 1,010,320	57.7 %	\$ 6,825,442

D. Funded Status and Funding Progress

On March 1, 2012, the most recent actuarial valuation date, the plan was 17.4 percent funded. The actuarial accrued liability for benefits was \$18,433,766, and the actuarial value of assets was \$3,208,232, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,225,534. The covered payroll (annual payroll of active employees covered by the plan) was \$134,920,782, and the ratio of the UAAL to the covered payroll was 11.3 percent.

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

E. Actuarial Methods and Assumptions

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

In the March 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 2.5 percent rate of projected salary increases, steps and educational advances, an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years. Both rates included a 2.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period on March 1, 2012 was 30 years.

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

F. Post-Employment Benefits Irrevocable Trust Fiduciary Fund

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

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

G. Membership

Membership in the plan consisted of the following as of March 1, 2012:

Retirees and beneficiaries receiving benefits	183
Active plan members	<u>2,694</u>
Total members	<u><u>2,877</u></u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Teachers' Retirement Association (TRA)

A. Plan Description

All teachers employed by the District are covered by defined benefit plans administered by the TRA. TRA members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

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.

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

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 as described below:

Tier I

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

With these provisions:

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

Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4–5.4 percent per year.

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan 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.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not receiving them 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)

The TRA publicly issues a comprehensive annual financial report presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at www.minnesotatra.org. Alternatively, a copy of the report may be obtained by writing the TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296-2409 or (800) 657-3669.

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 6.5 percent and 10.0 percent, respectively, of their annual covered salary during fiscal year 2013 as employee contributions. The TRA employer contribution rates are 6.5 percent for Coordinated Plan members and 10.5 percent for Basic Plan members during fiscal year 2013. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2012, 2011, and 2010 were approximately \$3.87 billion, \$3.84 billion, and \$3.79 billion, respectively.

The District's contributions for the years ended June 30, 2013, 2012, and 2011 were \$7,238,610, \$6,682,351, and \$5,998,238, respectively, equal to the contractually required contributions for each year as set by state statutes.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5 percent on July 1 of each year of the four-year period. Beginning July 1, 2014, TRA Coordinated Plan employee and employer contribution rates will each be 7.5 percent.

Public Employees' Retirement Association (PERA)

A. Plan Description

All non-teacher full-time and certain part-time employees of the District are covered by defined benefit plans administered by the PERA. The PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

The PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statutes, and vest after three years of credited service. The defined retirement 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.

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

Two methods are used to compute benefits for the PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERS members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the GERS. That report may be obtained on the PERA website at www.mnpera.org by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. The GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in fiscal 2013. In fiscal 2013, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to the GERS for the years ended June 30, 2013, 2012, and 2011 were \$3,064,730, \$3,080,087, and \$3,001,253, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statutes.

NOTE 8 – SPECIAL TERMINATION BENEFITS

During the 2012 fiscal year, the District offered a one-time early retirement incentive program for teachers meeting certain age and years of service eligibility requirements. During the second year of the two-year program, teachers who notified the District of their intent to retire by March 1, 2013, were eligible for a \$17,000 early retirement payment or a prorated amount for part-time teachers. During the year, 73 teachers participated in this program, resulting in a cost of \$1,241,000 to the District. As of June 30, 2013, the full amount has been accrued in the government-wide and fund financial statements.

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a “cafeteria plan” (the Plan) under § 125 of the Internal Revenue Code. 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 pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependant care benefits.

Before the beginning of the Plan year, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual 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 dependant 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 dependant care activity is included in the financial statements in the Post-Employment Benefits Revocable Trust Internal Service Fund, Flexible Benefit Plan Trust Fund, and the Post-Employment Benefits Irrevocable Trust Internal Service 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 dependant care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – LEASE ARRANGEMENTS

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of approximately \$684,897 for operating leases during the year ended June 30, 2013. These leases are scheduled to expire on various dates through 2015. 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
2014	\$ 346,696
2015	13,767
	<u>\$ 360,463</u>

NOTE 11 – 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.

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, 2013, the District had commitments totaling approximately \$2.9 million under various construction contracts for which the work was not yet completed.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Plan
Schedule of Funding Progress and Schedule of Employer Contributions
June 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
June 30, 2009	\$ 22,674,817	\$ 5,759,998	\$ 16,914,819	25.4 %	\$ 126,532,526	13.4 %
June 30, 2011	\$ 26,564,231	\$ 3,199,535	\$ 23,364,696	12.0 %	\$ 116,125,716	20.1 %
March 1, 2012	\$ 18,433,766	\$ 3,208,232	\$ 15,225,534	17.4 %	\$ 134,920,782	11.3 %

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,928,903	89.5 %	\$ 4,674,282
2012	\$ 2,672,645	44.6 %	\$ 6,084,748
2013	\$ 1,842,599	54.8 %	\$ 6,825,442

Note 1: The Schedule of Funding Progress reflects information from the most recent actuarial reports. On October 15, 2009, the District issued taxable OPEB bonds to fund a significant portion of the actuarial accrued liability and initial debt service costs.

Note 2: The unfunded actuarial accrued liability was amortized on a level dollar basis over a period of 30 years for the March 1, 2012 actuarial study.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds

Combining Balance Sheet

as of June 30, 2013

(With Partial Comparative Information for the Year Ended June 30, 2012)

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2013	2012
Assets				
Cash and temporary investments	\$ 3,088,579	\$ 1,786,350	\$ 4,874,929	\$ 4,593,012
Receivables				
Current taxes	–	893,473	893,473	896,852
Delinquent taxes	–	22,441	22,441	31,408
Accounts and interest	11,465	100,658	112,123	234,382
Due from other governmental units	185,582	462,073	647,655	1,170,095
Inventory	437,871	–	437,871	408,864
Total assets	<u>\$ 3,723,497</u>	<u>\$ 3,264,995</u>	<u>\$ 6,988,492</u>	<u>\$ 7,334,613</u>
Liabilities				
Salaries payable	\$ 11,566	\$ 281,309	\$ 292,875	\$ 273,913
Accounts and contracts payable	106,906	175,546	282,452	348,683
Unearned revenue	238,537	–	238,537	229,440
Total liabilities	<u>357,009</u>	<u>456,855</u>	<u>813,864</u>	<u>852,036</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	–	930,592	930,592	917,032
Unavailable revenue – delinquent taxes	–	23,871	23,871	26,357
Total deferred inflows of resources	<u>–</u>	<u>954,463</u>	<u>954,463</u>	<u>943,389</u>
Fund balances (deficits)				
Nonspendable for inventory	437,871	–	437,871	408,864
Restricted	2,928,617	1,856,472	4,785,089	5,201,069
Unassigned	–	(2,795)	(2,795)	(70,745)
Total fund balances	<u>3,366,488</u>	<u>1,853,677</u>	<u>5,220,165</u>	<u>5,539,188</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,723,497</u>	<u>\$ 3,264,995</u>	<u>\$ 6,988,492</u>	<u>\$ 7,334,613</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2013	2012
Revenue				
Local sources				
Property taxes	\$ —	\$ 1,890,869	\$ 1,890,869	\$ 1,844,014
Investment earnings	3,803	2,937	6,740	5,170
Other	4,759,365	9,324,379	14,083,744	14,154,949
State sources	422,214	2,683,351	3,105,565	2,917,265
Federal sources	5,823,545	432,484	6,256,029	5,791,069
Total revenue	<u>11,008,927</u>	<u>14,334,020</u>	<u>25,342,947</u>	<u>24,712,467</u>
Expenditures				
Current				
Food service	10,634,472	—	10,634,472	10,517,361
Community service	—	14,742,075	14,742,075	13,963,156
Capital outlay	114,858	170,565	285,423	330,723
Total expenditures	<u>10,749,330</u>	<u>14,912,640</u>	<u>25,661,970</u>	<u>24,811,240</u>
Net change in fund balances	259,597	(578,620)	(319,023)	(98,773)
Fund balances				
Beginning of year	<u>3,106,891</u>	<u>2,432,297</u>	<u>5,539,188</u>	<u>5,637,961</u>
End of year	<u>\$ 3,366,488</u>	<u>\$ 1,853,677</u>	<u>\$ 5,220,165</u>	<u>\$ 5,539,188</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and temporary investments	\$ 3,088,579	\$ 2,886,253
Receivables		
Accounts and interest	11,465	1,137
Due from other governmental units	185,582	194,541
Inventory	<u>437,871</u>	<u>408,864</u>
Total assets	<u><u>\$ 3,723,497</u></u>	<u><u>\$ 3,490,795</u></u>
Liabilities		
Salaries payable	\$ 11,566	\$ 13,767
Accounts and contracts payable	106,906	140,697
Unearned revenue	<u>238,537</u>	<u>229,440</u>
Total liabilities	357,009	383,904
Fund balances		
Nonspendable for inventory	437,871	408,864
Restricted	<u>2,928,617</u>	<u>2,698,027</u>
Total fund balances	<u>3,366,488</u>	<u>3,106,891</u>
Total liabilities and fund balances	<u><u>\$ 3,723,497</u></u>	<u><u>\$ 3,490,795</u></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, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 5,000	\$ 3,803	\$ (1,197)	\$ 2,781
Other – primarily meal sales	4,793,303	4,759,365	(33,938)	4,900,388
State sources	446,577	422,214	(24,363)	430,409
Federal sources	5,598,334	5,823,545	225,211	5,275,729
Total revenue	<u>10,843,214</u>	<u>11,008,927</u>	<u>165,713</u>	<u>10,609,307</u>
Expenditures				
Current				
Salaries	3,814,222	3,665,731	(148,491)	3,728,250
Employee benefits	1,073,120	1,045,396	(27,724)	1,043,394
Purchased services	869,746	909,094	39,348	859,161
Supplies and materials	5,386,268	5,007,200	(379,068)	4,878,949
Other expenditures	–	7,051	7,051	7,607
Capital outlay	130,000	114,858	(15,142)	189,228
Total expenditures	<u>11,273,356</u>	<u>10,749,330</u>	<u>(524,026)</u>	<u>10,706,589</u>
Net change in fund balances	<u>\$ (430,142)</u>	259,597	<u>\$ 689,739</u>	(97,282)
Fund balances				
Beginning of year		<u>3,106,891</u>		<u>3,204,173</u>
End of year		<u>\$ 3,366,488</u>		<u>\$ 3,106,891</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and temporary investments	\$ 1,786,350	\$ 1,706,759
Receivables		
Current taxes	893,473	896,852
Delinquent taxes	22,441	31,408
Accounts and interest	100,658	233,245
Due from other governmental units	<u>462,073</u>	<u>975,554</u>
Total assets	<u><u>\$ 3,264,995</u></u>	<u><u>\$ 3,843,818</u></u>
Liabilities		
Salaries payable	\$ 281,309	\$ 260,146
Accounts and contracts payable	<u>175,546</u>	<u>207,986</u>
Total liabilities	456,855	468,132
Deferred inflows of resources		
Property taxes levied for subsequent year	930,592	917,032
Unavailable revenue – delinquent taxes	<u>23,871</u>	<u>26,357</u>
Total deferred inflows of resources	954,463	943,389
Fund balances (deficit)		
Restricted for community education programs	1,644,131	2,489,844
Restricted for early childhood family education programs	145,127	8,545
Restricted for adult basic education	67,214	4,653
Unassigned – school readiness restricted account deficit	<u>(2,795)</u>	<u>(70,745)</u>
Total fund balances	<u><u>1,853,677</u></u>	<u><u>2,432,297</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,264,995</u></u>	<u><u>\$ 3,843,818</u></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, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,910,902	\$ 1,890,869	\$ (20,033)	\$ 1,844,014
Investment earnings	3,500	2,937	(563)	2,389
Other – primarily tuition and fees	9,691,236	9,324,379	(366,857)	9,254,561
State sources	2,711,916	2,683,351	(28,565)	2,486,856
Federal sources	533,783	432,484	(101,299)	515,340
Total revenue	<u>14,851,337</u>	<u>14,334,020</u>	<u>(517,317)</u>	<u>14,103,160</u>
Expenditures				
Current				
Salaries	9,465,739	9,207,907	(257,832)	8,953,233
Employee benefits	2,519,259	2,491,325	(27,934)	2,142,204
Purchased services	1,923,726	1,871,770	(51,956)	1,636,492
Supplies and materials	1,220,159	1,077,162	(142,997)	1,146,943
Other expenditures	121,209	93,911	(27,298)	84,284
Capital outlay	176,509	170,565	(5,944)	141,495
Total expenditures	<u>15,426,601</u>	<u>14,912,640</u>	<u>(513,961)</u>	<u>14,104,651</u>
Net change in fund balances	<u>\$ (575,264)</u>	<u>\$ (578,620)</u>	<u>\$ (3,356)</u>	<u>\$ (1,491)</u>
Fund balances				
Beginning of year		<u>2,432,297</u>		<u>2,433,788</u>
End of year		<u>\$ 1,853,677</u>		<u>\$ 2,432,297</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Comparative Balance Sheet
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and temporary investments	\$ 27,315,822	\$ –
Receivables		
Current taxes	25,246,842	24,447,235
Delinquent taxes	632,017	883,812
Accounts and interest	166,757	372,995
Due from other governmental units	28,359,681	63,413,498
Inventory	<u>354,436</u>	<u>501,279</u>
Total assets	<u><u>\$ 82,075,555</u></u>	<u><u>\$ 89,618,819</u></u>
Liabilities		
Salaries payable	\$ 711,267	\$ 441,924
Accounts and contracts payable	5,978,171	3,150,717
Due to other governmental units	1,447,158	1,462,607
Due to other funds	–	6,138,674
Unearned revenue	<u>–</u>	<u>1,530,507</u>
Total liabilities	8,136,596	12,724,429
Deferred inflows of resources		
Property taxes levied for subsequent year	26,037,051	24,535,225
Unavailable revenue – delinquent taxes	<u>670,897</u>	<u>751,487</u>
Total deferred inflows of resources	26,707,948	25,286,712
Fund balances (deficits)		
Nonspendable for inventory	354,436	501,279
Restricted for operating capital	7,094,538	4,911,656
Restricted for gifted and talented	102,612	53,938
Assigned for fiscal year 2014 operating account budgeted deficit	1,865,912	8,861,190
Unassigned – health and safety restricted account deficit	(765,889)	(682,984)
Unassigned – safe schools restricted account deficit	(34,539)	(94,663)
Unassigned	<u>38,613,941</u>	<u>38,057,262</u>
Total fund balances	<u><u>47,231,011</u></u>	<u><u>51,607,678</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 82,075,555</u></u>	<u><u>\$ 89,618,819</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 48,412,039	\$ 48,294,901	\$ (117,138)	\$ 44,965,114
Investment earnings	71,000	59,778	(11,222)	40,271
Other	4,636,209	5,349,808	713,599	7,132,608
State sources	171,608,405	170,604,321	(1,004,084)	169,038,006
Federal sources	9,664,982	8,630,373	(1,034,609)	11,021,029
Total revenue	234,392,635	232,939,181	(1,453,454)	232,197,028
Expenditures				
Current				
Administration				
Salaries	7,679,090	7,122,127	(556,963)	7,808,937
Employee benefits	1,716,092	1,680,217	(35,875)	1,683,258
Purchased services	310,022	146,260	(163,762)	141,749
Supplies and materials	78,762	87,207	8,445	115,180
Capital expenditures	19,000	12,351	(6,649)	6,733
Other expenditures	346,713	254,083	(92,630)	254,304
Total administration	10,149,679	9,302,245	(847,434)	10,010,161
District support services				
Salaries	4,166,517	4,038,808	(127,709)	4,142,685
Employee benefits	1,119,207	1,107,705	(11,502)	1,091,063
Purchased services	1,373,810	(141,512)	(1,515,322)	(88,024)
Supplies and materials	355,697	191,515	(164,182)	180,221
Capital expenditures	122,168	111,786	(10,382)	46,953
Other expenditures	311,782	319,760	7,978	365,452
Total district support services	7,449,181	5,628,062	(1,821,119)	5,738,350
Elementary and secondary regular instruction				
Salaries	83,582,288	84,148,775	566,487	82,551,566
Employee benefits	28,765,865	29,001,779	235,914	28,109,362
Purchased services	4,558,978	4,155,200	(403,778)	4,658,137
Supplies and materials	2,989,392	2,704,270	(285,122)	3,262,603
Capital expenditures	1,765,484	1,429,500	(335,984)	2,285,427
Other expenditures	225,820	170,108	(55,712)	219,523
Total elementary and secondary regular instruction	121,887,827	121,609,632	(278,195)	121,086,618

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013		2012
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Vocational education instruction			
Salaries	1,548,203	1,565,734	17,531
Employee benefits	546,633	535,263	(11,370)
Purchased services	514,086	4,046	(510,040)
Supplies and materials	78,872	80,560	1,688
Capital expenditures	17,370	35,862	18,492
Other expenditures	500	617	117
Total vocational education instruction	2,705,664	2,222,082	(483,582)
Special education instruction			
Salaries	31,071,802	30,729,214	(342,588)
Employee benefits	10,626,837	10,565,642	(61,195)
Purchased services	4,218,115	5,143,404	925,289
Supplies and materials	347,329	205,430	(141,899)
Capital expenditures	56,771	38,182	(18,589)
Other expenditures	79,252	73,491	(5,761)
Total special education instruction	46,400,106	46,755,363	355,257
Instructional support services			
Salaries	8,552,272	8,717,847	165,575
Employee benefits	1,581,475	1,543,086	(38,389)
Purchased services	912,753	757,646	(155,107)
Supplies and materials	728,569	675,411	(53,158)
Capital expenditures	163,057	198,792	35,735
Other expenditures	627,396	609,236	(18,160)
Total instructional support services	12,565,522	12,502,018	(63,504)
Pupil support services			
Salaries	5,119,886	4,918,103	(201,783)
Employee benefits	1,811,705	1,765,383	(46,322)
Purchased services	14,888,908	14,762,086	(126,822)
Supplies and materials	58,079	59,649	1,570
Capital expenditures	1,003	1,003	—
Other expenditures	145	1,683	1,538
Total pupil support services	21,879,726	21,507,907	(371,819)

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013		2012
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	6,152,485	6,048,193	(104,292)
Employee benefits	2,051,180	2,000,858	(50,322)
Purchased services	5,952,713	4,767,721	(1,184,992)
Supplies and materials	2,434,695	2,591,221	156,526
Capital expenditures	2,181,580	3,611,083	1,429,503
Other expenditures	—	22,622	22,622
Total sites and buildings	18,772,653	19,041,698	269,045
Fiscal and other fixed cost programs			
Purchased services	540,000	515,881	(24,119)
Debt service			
Principal	866,247	961,680	95,433
Interest and fiscal charges	20,108	20,108	—
Total debt service	886,355	981,788	95,433
Total expenditures	243,236,713	240,066,676	(3,170,037)
Excess (deficiency) of revenue over expenditures	(8,844,078)	(7,127,495)	1,716,583
Other financing sources			
Capital lease issued	—	—	—
Proceeds from sale of assets	2,750,828	2,750,828	—
Total other financing sources	2,750,828	2,750,828	—
Net change in fund balances	\$ (6,093,250)	(4,376,667)	\$ 1,716,583
Fund balances			
Beginning of year		51,607,678	55,439,078
End of year		\$ 47,231,011	\$ 51,607,678

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
Comparative Balance Sheet
as of June 30, 2013 and 2012

	2013	2012
Assets		
Cash and temporary investments	\$ 20,262,574	\$ –
Receivables		
Current taxes	25,246,842	24,447,235
Delinquent taxes	632,017	883,812
Accounts and interest	159,674	142,753
Due from other governmental units	28,337,052	63,392,003
Inventory	333,685	465,537
	<u>74,971,844</u>	<u>89,331,340</u>
Total assets	<u>\$ 74,971,844</u>	<u>\$ 89,331,340</u>
Liabilities		
Salaries payable	\$ 711,267	\$ 441,924
Accounts and contracts payable	5,271,925	2,728,276
Due to other governmental units	1,399,093	1,455,447
Due to other funds	–	10,545,210
Unearned revenue	–	1,530,507
	<u>7,382,285</u>	<u>16,701,364</u>
Total liabilities	<u>7,382,285</u>	<u>16,701,364</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	26,037,051	24,535,225
Unavailable revenue – delinquent taxes	670,897	751,487
	<u>26,707,948</u>	<u>25,286,712</u>
Total deferred inflows of resources	<u>26,707,948</u>	<u>25,286,712</u>
Fund balances (deficits)		
Nonspendable for inventory	333,685	465,537
Restricted for gifted and talented	102,612	53,938
Assigned for fiscal year 2014 operating account budgeted deficit	1,865,912	8,861,190
Unassigned – safe schools restricted account deficit	(34,539)	(94,663)
Unassigned	38,613,941	38,057,262
	<u>40,881,611</u>	<u>47,343,264</u>
Total fund balances	<u>40,881,611</u>	<u>47,343,264</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 74,971,844</u>	<u>\$ 89,331,340</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, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 48,412,039	\$ 48,294,901	\$ (117,138)	\$ 44,965,114
Investment earnings	70,000	58,739	(11,261)	38,774
Other	3,831,209	4,325,183	493,974	6,226,641
State sources	163,580,178	162,587,636	(992,542)	161,516,194
Federal sources	9,664,982	8,630,373	(1,034,609)	11,021,029
Total revenue	225,558,408	223,896,832	(1,661,576)	223,767,752
Expenditures				
Current				
Administration				
Salaries	7,679,090	7,122,127	(556,963)	7,808,937
Employee benefits	1,716,092	1,680,217	(35,875)	1,683,258
Purchased services	310,022	146,260	(163,762)	141,749
Supplies and materials	78,762	87,207	8,445	115,180
Other expenditures	338,713	246,086	(92,627)	254,304
Total administration	10,122,679	9,281,897	(840,782)	10,003,428
District support services				
Salaries	4,092,982	4,038,808	(54,174)	4,142,685
Employee benefits	1,098,877	1,107,705	8,828	1,091,063
Purchased services	938,810	(141,512)	(1,080,322)	(496,886)
Supplies and materials	355,697	191,515	(164,182)	180,221
Capital expenditures	–	953	953	–
Other expenditures	254,782	252,382	(2,400)	297,152
Total district support services	6,741,148	5,449,851	(1,291,297)	5,214,235
Elementary and secondary regular instruction				
Salaries	83,582,288	84,148,775	566,487	82,551,566
Employee benefits	28,765,865	29,001,779	235,914	28,109,362
Purchased services	4,531,978	4,128,761	(403,217)	4,627,754
Supplies and materials	2,234,151	1,978,782	(255,369)	1,987,296
Capital expenditures	216,764	217,608	844	459,539
Other expenditures	225,820	170,108	(55,712)	219,523
Total elementary and secondary regular instruction	119,556,866	119,645,813	88,947	117,955,040

(continued)

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, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,548,203	1,565,734	17,531	1,682,679
Employee benefits	546,633	535,263	(11,370)	541,471
Purchased services	514,086	4,046	(510,040)	1,122,809
Supplies and materials	63,872	59,162	(4,710)	69,212
Capital expenditures	7,370	7,370	–	61,791
Other expenditures	500	617	117	6,343
Total vocational education instruction	2,680,664	2,172,192	(508,472)	3,484,305
Special education instruction				
Salaries	31,071,802	30,729,214	(342,588)	30,751,747
Employee benefits	10,626,837	10,565,642	(61,195)	10,235,827
Purchased services	4,218,115	5,143,404	925,289	3,256,331
Supplies and materials	347,329	205,430	(141,899)	282,611
Capital expenditures	49,774	29,422	(20,352)	74,245
Other expenditures	79,252	73,491	(5,761)	80,079
Total special education instruction	46,393,109	46,746,603	353,494	44,680,840
Instructional support services				
Salaries	8,238,268	8,405,161	166,893	7,193,254
Employee benefits	1,452,745	1,427,329	(25,416)	1,097,765
Purchased services	911,753	757,646	(154,107)	808,468
Supplies and materials	601,474	538,789	(62,685)	523,667
Capital expenditures	101,253	99,520	(1,733)	44,362
Other expenditures	122,396	114,494	(7,902)	130,985
Total instructional support services	11,427,889	11,342,939	(84,950)	9,798,501
Pupil support services				
Salaries	5,119,886	4,918,103	(201,783)	4,869,131
Employee benefits	1,811,705	1,765,383	(46,322)	1,704,898
Purchased services	14,888,908	14,762,086	(126,822)	13,584,725
Supplies and materials	58,079	59,649	1,570	57,395
Other expenditures	145	1,683	1,538	755
Total pupil support services	21,878,723	21,506,904	(371,819)	20,216,904

(continued)

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, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013		2012
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	5,943,932	5,873,670	(70,262)
Employee benefits	1,998,657	1,955,231	(43,426)
Purchased services	3,464,981	3,340,281	(124,700)
Supplies and materials	2,373,695	2,526,895	153,200
Capital expenditures	—	328	328
Total sites and buildings	13,781,265	13,696,405	(84,860)
Fiscal and other fixed cost programs			
Purchased services	540,000	515,881	(24,119)
Total expenditures	233,122,343	230,358,485	(2,763,858)
Net change in fund balances	\$ (7,563,935)	(6,461,653)	\$ 1,102,282
Fund balances			
Beginning of year		47,343,264	48,520,221
End of year		\$ 40,881,611	\$ 47,343,264

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**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

General Fund – Capital Expenditure Account
Comparative Balance Sheet
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and temporary investments	\$ 7,053,248	\$ 4,406,536
Receivables		
Accounts and interest	7,083	230,242
Due from other governmental units	22,629	21,495
Inventory	<u>20,751</u>	<u>35,742</u>
Total assets	<u><u>\$ 7,103,711</u></u>	<u><u>\$ 4,694,015</u></u>
Liabilities		
Accounts and contracts payable	\$ 706,246	\$ 422,441
Due to other governmental units	<u>48,065</u>	<u>7,160</u>
Total liabilities	<u>754,311</u>	<u>429,601</u>
Fund balances (deficits)		
Nonspendable for inventory	20,751	35,742
Restricted for operating capital	7,094,538	4,911,656
Unassigned – health and safety restricted account deficit	<u>(765,889)</u>	<u>(682,984)</u>
Total fund balances	<u>6,349,400</u>	<u>4,264,414</u>
Total liabilities and fund balances	<u><u>\$ 7,103,711</u></u>	<u><u>\$ 4,694,015</u></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, 2013
 (With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,000	\$ 1,039	\$ 39	\$ 1,497
Other	805,000	1,024,625	219,625	905,967
State sources	8,028,227	8,016,685	(11,542)	7,521,812
Total revenue	8,834,227	9,042,349	208,122	8,429,276
Expenditures				
Current				
Administration				
Capital expenditures	19,000	12,351	(6,649)	6,733
Other expenditures	8,000	7,997	(3)	–
Total administration	27,000	20,348	(6,652)	6,733
District support services				
Salaries	73,535	–	(73,535)	–
Employee benefits	20,330	–	(20,330)	–
Purchased services	435,000	–	(435,000)	408,862
Capital expenditures	122,168	110,833	(11,335)	46,953
Other expenditures	57,000	67,378	10,378	68,300
Total district support services	708,033	178,211	(529,822)	524,115
Elementary and secondary regular instruction				
Purchased services	27,000	26,439	(561)	30,383
Supplies and materials	755,241	725,488	(29,753)	1,275,307
Capital expenditures	1,548,720	1,211,892	(336,828)	1,825,888
Total elementary and secondary regular instruction	2,330,961	1,963,819	(367,142)	3,131,578
Vocational education instruction				
Supplies and materials	15,000	21,398	6,398	20,833
Capital expenditures	10,000	28,492	18,492	13,710
Total vocational education services	25,000	49,890	24,890	34,543
Special education instruction				
Capital expenditures	6,997	8,760	1,763	35,562

(continued)

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, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013		2012
	Budget	Actual	Over (Under) Budget
Expenditures (continued)			
Current (continued)			
Instructional support services			
Salaries	314,004	312,686	(1,318)
Employee benefits	128,730	115,757	(12,973)
Purchased services	1,000	—	(1,000)
Supplies and materials	127,095	136,622	9,527
Capital expenditures	61,804	99,272	37,468
Other expenditures	505,000	494,742	(10,258)
Total instructional support services	1,137,633	1,159,079	21,446
Pupil support services			
Capital expenditures	1,003	1,003	—
Sites and buildings			
Salaries	208,553	174,523	(34,030)
Employee benefits	52,523	45,627	(6,896)
Purchased services	2,487,732	1,427,440	(1,060,292)
Supplies and materials	61,000	64,326	3,326
Capital expenditures	2,181,580	3,610,755	1,429,175
Other expenditures	—	22,622	22,622
Total sites and buildings	4,991,388	5,345,293	353,905
Debt service			
Principal	866,247	961,680	95,433
Interest and fiscal charges	20,108	20,108	—
Total debt service	886,355	981,788	95,433
Total expenditures	10,114,370	9,708,191	(406,179)
Excess (deficiency) of revenue over expenditures	(1,280,143)	(665,842)	614,301
Other financing sources			
Capital lease issued	—	—	—
Proceeds from sale of assets	2,750,828	2,750,828	—
Total other financing sources	2,750,828	2,750,828	—
Net change in fund balances	\$ 1,470,685	2,084,986	\$ 614,301
Fund balances			
Beginning of year		4,264,414	6,918,857
End of year		\$ 6,349,400	\$ 4,264,414

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and temporary investments	\$ 8,208,725	\$ 5,658,693
Receivables		
Accounts and interest	<u>369</u>	<u>12,117</u>
Total assets	<u>\$ 8,209,094</u>	<u>\$ 5,670,810</u>
Liabilities		
Salaries payable	\$ 5,140	\$ 2,775
Accounts and contracts payable	<u>628,429</u>	<u>414,468</u>
Total liabilities	<u>633,569</u>	<u>417,243</u>
Fund balances		
Restricted for alternative facilities program	<u>7,575,525</u>	<u>5,253,567</u>
Total liabilities and fund balances	<u>\$ 8,209,094</u>	<u>\$ 5,670,810</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenue		
Local sources		
Property taxes	\$ 2,572,515	\$ 2,700,760
Investment earnings	3,130	19,611
Total revenue	<u>2,575,645</u>	<u>2,720,371</u>
Expenditures		
Capital outlay		
Salaries	190,370	128,739
Employee benefits	56,548	35,638
Capital expenditures	<u>6,590,757</u>	<u>7,149,210</u>
Total capital outlay	<u>6,837,675</u>	<u>7,313,587</u>
Debt service		
Interest and fiscal charges	<u>41,012</u>	<u>–</u>
Total expenditures	<u>6,878,687</u>	<u>7,313,587</u>
Excess (deficiency) of revenue over expenditures	(4,303,042)	(4,593,216)
Other financing sources		
Debt issued	<u>6,625,000</u>	<u>–</u>
Net change in fund balances	2,321,958	(4,593,216)
Fund balances		
Beginning of year	<u>5,253,567</u>	<u>9,846,783</u>
End of year	<u><u>\$ 7,575,525</u></u>	<u><u>\$ 5,253,567</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
Balance Sheet by Account
as of June 30, 2013
(With Comparative Totals as of June 30, 2012)

	General Obligation Bonds	Other Post-Employment Benefits Bonds	Totals	
			2013	2012
Assets				
Cash and temporary investments	\$ 13,683,315	\$ 657,746	\$ 14,341,061	\$ 13,749,713
Receivables				
Current taxes	9,739,328	488,579	10,227,907	10,465,334
Delinquent taxes	258,218	10,513	268,731	371,355
Due from other governmental units	456	21	477	279,644
	<u>456</u>	<u>21</u>	<u>477</u>	<u>279,644</u>
Total assets	<u>\$ 23,681,317</u>	<u>\$ 1,156,859</u>	<u>\$ 24,838,176</u>	<u>\$ 24,866,046</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 19,721,099	\$ 984,128	\$ 20,705,227	\$ 20,796,263
Unavailable revenue – delinquent taxes	274,069	11,310	285,379	316,677
Total deferred inflows of resources	<u>19,995,168</u>	<u>995,438</u>	<u>20,990,606</u>	<u>21,112,940</u>
Fund balances				
Restricted for general debt service	3,686,149	–	3,686,149	3,611,880
Restricted for OPEB bonds debt service	–	161,421	161,421	141,226
Total fund balances	<u>3,686,149</u>	<u>161,421</u>	<u>3,847,570</u>	<u>3,753,106</u>
Total deferred inflows of resources and fund balances	<u>\$ 23,681,317</u>	<u>\$ 1,156,859</u>	<u>\$ 24,838,176</u>	<u>\$ 24,866,046</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	General Obligation Bonds	Other Post-Employment Benefits Bonds	Total	
			2013	2012
Revenue				
Local sources				
Property taxes	\$ 19,491,882	\$ 979,606	\$ 20,471,488	\$ 19,488,867
Investment earnings	8,560	873	9,433	177,143
State sources	3,360	166	3,526	783,316
Total revenue	19,503,802	980,645	20,484,447	20,449,326
Expenditures				
Debt service				
Principal	13,665,000	—	13,665,000	13,275,000
Interest and fiscal agent fees	5,859,714	960,450	6,820,164	9,242,449
Total expenditures	19,524,714	960,450	20,485,164	22,517,449
Excess (deficiency) of revenue over expenditures	(20,912)	20,195	(717)	(2,068,123)
Other financing sources (uses)				
Premium on debt issued	7,155	—	7,155	—
Bond retirement from escrow	—	—	—	(37,895,000)
Proceeds from sale of assets	88,026	—	88,026	—
Total other financing sources (uses)	95,181	—	95,181	(37,895,000)
Net change in fund balances	74,269	20,195	94,464	(39,963,123)
Fund balances				
Beginning of year	3,611,880	141,226	3,753,106	43,716,229
End of year	\$ 3,686,149	\$ 161,421	\$ 3,847,570	\$ 3,753,106

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, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 19,695,472	\$ 19,491,882	\$ (203,590)	\$ 18,528,068
Investment earnings	13,000	8,560	(4,440)	6,281
State sources	3,360	3,360	—	744,655
Total revenue	<u>19,711,832</u>	<u>19,503,802</u>	<u>(208,030)</u>	<u>19,279,004</u>
Expenditures				
Debt service				
Principal retirement	13,665,000	13,665,000	—	13,275,000
Interest and fiscal agent fees	<u>5,915,119</u>	<u>5,859,714</u>	<u>(55,405)</u>	<u>6,584,761</u>
Total expenditures	<u>19,580,119</u>	<u>19,524,714</u>	<u>(55,405)</u>	<u>19,859,761</u>
Excess (deficiency) of revenue over expenditures	131,713	(20,912)	(152,625)	(580,757)
Other financing sources (uses)				
Premium on debt issuance	—	7,155	7,155	—
Proceeds from sale of assets	<u>88,026</u>	<u>88,026</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>88,026</u>	<u>95,181</u>	<u>7,155</u>	<u>—</u>
Net change in fund balances	<u>\$ 219,739</u>	74,269	<u>\$ (145,470)</u>	(580,757)
Fund balances				
Beginning of year		<u>3,611,880</u>		<u>4,192,637</u>
End of year		<u>\$ 3,686,149</u>		<u>\$ 3,611,880</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Bonds Debt Service Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2013
 (With Comparative Totals for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 995,523	\$ 979,606	\$ (15,917)	\$ 960,799
Investment earnings	500	873	373	612
State sources	166	166	—	38,661
Total revenue	996,189	980,645	(15,544)	1,000,072
Expenditures				
Debt service				
Interest and fiscal agent fees	961,000	960,450	(550)	960,450
Net change in fund balances	\$ 35,189	20,195	\$ (14,994)	39,622
Fund balances				
Beginning of year		141,226		101,604
End of year		\$ 161,421		\$ 141,226

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2013
(With Comparative Totals as of June 30, 2012)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Assets			
Cash and temporary investments	\$ 572,339	\$ 18,889,845	\$ —
Cash and investments held by trustee	—	—	18,522,571
Interest receivable	—	—	113,945
Due from other funds	—	—	—
Total assets	<u>572,339</u>	<u>18,889,845</u>	<u>18,636,516</u>
Liabilities			
Current liabilities			
Accounts and contracts payable	114,336	1,241,000	—
Post-employment severance benefits payable	—	1,992,522	—
Long-term liabilities			
Net other post-employment benefits obligation	—	—	6,825,442
Post-employment severance benefits payable	—	13,513,106	—
Total liabilities	<u>114,336</u>	<u>16,746,628</u>	<u>6,825,442</u>
Net position			
Restricted for employee benefits	—	—	11,811,074
Unrestricted	<u>458,003</u>	<u>2,143,217</u>	<u>—</u>
Total net position	<u>\$ 458,003</u>	<u>\$ 2,143,217</u>	<u>\$ 11,811,074</u>

Totals			
2013		2012	
\$	19,462,184	\$	11,340,670
	18,522,571		17,606,335
	113,945		194,682
	—		6,138,674
	38,098,700		35,280,361
	1,355,336		122,690
	1,992,522		2,113,470
	6,825,442		6,084,748
	13,513,106		14,137,546
	23,686,406		22,458,454
	11,811,074		11,716,269
	2,601,220		1,105,638
\$	14,412,294	\$	12,821,907

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Operating revenue			
Contributions from governmental funds	\$ 1,412,602	\$ 3,976,344	\$ 750,000
Operating expenses			
Dental benefit claims	1,299,119	—	—
Post-employment severance benefits	—	2,613,436	—
Other post-employment benefits	—	—	740,694
Total operating expenses	<u>1,299,119</u>	<u>2,613,436</u>	<u>740,694</u>
Operating income	113,483	1,362,908	9,306
Nonoperating revenue			
Investment earnings	<u>89</u>	<u>19,102</u>	<u>85,499</u>
Change in net position	113,572	1,382,010	94,805
Net position			
Beginning of year	<u>344,431</u>	<u>761,207</u>	<u>11,716,269</u>
End of year	<u>\$ 458,003</u>	<u>\$ 2,143,217</u>	<u>\$ 11,811,074</u>

Totals	
2013	2012
\$ 6,138,946	\$ 4,934,517
1,299,119	1,329,695
2,613,436	972,297
740,694	1,410,466
<u>4,653,249</u>	<u>3,712,458</u>
1,485,697	1,222,059
104,690	352,024
1,590,387	1,574,083
<u>12,821,907</u>	<u>11,247,824</u>
<u>\$ 14,412,294</u>	<u>\$ 12,821,907</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Cash flows from operating activities			
Contributions from governmental funds	\$ 1,412,602	\$ 3,976,344	\$ 750,000
Payments for dental claims	(1,307,473)	—	—
Post-employment severance benefit payments	—	(2,117,824)	—
Net cash provided (used) by operating activities	105,129	1,858,520	750,000
Cash flows from noncapital financing activities			
Payment of interfund borrowing	—	6,138,674	—
Cash flows from investing activities			
Investment income received	89	19,102	166,236
Net change in cash and cash equivalents	105,218	8,016,296	916,236
Cash and cash equivalents			
Beginning of year	467,121	10,873,549	17,606,335
End of year	\$ 572,339	\$ 18,889,845	\$ 18,522,571
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 113,483	\$ 1,362,908	\$ 9,306
Adjustments to reconcile operating income to net cash provided by operating activities			
Changes in assets and liabilities			
Accounts and contracts payable	(8,354)	1,241,000	—
Post-employment severance benefits payable	—	(745,388)	—
Net other post-employment benefit obligation	—	—	740,694
Net cash provided (used) by operating activities	\$ 105,129	\$ 1,858,520	\$ 750,000
Cash and cash equivalents are reported on the Statement of Net Position as follows:			
Cash and temporary investments	\$ 572,339	\$ 18,889,845	\$ —
Cash and investments held by trustee	—	—	18,522,571
Total cash and cash equivalents	\$ 572,339	\$ 18,889,845	\$ 18,522,571

Totals	
2013	2012
\$ 6,138,946	\$ 4,934,517
(1,307,473)	(1,332,824)
(2,117,824)	(1,397,425)
<u>2,713,649</u>	<u>2,204,268</u>
6,138,674	(6,138,674)
<u>185,427</u>	<u>335,875</u>
9,037,750	(3,598,531)
<u>28,947,005</u>	<u>32,545,536</u>
<u>\$ 37,984,755</u>	<u>\$ 28,947,005</u>
\$ 1,485,697	\$ 1,222,059
1,232,646	(3,129)
(745,388)	(425,128)
<u>740,694</u>	<u>1,410,466</u>
<u>\$ 2,713,649</u>	<u>\$ 2,204,268</u>
\$ 19,462,184	\$ 11,340,670
<u>18,522,571</u>	<u>17,606,335</u>
<u>\$ 37,984,755</u>	<u>\$ 28,947,005</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
Employee Benefit Trust Funds
Combining Statement of Fiduciary Net Position
as of June 30, 2013

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
Assets			
Investments held by trustee, at fair value	\$ 200,593	\$ 2,534,873	\$ 2,735,466
Accounts and interest receivable	—	5,072	5,072
Total assets	<u>200,593</u>	<u>2,539,945</u>	<u>2,740,538</u>
Liabilities			
Accounts and contracts payable	174,734	—	174,734
Due to other governmental units	—	706,304	706,304
Total liabilities	<u>174,734</u>	<u>706,304</u>	<u>881,038</u>
Net position			
Held in trust for employee benefits	<u>\$ 25,859</u>	<u>\$ 1,833,641</u>	<u>\$ 1,859,500</u>

Fiduciary Funds
Employee Benefit Trust Funds
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
Additions			
Plan members contributions	\$ 1,435,576	\$ —	\$ 1,435,576
Investment earnings	—	13,036	13,036
Total additions	<u>1,435,576</u>	<u>13,036</u>	<u>1,448,612</u>
Deductions			
Benefits paid to plan members	<u>1,429,172</u>	<u>706,304</u>	<u>2,135,476</u>
Change in net position	6,404	(693,268)	(686,864)
Net position			
Beginning of year	<u>19,455</u>	<u>2,526,909</u>	<u>2,546,364</u>
End of year	<u>\$ 25,859</u>	<u>\$ 1,833,641</u>	<u>\$ 1,859,500</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
Agency Funds
Schedule of Changes in Assets and Liabilities
Year Ended June 30, 2013

	Balance – July 1, 2012	Additions	Deletions	Balance – June 30, 2013
Local collaborative time study				
Assets				
Cash and temporary investments	\$ 1,780,097	\$ –	\$ 43,189	\$ 1,736,908
Liabilities				
Due to other governmental units	\$ 1,780,097	\$ –	\$ 43,189	\$ 1,736,908
Northwest Family Service Center				
Assets				
Cash and temporary investments	\$ –	\$ 220,208	\$ 93,543	\$ 126,665
Liabilities				
Due to other governmental units	\$ –	\$ 220,208	\$ 93,543	\$ 126,665
Total agency funds				
Assets				
Cash and temporary investments	\$ 1,780,097	\$ 220,208	\$ 136,732	\$ 1,863,573
Liabilities				
Due to other governmental units	\$ 1,780,097	\$ 220,208	\$ 136,732	\$ 1,863,573

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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.**

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 financial report relates to the services the District provides, and the activities it performs.

Sources: 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			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 99,920,464	\$ 105,535,469	\$ 124,787,611	\$ 124,409,664
Restricted	8,590,494	7,175,670	12,617,075	14,759,910
Unrestricted	35,199,817	31,645,703	27,262,251	28,172,864
Total governmental activities net position	<u>\$ 143,710,775</u>	<u>\$ 144,356,842</u>	<u>\$ 164,666,937</u>	<u>\$ 167,342,438</u>

2008	2009	2010	2011	2012	2013
\$ 131,450,075	\$ 144,073,305	\$ 150,448,560	\$ 163,464,982	\$ 168,810,854	\$ 178,183,551
17,721,351	13,292,206	15,771,277	12,675,484	9,848,155	11,675,297
20,057,766	31,514,504	37,845,296	41,346,994	44,898,462	39,882,941
<u>\$ 169,229,192</u>	<u>\$ 188,880,015</u>	<u>\$ 204,065,133</u>	<u>\$ 217,487,460</u>	<u>\$ 223,557,471</u>	<u>\$ 229,741,789</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities				
Administration	\$ 9,027,666	\$ 8,860,354	\$ 9,742,766	\$ 9,993,084
District support services	6,403,655	6,913,381	7,839,330	7,758,332
Elementary and secondary regular instruction	87,604,488	103,110,282	101,323,546	113,139,917
Vocational education instruction	3,842,878	3,913,382	4,263,387	3,941,086
Special education instruction	33,920,333	37,556,692	40,645,883	44,143,783
Instructional support services	10,383,833	11,900,502	13,154,946	14,088,857
Pupil support services	12,627,859	13,684,700	16,638,284	22,116,462
Sites and buildings	17,480,238	14,730,947	15,429,568	16,424,757
Fiscal and other fixed cost programs	642,007	662,348	648,147	675,592
Food service	7,652,495	8,429,539	8,580,455	8,768,750
Community service	10,640,161	11,102,886	11,212,714	12,921,276
Depreciation expense (net of allocations to programs)	4,919,865	4,951,841	5,621,407	6,608,269
Interest and fiscal charges on debt	11,172,327	9,620,461	11,488,036	12,238,463
Total governmental activities expenses	216,317,805	235,437,315	246,588,469	272,818,628
Program revenues				
Governmental activities				
Charges for services				
Food service	4,857,340	4,863,520	5,023,991	4,967,714
Community service	6,734,686	6,138,828	6,389,336	7,638,000
All other	6,315,099	5,495,156	5,369,229	4,784,065
Operating grants and contributions	42,365,561	46,264,580	60,924,189	54,064,749
Capital grants and contributions	9,211,002	7,471,965	7,433,946	7,289,819
Total governmental activities program revenues	69,483,688	70,234,049	85,140,691	78,744,347
Net (expense) revenue	(146,834,117)	(165,203,266)	(161,447,778)	(194,074,281)
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	34,682,198	25,751,901	15,771,786	31,857,093
Property taxes, levied for community service	2,102,577	1,428,028	732,972	1,496,514
Property taxes, levied for debt service	19,295,491	17,612,082	19,189,590	17,725,156
Property taxes, levied for capital projects	800,000	1,000,000	2,417,258	2,417,258
General grants and aids	108,374,114	118,250,007	123,672,171	130,531,939
Gain on sale of capital assets	—	—	14,694,266	—
Other general revenues	53,689	89,671	113,958	114,092
Investment earnings	580,639	1,717,644	5,165,872	6,570,363
Total governmental activities	165,888,708	165,849,333	181,757,873	190,712,415
Change in net position	\$ 19,054,591	\$ 646,067	\$ 20,310,095	\$ (3,361,866)

2008	2009	2010	2011	2012	2013
\$ 10,063,773	\$ 9,010,266	\$ 9,990,833	\$ 9,889,383	\$ 10,010,161	\$ 9,302,245
8,083,375	7,466,464	7,470,338	7,939,090	7,846,332	7,707,269
118,598,218	110,299,265	112,598,739	117,486,457	119,863,495	120,150,495
3,728,269	3,009,509	3,414,483	2,979,308	3,483,484	2,224,938
45,785,607	41,770,841	44,629,039	45,409,052	44,724,609	46,747,032
14,963,628	13,992,893	12,435,878	15,395,191	12,333,695	12,485,545
22,161,931	19,904,914	21,266,892	20,512,419	20,217,797	21,507,907
15,964,989	15,930,494	15,167,362	13,423,282	15,331,085	16,097,883
473,187	406,778	323,660	338,224	338,499	515,881
9,196,217	9,640,003	9,834,805	10,230,489	10,795,396	10,891,333
12,936,464	13,444,016	13,819,853	13,880,502	14,095,978	14,903,788
7,583,134	6,942,870	7,173,730	7,320,312	7,694,060	7,908,028
11,673,207	11,603,663	12,218,481	8,151,200	7,214,344	5,197,263
281,211,999	263,421,976	270,344,093	272,954,909	273,948,935	275,639,607
5,129,756	5,088,224	5,171,603	4,924,319	4,829,635	4,694,700
8,138,424	8,106,834	8,126,265	8,417,053	8,722,701	8,504,086
4,141,480	5,267,724	5,142,327	4,963,175	4,196,696	2,382,531
61,524,104	57,098,030	75,496,551	66,466,389	62,160,093	61,361,045
9,847,821	8,781,111	7,663,263	7,589,202	7,521,842	8,016,685
88,781,585	84,341,923	101,600,009	92,360,138	87,430,967	84,959,047
(192,430,414)	(179,080,053)	(168,744,084)	(180,594,771)	(186,517,968)	(190,680,560)
36,266,718	43,768,195	44,627,270	63,920,940	44,688,424	48,214,311
1,559,500	1,272,495	2,500,000	2,648,450	1,835,225	1,888,383
17,672,387	18,727,775	19,240,286	19,827,193	19,362,076	20,440,190
3,496,264	2,252,863	1,690,268	2,369,678	2,700,760	2,572,515
129,243,681	128,054,844	110,986,372	103,822,810	123,399,761	122,691,081
—	—	1,242,367	—	—	491,389
63,633	46,918	20,433	52,094	7,514	383,238
6,014,985	4,607,786	3,622,206	1,375,933	594,219	183,771
194,317,168	198,730,876	183,929,202	194,017,098	192,587,979	196,864,878
\$ 1,886,754	\$ 19,650,823	\$ 15,185,118	\$ 13,422,327	\$ 6,070,011	\$ 6,184,318

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved				
Operating Account	\$ 310,244	\$ 234,305	\$ 256,619	\$ 327,996
Capital Expenditure Account	2,914,202	3,132,721	11,040,797	12,047,096
Unreserved – Capital Expenditure Account	(308,588)	(774,543)	(2,042,771)	(1,689,393)
Unreserved – Operating Account	34,974,032	37,460,651	34,934,417	25,769,032
Nonspendable				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Restricted				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Assigned	–	–	–	–
Unassigned				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Total General Fund	<u>\$ 37,889,890</u>	<u>\$ 40,053,134</u>	<u>\$ 44,189,062</u>	<u>\$ 36,454,731</u>
All other governmental funds				
Reserved	\$ 27,039,457	\$ 3,372,535	\$ 76,097,156	\$ 74,967,997
Unreserved, reported in				
Special revenue funds	1,455,242	1,552,891	1,690,982	1,521,478
Capital Projects – Building Construction Fund	–	–	(3,530,679)	59,710
Debt Service Fund – General Obligation Bonds	5,878,903	4,779,774	4,779,568	5,013,972
Nonspendable				
Special revenue funds	–	–	–	–
Capital Projects – Building Construction Fund	–	–	–	–
Restricted				
Special revenue funds	–	–	–	–
Capital Projects – Building Construction Fund	–	–	–	–
Debt Service Fund – General Obligation Bonds	–	–	–	–
Unassigned, reported in				
Special revenue funds	–	–	–	–
Total all other governmental funds	<u>\$ 34,373,602</u>	<u>\$ 9,705,200</u>	<u>\$ 79,037,027</u>	<u>\$ 81,563,157</u>
Unreserved/unassigned – Operating Account as a percentage of total expenditures	<u>20.7%</u>	<u>20.2%</u>	<u>17.4%</u>	<u>11.6%</u>

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

2008	2009	2010	2011	2012	2013
\$ 506,027	\$ 660,346	\$ 533,030	\$ —	\$ —	\$ —
12,214,774	7,336,875	10,161,288	—	—	—
(395,386)	(55,785)	(162,696)	—	—	—
20,088,634	31,789,373	40,290,600	—	—	—
—	—	—	2,065,648	465,537	333,685
—	—	—	153,481	35,742	20,751
—	—	—	237,001	53,938	102,612
—	—	—	7,330,000	4,911,656	7,094,538
—	—	—	7,994,876	8,861,190	1,865,912
—	—	—	38,222,696	37,962,599	38,579,402
—	—	—	(564,624)	(682,984)	(765,889)
<u>\$ 32,414,049</u>	<u>\$ 39,730,809</u>	<u>\$ 50,822,222</u>	<u>\$ 55,439,078</u>	<u>\$ 51,607,678</u>	<u>\$ 47,231,011</u>
\$ 75,194,504	\$ 83,953,551	\$ 119,002,177	\$ —	\$ —	\$ —
2,032,961	2,312,497	2,871,254	—	—	—
—	—	—	—	—	—
4,757,150	5,092,734	4,426,151	—	—	—
—	—	—	465,278	408,864	437,871
—	—	—	25,359	—	—
—	—	—	5,237,015	5,201,069	4,785,089
—	—	—	9,821,424	5,253,567	7,575,525
—	—	—	43,716,229	3,753,106	3,847,570
—	—	—	(64,332)	(70,745)	(2,795)
<u>\$ 81,984,615</u>	<u>\$ 91,358,782</u>	<u>\$ 126,299,582</u>	<u>\$ 59,200,973</u>	<u>\$ 14,545,861</u>	<u>\$ 16,643,260</u>
<u>8.8%</u>	<u>14.0%</u>	<u>18.4%</u>	<u>17.3%</u>	<u>16.9%</u>	<u>16.7%</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Local sources				
Taxes	\$ 56,768,534	\$ 45,858,747	\$ 37,894,566	\$ 53,116,313
Investment earnings	411,209	1,364,224	4,539,494	5,929,166
Other	17,960,815	19,388,736	19,609,949	21,080,964
State sources	149,283,020	157,049,050	176,717,537	176,452,641
Federal sources	10,667,657	12,135,941	12,599,334	11,857,856
Total revenues	<u>235,091,235</u>	<u>235,796,698</u>	<u>251,360,880</u>	<u>268,436,940</u>
Expenditures				
Current				
Administration	9,007,546	8,832,993	9,677,102	9,927,437
District support services	3,419,196	3,837,553	4,730,043	4,918,609
Elementary and secondary regular instruction	85,672,569	95,380,665	99,534,825	109,765,803
Vocational education instruction	3,842,512	3,909,994	4,256,486	3,969,198
Special education instruction	33,900,234	37,406,229	40,322,851	44,059,232
Instructional support services	8,889,269	10,045,533	10,893,040	11,842,154
Pupil support services	12,484,495	13,664,119	16,611,977	22,087,652
Sites and buildings	11,138,734	11,675,814	13,536,960	14,362,239
Fiscal and other fixed cost programs	642,006	662,348	648,147	675,592
Food service	7,578,440	8,201,583	8,388,194	8,830,855
Community service	10,559,648	11,000,245	11,109,433	12,855,079
Capital outlay	45,976,177	35,011,757	22,712,217	13,578,636
Debt service				
Principal	11,360,751	11,376,164	12,538,980	11,334,931
Interest and fiscal charges	11,839,839	10,267,179	10,019,452	13,534,029
Total expenditures	<u>256,311,416</u>	<u>261,272,176</u>	<u>264,979,707</u>	<u>281,741,446</u>
Excess of revenues over (under) expenditures	(21,220,181)	(25,475,478)	(13,618,827)	(13,304,506)
Other financing sources (uses)				
Refunding bonds issued	—	—	67,055,000	—
Debt issued	—	—	—	5,235,000
Premium on debt issued	—	—	5,077,782	61,305
Proceeds from sale of assets	—	—	14,953,800	—
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Debt retirement from escrow	(21,912,000)	—	—	—
Capital leases issued	424,260	2,970,320	—	2,800,000
Refunding capital leases issued	3,537,000	—	—	—
Total other financing sources (uses)	<u>(17,950,740)</u>	<u>2,970,320</u>	<u>87,086,582</u>	<u>8,096,305</u>
Net change in fund balances	<u>\$ (39,170,921)</u>	<u>\$ (22,505,158)</u>	<u>\$ 73,467,755</u>	<u>\$ (5,208,201)</u>
Debt service as a percentage of noncapital expenditures	<u>11.0%</u>	<u>9.6%</u>	<u>9.3%</u>	<u>9.3%</u>

Note: Starting in fiscal year 2009, General Fund capital outlay is included within the current programs instead of being reported in capital outlay.

2008	2009	2010	2011	2012	2013
\$ 58,726,894	\$ 65,613,628	\$ 68,129,655	\$ 88,854,246	\$ 68,998,755	\$ 73,229,773
5,494,552	4,180,823	3,081,100	951,880	242,195	79,081
20,310,897	21,500,746	21,011,030	21,475,142	21,287,557	19,433,552
186,341,580	178,308,918	159,688,952	153,387,645	172,738,587	173,713,412
11,426,422	12,634,021	31,906,832	21,357,251	16,812,098	14,886,402
282,300,345	282,238,136	283,817,569	286,026,164	280,079,192	281,342,220
10,052,596	9,008,356	9,988,924	9,887,474	10,010,161	9,302,245
5,208,267	6,597,460	5,386,523	5,925,326	5,738,350	5,628,062
113,381,446	118,327,117	110,571,064	115,476,010	121,086,618	121,609,632
3,718,292	3,009,143	3,414,117	2,983,259	3,518,848	2,222,082
45,643,778	45,242,029	44,620,521	45,407,700	44,716,402	46,755,363
13,357,181	14,720,337	12,401,998	15,591,201	12,364,771	12,502,018
22,148,423	20,377,010	21,265,279	20,510,806	20,217,797	21,507,907
14,107,319	23,592,865	19,336,434	19,803,684	17,436,926	19,041,698
473,187	406,778	323,660	338,224	338,499	515,881
8,981,026	9,475,675	9,551,844	9,987,972	10,517,361	10,634,472
12,874,087	13,348,656	13,714,124	13,762,170	13,963,156	14,742,075
12,022,631	2,048,070	7,109,133	6,811,326	7,644,310	7,123,098
11,550,524	12,557,332	13,161,297	12,730,000	14,221,944	14,626,680
12,410,812	11,862,190	12,771,091	11,320,100	9,277,293	6,881,284
285,929,569	290,573,018	283,616,009	290,535,252	291,052,436	293,092,497
(3,629,224)	(8,334,882)	201,560	(4,509,088)	(10,973,244)	(11,750,277)
—	—	52,375,000	5,775,000	—	—
—	24,945,000	—	8,685,000	—	6,625,000
—	80,809	5,384,227	370,331	—	7,155
10,000	—	5,236,426	15,004	—	2,838,854
234,382	208,660	—	—	—	—
(234,382)	(208,660)	—	—	—	—
—	—	(17,165,000)	(75,415,000)	(37,895,000)	—
—	—	—	2,597,000	381,732	—
—	—	—	—	—	—
10,000	25,025,809	45,830,653	(57,972,665)	(37,513,268)	9,471,009
\$ (3,619,224)	\$ 16,690,927	\$ 46,032,213	\$ (62,481,753)	\$ (48,486,512)	\$ (2,279,268)
8.7%	8.5%	9.4%	8.7%	8.3%	7.5%

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
2004	\$ 9,007,546 5.3%	\$ 3,419,196 2.0%	\$ 85,672,569 50.7%	\$ 3,842,512 2.3%	\$ 33,900,234 20.1%
2005	8,832,993 4.8%	3,837,553 2.1%	95,380,665 51.4%	3,909,994 2.1%	37,406,229 20.2%
2006	9,677,102 4.8%	4,730,043 2.4%	99,534,825 49.7%	4,256,486 2.1%	40,322,851 20.1%
2007	9,927,437 4.5%	4,918,609 2.2%	109,765,803 49.5%	3,969,198 1.8%	44,059,232 19.9%
2008	10,052,596 4.4%	5,208,267 2.3%	113,381,446 49.7%	3,718,292 1.6%	45,643,778 20.0%
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%

<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>
\$ 8,889,269 5.2%	\$ 12,484,495 7.4%	\$ 11,138,734 6.6%	\$ 642,006 0.4%	\$ 168,996,561 100.0%	4.2%
10,045,533 5.4%	13,664,119 7.4%	11,675,814 6.3%	662,348 0.3%	185,415,248 100.0%	9.7%
10,893,040 5.5%	16,611,977 8.3%	13,536,960 6.8%	648,147 0.3%	200,211,431 100.0%	8.0%
11,842,154 5.3%	22,087,652 10.0%	14,362,239 6.5%	675,592 0.3%	221,607,916 100.0%	10.7%
13,357,181 5.9%	22,148,423 9.7%	14,107,319 6.2%	473,187 0.2%	228,090,489 100.0%	2.9%
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%

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
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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
2004	\$ 34,805,601 19%	\$ 136,980,171 74%	\$ 7,088,742 4%	\$ 5,748,905 3%	\$ 184,623,419 100%
2005	25,818,637 14%	146,326,783 78%	8,267,337 4%	7,413,171 4%	187,825,928 100%
2006	15,668,894 8%	165,288,912 84%	8,516,856 4%	8,232,849 4%	197,707,511 100%
2007	31,598,901 15%	165,853,043 78%	7,372,899 3%	7,689,065 4%	212,513,908 100%
2008	36,023,837 16%	172,935,695 78%	7,006,205 3%	6,622,385 3%	222,588,122 100%
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%

- (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.

INDEPENDENT SCHOOL DISTRICT NO. 279

Revenue and Expenditures –
General Fund, Special Revenue Funds, General Obligation Bonds, and
Other Post-Employment Benefits Bonds – Debt Service Accounts
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

				Fiscal Year
	2004	2005	2006	2007
Revenue				
General Fund				
Operating Account	\$ 184,623,419	\$ 187,825,928	\$ 197,707,511	\$ 212,513,908
Capital Expenditure Account	10,095,712	8,241,156	8,707,146	9,307,362
Special revenue funds				
Food Service	8,245,021	8,555,527	8,952,943	9,284,843
Community Service	10,747,479	10,987,418	11,144,346	13,077,544
Debt service funds				
Debt Service Account – General				
Obligation Bonds	20,583,606	18,920,729	20,477,291	18,941,917
Debt Service Account – Other				
Post-Employment Benefits Bonds	–	–	–	–
Total revenue	<u>\$ 234,295,237</u>	<u>\$ 234,530,758</u>	<u>\$ 246,989,237</u>	<u>\$ 263,125,574</u>
Expenditures				
General Fund				
Operating Account	\$ 168,996,561	\$ 185,415,248	\$ 200,211,431	\$ 221,607,916
Capital Expenditure Account	10,213,619	11,458,912	17,021,098	10,747,685
Special revenue funds				
Food Service	8,071,951	8,613,587	8,791,714	9,461,753
Community Service	10,621,276	11,109,721	11,217,250	12,920,891
Debt service funds				
Debt Service Account – General				
Obligation Bonds	19,753,779	20,019,858	20,477,497	18,794,993
Debt Service Account – Other				
Post-Employment Benefits Bonds	–	–	–	–
Total expenditures	<u>\$ 217,657,186</u>	<u>\$ 236,617,326</u>	<u>\$ 257,718,990</u>	<u>\$ 273,533,238</u>

2008	2009	2010	2011	2012	2013
\$ 222,588,122	\$ 223,755,854	\$ 225,547,633	\$ 229,105,709	\$ 223,767,752	\$ 223,896,832
11,318,906	10,653,126	9,341,486	8,822,827	8,429,276	9,042,349
9,640,510	9,934,674	10,295,493	10,421,017	10,609,307	11,008,927
13,657,891	13,390,804	13,416,748	13,834,024	14,103,160	14,334,020
18,753,734	19,478,520	19,166,032	19,617,297	19,279,004	19,503,802
—	1,515	876,986	999,343	1,000,072	980,645
<u>\$ 275,959,163</u>	<u>\$ 277,214,493</u>	<u>\$ 278,644,378</u>	<u>\$ 282,800,217</u>	<u>\$ 277,188,571</u>	<u>\$ 278,766,575</u>
\$ 228,090,489	\$ 227,736,296	\$ 218,404,684	\$ 221,409,118	\$ 224,944,709	\$ 230,358,485
9,632,839	15,191,424	10,560,929	14,514,566	11,465,451	9,708,191
9,121,744	9,680,730	9,741,558	10,091,851	10,706,589	10,749,330
12,929,848	13,432,902	13,816,380	13,856,582	14,104,651	14,912,640
19,010,556	19,479,210	19,805,100	19,958,431	19,859,761	19,524,714
—	—	1,024,450	960,450	960,450	960,450
<u>\$ 278,785,476</u>	<u>\$ 285,520,562</u>	<u>\$ 273,353,101</u>	<u>\$ 280,790,998</u>	<u>\$ 282,041,611</u>	<u>\$ 286,213,810</u>

OSSEO AREA SCHOOLS

ISD  279

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INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue per Student
Year Ended June 30, 2013
(Modified Accrual Basis of Accounting)

	Hennepin County Average	ISD No. 279
General education formula revenue per pupil unit (1)		
General education (includes transportation)	\$ 5,224	\$ 5,224
Referendum	1,404	1,408
Gifted and talented, extended, compensatory, and LEP	568	630
Operating capital	211	204
Supplemental, equity, and other	258	307
General education formula revenue per pupil unit (property tax and state aid)	<u>\$ 7,665</u>	<u>\$ 7,773</u>
General Fund – Operating Account revenue per student (2)		
General education formula revenue per student (property tax and state aid)		\$ 9,317
Less Capital Expenditure Account		<u>(390)</u>
General education formula revenue per student – General Fund Operating Account		8,927
State categorical revenue (special education, secondary vocational, cooperation, and other)		<u>1,343</u>
Total property tax and state aid revenue		10,270
Federal revenue (special education, Title I, and other)		420
Other local revenue – interest, participation fees, and other		<u>213</u>
Total General Fund – Operating Account revenue per student		<u>\$ 10,903</u>

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

(2) Average daily membership (ADM) 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>
2004	\$ 9,675,606,200	\$ 80,527,400	\$ 9,756,133,600
2005	11,148,047,300	85,704,800	11,233,752,100
2006	12,437,223,500	87,635,200	12,524,858,700
2007	13,792,479,900	93,196,000	13,885,675,900
2008	14,938,565,700	92,621,600	15,031,187,300
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

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>
\$ 10,304,590,400	94.7 %
11,571,167,500	97.1
12,765,496,800	98.1
14,068,304,000	98.7
15,142,401,100	99.3
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

OSSEO AREA SCHOOLS

ISD  279

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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	
2004	\$ 34,805,601	\$ 2,086,924	\$ 800,000	\$ 19,076,009	\$ 56,768,534
2005	25,818,637	1,428,028	1,000,000	17,612,082	45,858,747
2006	15,668,894	726,825	2,417,258	19,081,589	37,894,566
2007	31,598,901	1,484,987	2,417,258	17,615,167	53,116,313
2008	36,023,837	1,559,673	3,496,264	17,647,120	58,726,894
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

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Property Classification	City	Tax Capacity	Rank	2013	
					Property Valuation	
					Percentage of Tax Capacity Value	Market Value
The Shoppes at Arbor Lakes	Commercial	Maple Grove	\$ 1,202,348	1	1.0 %	\$ 60,154,900
Target Corporation	Commercial	Brooklyn Park	996,135	2	0.9	50,775,100
KIR Maple Grove, LP	Commercial	Maple Grove	944,228	3	0.8	47,248,900
Boston Scientific Scimed, Inc.	Industrial	Maple Grove	882,652	4	0.8	44,170,100
KIMCO Realty Corporation	Commercial	Maple Grove	640,802	5	0.6	32,077,600
DDRA Maple Grove XNG, LLC	Commercial	Maple Grove	601,044	6	0.5	30,089,700
Fairview Hospital	Commercial	Maple Grove	575,250	7	0.5	28,800,000
Thomson Reuters Prop Tx Services	Apartment	Plymouth	520,425	8	0.4	41,634,000
Excel Energy	Utility	Maple Grove	474,432	9	0.4	23,721,600
BPP, LLC	Industrial	Brooklyn Park	439,060	10	0.4	21,990,500
Brooklyn Park 73rd LSD HSG	Apartment	Brooklyn Park	—	—	—	—
Prudential Insurance Co. of America	Commercial	Plymouth	—	—	—	—
Computer Network Tec	Commercial	Plymouth	—	—	—	—
United Healthcare Services, Inc.	Commercial		—	—	—	—
Georgia-Pacific Corporation	Industrial		—	—	—	—
Total for 10 largest principal taxpayers			<u>\$ 7,276,376</u>		<u>6.3 %</u>	<u>\$ 380,662,400</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

2004			
Property Valuation			
Tax Capacity	Rank	Percentage of Tax Capacity Value	Market Value
\$ -	-	- %	\$ -
811,750	1	0.9	40,625,000
779,696	2	0.8	39,022,300
387,270	7	0.4	19,401,000
-	-	-	-
533,074	3	0.6	26,691,200
-	-	-	-
-	-	-	-
-	-	-	-
387,750	6	0.4	19,425,000
421,088	4	0.4	33,687,000
410,210	5	0.4	20,548,000
319,250	8	0.3	16,000,000
319,250	9	0.3	16,000,000
306,220	10	0.3	15,348,500
<u>\$ 4,675,558</u>		<u>4.8 %</u>	<u>\$ 246,748,000</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					
	2004	\$ 25,354,985	\$ 1,517,111	\$ 18,735,347	\$ 45,607,443
	2005	27,840,135	1,515,971	20,317,551	49,673,657
	2006	32,817,224	1,577,345	18,593,022	52,987,591
	2007	41,388,874	1,624,729	18,455,532	61,469,135
	2008	45,634,995	1,337,173	19,738,957	66,711,125
	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
Net tax rates					
Tax capacity rate					
	2004	5.434 %	1.369 %	16.906 %	23.709 %
	2005	6.507	1.238	16.591	24.336
	2006	6.893	1.167	13.755	21.815
	2007	10.312	1.088	12.358	23.758
	2008	7.275	0.789	11.646	19.710
	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
Market value rate					
	2004	0.169	—	—	0.169
	2005	0.159	—	—	0.159
	2006	0.170	—	—	0.170
	2007	0.172	—	—	0.172
	2008	0.205	—	—	0.205
	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

(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)
\$ (6,724,243)	\$ 38,883,200	\$ (16,482,734)	\$ 22,400,466	\$ (1,533,203)
(4,978,838)	44,694,819	(17,879,892)	26,814,927	(1,517,549)
(5,130,129)	47,857,462	(21,224,667)	26,632,795	(1,327,290)
(5,521,124)	55,948,011	(23,654,517)	32,293,494	(1,345,808)
(6,509,728)	60,201,397	(30,565,648)	29,635,749	(1,102,357)
(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	—

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	2004	17.500%	52.437%	42.440%	28.870%	43.595%
Market value rate	2004	—	0.04844%	0.01983%	—	—
Tax capacity rate	2005	22.291%	50.487%	36.860%	27.966%	40.771%
Market value rate	2005	—	0.04220%	0.03117%	—	—
Tax capacity rate	2006	24.878%	46.934%	37.741%	29.275%	42.524%
Market value rate	2006	—	0.03872%	0.02107%	—	—
Tax capacity rate	2007	24.264%	44.292%	35.254%	30.703%	44.446%
Market value rate	2007	—	0.03579%	0.02402%	—	—
Tax capacity rate	2008	21.972%	43.896%	37.744%	30.213%	43.004%
Market value rate	2008	—	0.03346%	0.02163%	—	—
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%	—	—

N/A – Not Available

(1) The miscellaneous other levy includes AVTI, mosquito control, park/museum, metro transit and other metro services, and county parks bond 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
32.979% 0.09860%	36.211% –	23.179% 0.00950%	– –	23.709% 0.16958%	47.324% –	7.522% –	111.534% 0.26818%
30.677% 0.00855%	33.056% –	23.132% 0.00854%	– –	24.336% 0.15982%	44.172% –	7.522% –	106.707% 0.16837%
30.272% 0.00763%	30.102% –	23.197% 0.00792%	– –	21.815% 0.17045%	41.016% –	7.021% –	100.124% 0.17808%
30.169% 0.00749%	36.055% –	23.280% 0.00731%	– –	23.758% 0.17155%	39.110% –	7.210% –	100.247% 0.17904%
29.318% –	42.416% –	22.887% 0.00693%	– –	19.710% 0.20475%	38.571% –	7.312% –	94.911% 0.20475%
31.259% –	46.580% –	24.368% 0.00701%	– –	21.033% 0.20487%	40.413% –	7.111% –	99.816% 0.20487%
33.845% –	45.978% –	25.495% 0.00726%	– –	22.381% 0.21123%	42.640% –	8.133% –	106.999% 0.211%
36.714% –	55.419% –	26.944% 0.01032%	N/A N/A	24.217% 0.23032%	45.840% –	9.095% –	115.866% 0.230%
39.450% –	64.130% –	28.146% 0.01057%	41.183% –	24.930% 0.25181%	48.231% –	9.423% –	122.034% 0.252%
42.142% –	77.832% –	29.243% 0.00596%	38.291% –	27.973% 0.26813%	49.461% –	10.383% –	129.959% 0.268%

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>
2004	\$ 45,607,443	\$ 45,150,142	99.0	\$ 457,301
2005	49,673,657	48,938,217	98.5	735,440
2006	52,987,591	51,989,768	98.1	944,382
2007	61,465,876	59,939,916	97.5	1,538,638
2008	66,711,125	65,207,245	97.7	1,328,451
2009	68,968,284	67,710,766	98.2	1,291,912
2010	69,254,242	69,253,978	98.7	877,072
2011	70,141,931	69,997,775	99.1	483,609
2012	71,151,519	70,513,785	99.1	N/A
2013 (1)	73,625,919	N/A	N/A	N/A

Reconciliation of current tax collections with property tax revenue

Collections on property tax levy collectible in 2012		\$ 70,513,785
Portion of taxes collected from state of Minnesota as HACA aid and education homestead credit aid – included in revenue from state sources		(1,402)
Less tax shift allocation of the levy collectible in 2012 to fiscal year 2012	(2)	(24,904,484)
Add tax shift allocation of the referendum levy collectible in 2013 to fiscal year 2013	(2)	25,954,668
Property tax delinquencies, abatements, and county apportionment		<u>1,667,206</u>
Total local property tax revenue – fiscal year 2013		<u><u>\$ 73,229,773</u></u>

N/A – Not Applicable

- (1) Only a portion of calendar year 2013 taxes are collectible by June 30, 2013. A total of \$37,257,697 of 2013 taxes were collected by June 30, 2013.
- (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, 2013 Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
\$	45,607,443	100.0 %	\$ —	— %
	49,673,657	100.0	—	—
	52,934,150	99.9	—	—
	61,478,554	100.0	—	—
	66,535,696	99.7	175,429	0.3
	69,002,678	100.0	(34,394)	—
	69,253,978	100.0	264	—
	69,997,775	99.8	144,156	0.2
	70,513,785	99.1	637,734	0.9
	N/A	N/A	—	N/A
			<u>\$ 923,189</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	Capital Leases	
2004	\$ 201,125,000	\$ 3,841,596	\$ 204,966,596
2005	191,215,000	5,345,752	196,560,752
2006	247,445,000	3,579,084	251,024,084
2007	243,050,000	4,674,153	247,724,153
2008	233,000,000	3,173,629	236,173,629
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

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.

Percentage of Personal Income (1)	Per Capita (1)
3.3 %	\$ 1,592
3.0	1,502
3.6	1,901
3.2	1,858
2.8	1,771
3.0	1,831
3.2	1,980
2.5	1,476
N/A	1,080
N/A	1,007

INDEPENDENT SCHOOL DISTRICT NO. 279

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

June 30,	Outstanding Bonded Debt	Balance on Hand – Debt Service Fund	Net Bonded Debt	Taxable Tax Capacity (1)	Ratio of Net Debt to Tax Capacity Value
2004	\$ 201,125,000	\$ 5,878,903	\$ 195,246,097	\$ 94,480,859	206.7 %
2005	191,215,000	4,779,774	186,435,226	110,186,257	169.2
2006	247,445,000	78,681,383	168,763,617	122,084,778	138.2
2007	243,050,000	77,437,018	165,612,982	135,926,824	121.8
2008	233,000,000	76,650,169	156,349,831	150,358,956	104.0
2009	246,945,000	76,455,727	170,489,273	148,810,762	114.6
2010	270,610,000	115,524,154	155,085,846	138,874,529	111.7
2011	196,925,000	43,716,229	153,208,771	128,632,017	119.1
2012	145,755,000	3,753,106	142,001,894	121,853,398	116.5
2013	138,715,000	3,847,570	134,867,430	115,768,941	116.5

(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, 2013, the legal limit was \$1,773,605,673. Outstanding bonded debt as of June 30, 2013 was \$138,715,000, leaving a margin of \$1,634,890,673.

Source: Hennepin County Department of Property Tax and Public Records

Estimated Population (1)	Net Debt per Capita
128,766	\$ 1,516
130,872	1,425
132,047	1,278
133,327	1,242
133,327	1,173
135,770	1,256
136,700	1,134
135,140	1,134
136,896	1,037
138,789	972

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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, 2013

Taxing Unit	Tax Collection Calendar Year – 2013 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	\$ 134,525,653	\$ 138,715,000	100.00 %	\$ 138,715,000
Overlapping debt				
Hennepin County	1,230,976,652	676,885,000	9.40	63,627,190
Cities				
Brooklyn Center	12,983,035	13,495,000	29.04	3,918,948
Brooklyn Park	46,275,198	17,970,000	73.92	13,283,424
Corcoran	5,980,035	5,375,000	7.45	400,438
Dayton	4,205,354	339,000	14.52	49,223
Maple Grove	60,724,576	65,545,000	91.92	60,248,964
Osseo	1,438,723	10,486,845	100.00	10,486,845
Plymouth	17,014,187	19,665,000	13.05	2,566,283
Rogers	4,782,512	5,330,000	0.22	11,726
Others				
Three Rivers Park District	908,336,766	90,255,000	12.75	11,507,513
Metropolitan Council	2,698,832,744	257,390,000	0.48	1,235,472
Total overlapping debt				<u>167,336,024</u>
Total direct and debt outstanding				<u>\$ 306,051,024</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			
	2004	2005	2006	2007
Debt limit	\$1,457,960,880	\$1,678,127,730	\$1,867,820,509	\$2,068,305,180
Total net debt applicable to limit	201,125,000	191,215,000	247,445,000	243,050,000
Legal debt margin	<u>\$1,256,835,880</u>	<u>\$1,486,912,730</u>	<u>\$1,620,375,509</u>	<u>\$1,825,255,180</u>
Total net debt applicable to the limit as a percentage of debt limit	13.79%	11.39%	13.25%	11.75%

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

2008	2009	2010	2011	2012	2013
\$2,239,241,543	\$2,236,745,318	\$2,121,656,719	\$1,954,105,770	\$ 1,881,545,183	\$ 1,773,605,673
233,000,000	246,945,000	270,610,000	196,925,000	145,755,000	138,715,000
<u>\$2,006,241,543</u>	<u>\$1,989,800,318</u>	<u>\$1,851,046,719</u>	<u>\$1,757,180,770</u>	<u>\$ 1,735,790,183</u>	<u>\$ 1,634,890,673</u>
10.41%	11.04%	12.75%	10.08%	7.75%	7.82%

Legal Debt Margin Calculation for Fiscal Year 2013

Market value	\$11,824,037,820
Debt limit (15% of market value)	1,773,605,673
Debt applicable to limit General obligation bonds	<u>138,715,000</u>
Legal debt margin	<u>\$ 1,634,890,673</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Deferred Tax Levies for Future Bond Debt Service
as of June 30, 2013

Tax Collection Calendar Year	Deferred Tax Levies
2014	\$ 18,670,805
2015	18,660,443
2016	18,654,937
2017	18,641,956
2018	18,624,880
2019	20,866,079
2020	20,930,733
2021	13,358,868
2022	11,420,594
Total amount to be levied in future years	<u>159,829,295</u>
2013	Amount levied for collection in 2013 and included in property taxes levied for subsequent year at June 30, 2013
	<u>20,705,227</u>
Total deferred tax levies for future bond debt service	<u><u>\$ 180,534,522</u></u>

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

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (1)	Unemployment Rate (4)
2004	128,766	\$ 6,186,047,406	\$ 48,041	34.9	21,748	4.7 %
2005	130,872	6,597,519,264	50,412	36.8	21,771	4.1
2006	132,047	6,985,946,535	52,905	37.4	21,942	4.0
2007	133,327	7,791,763,207	58,441	37.5	22,086	4.6
2008	133,327	8,302,938,925	62,275	38.0	21,770	5.4
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	N/A	N/A	N/A	20,591	7.3
2013	138,789	N/A	N/A	N/A	20,535	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) Admin Minnesota – Department of Administration.
- (3) Admin Minnesota – Department of Administration, State Demographic Center.
- (4) Bureau of Labor Statistics and Minnesota Department of Economic Security.

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Employers
Current Year and Seven Years Ago

Employer	2013		2006	
	Employees	Rank	Employees	Rank
Independent School District No. 279	2,832	1	3,020	2
Boston Scientific Scimed, Inc.	2,800	2	3,600	1
Target Corporation	1,500	3	1,125	4
Walmart	800	4	—	—
Maple Grove Hospital	716	5	—	—
United Parcel Services	664	6	900	5
Prudential Insurance Company	650	7	1,600	3
Data Recognition Corp.	530	8	—	—
North Hennepin Community College	420	9	—	—
Medtronic	416	10	420	8
Egan McKay	—	—	660	6
Caterpillar Paving Products	—	—	519	7
City of Brooklyn Park	—	—	371	9
Banta Catalog Minneapolis	—	—	350	10
Total	11,328		12,565	

Note: 2006 is the most recent data available. Information from nine years ago is not available.

Source: Infogroup (www.salesgenie.com)

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				
2003	2,770	\$ 133,317,775	474	\$ 72,115,478
2004	2,423	152,400,610	500	108,469,254
2005	4,670	195,235,861	452	128,379,786
2006	1,919	129,012,246	409	90,623,883
2007	1,015	96,292,834	153	41,331,831
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
City of Maple Grove				
2003	3,517	\$ 198,612,687	452	\$ 141,370,149
2004	3,364	205,542,325	419	121,974,847
2005	3,288	188,495,852	307	92,444,299
2006	6,417	242,714,299	275	87,566,460
2007	3,354	191,651,545	219	76,172,797
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

(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.

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
2004	114	1,503	126	627
2005	124	1,573	129	676
2006	127	1,570	129	665
2007	122	1,594	121	702
2008	128	1,662	122	687
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
Percent increase (decrease) over 10 years	17%	(1%)	(14%)	24%

- (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 administrative assistants.

Source: The District's Human Resources Department

Food Service	Custodians	Health Services/ Early Childhood/ Other Employees	Total Employees	Total Students (ADM)
167	139	238	2,914	21,748
169	152	220	3,043	21,771
170	153	207	3,021	21,943
178	158	230	3,105	22,083
177	159	227	3,162	21,770
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	20,535
(1%)	2%	(48%)	1%	(6%)

INDEPENDENT SCHOOL DISTRICT NO. 279

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Total population	128,766	130,872	132,047	133,327
Percent of staff with degrees				
Bachelor	100%	100%	100%	100%
Masters	64%	64%	64%	71%
ACT information				
Average ACT score	22.3	22.4	22.4	22.4
Percent students taking ACT	56%	61%	61%	53%
National merit				
Commended	8	8	8	6
Finalists and semifinalists	5	7	7	8
AP Scholars	N/A	N/A	N/A	N/A

N/A – Not Available

Source: Schoolhouse Magazine

2008	2009	2010	2011	2012	2013
133,327	135,770	136,700	135,140	136,896	138,789
100%	100%	100%	100%	100%	100%
72%	72%	75%	74%	76%	76%
22.2	22.5	22.4	22.6	22.5	22.3
57%	57%	60%	60%	63%	63%
8	11	16	14	14	9
2	4	1	2	3	4
46	62	98	106	117	128

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Capital assets				
Land	\$ 7,068,462	\$ 7,219,924	\$ 6,960,390	\$ 6,960,390
Land improvements	18,965,203	19,352,305	19,747,238	20,269,853
Buildings	263,960,748	276,745,721	309,369,056	358,419,880
Equipment	8,719,945	12,350,320	13,190,905	12,762,515
Construction in progress	57,657,355	68,523,260	47,872,593	2,182,553
Total capital assets	<u>\$ 356,371,713</u>	<u>\$ 384,191,530</u>	<u>\$ 397,140,182</u>	<u>\$ 400,595,191</u>
Capital assets by function and activity				
Administration	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
District support services	114,530,133	114,585,445	114,619,590	114,629,654
Elementary and secondary regular instruction	653,244	692,942	787,427	824,284
Vocational education instruction	27,185	27,185	27,185	27,185
Special education instruction	187,305	257,782	289,187	289,187
Instructional support services	4,316,532	4,481,626	4,735,553	4,296,548
Pupil support services	—	—	—	—
Food service	2,601,629	2,892,880	3,230,896	4,088,825
Sites and buildings	233,092,362	260,261,695	272,448,483	275,431,447
Community service	944,228	972,880	982,766	988,966
Total capital assets by function and activity	<u>\$ 356,371,713</u>	<u>\$ 384,191,530</u>	<u>\$ 397,140,182</u>	<u>\$ 400,595,191</u>

Source: The District's Business Services Department

2008	2009	2010	2011	2012	2013
\$ 6,966,686	\$ 10,702,198	\$ 10,691,698	\$ 10,691,698	\$ 10,691,698	\$ 8,344,233
20,663,242	21,658,286	25,070,461	26,321,967	27,843,458	28,968,868
364,898,006	367,767,521	369,466,103	377,938,760	387,290,466	395,241,051
12,616,184	10,230,574	10,460,750	10,739,471	10,652,175	10,954,314
780,430	1,560,542	2,037,404	2,726,381	391,975	1,026,401
<u>\$ 405,924,548</u>	<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>	<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>	<u>\$ 444,534,867</u>
\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
114,660,822	114,660,821	113,078,539	113,232,033	112,276,960	112,323,903
894,873	1,021,287	1,094,002	1,099,553	905,208	908,265
27,185	27,185	27,185	31,811	64,681	64,681
289,187	289,187	289,187	296,042	271,043	288,451
3,865,508	902,640	910,440	1,173,720	1,217,309	1,321,797
59,647	59,647	59,647	59,647	59,647	59,647
4,185,739	4,888,338	4,479,013	5,057,239	5,151,404	5,211,253
280,916,020	289,029,995	296,726,190	306,404,239	315,824,027	323,220,971
1,006,472	1,020,926	1,043,118	1,044,898	1,080,398	1,116,804
<u>\$ 405,924,548</u>	<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>	<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>	<u>\$ 444,534,867</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>
2004	32.23
2005	30.36
2006	30.25
2007	29.37
2008	29.30
2009	29.94
2010	29.65
2011	29.13
2012	27.97
2013	27.52

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, 2013

Facility	Use	Constructed	Acres	Square Footage	Enrollment (1)
Arbor View Early Childhood Center	School	1983/2001	5.00	27,000	51
Basswood Elementary	School	1995/2002	36.00	102,648	1,013
Birch Grove for the Arts	School	1966/1991/2004	15.00	74,314	552
Cedar Island Elementary	School	1970	23.16	66,871	504
Crest View Elementary	School	1960/1990/1999/2003	16.00	59,208	390
Edinbrook Elementary	School	1988/2002	20.00	106,406	925
Elm Creek Elementary	School	1980	15.00	84,300	595
Fair Oaks Elementary	School	1962/1991/2004	13.16	75,129	420
Fernbrook Elementary	School	1988/2003	43.00	105,440	854
Garden City Elementary	School	1959/1994/2004	10.00	55,153	413
Oak View Elementary	School	1991	22.00	98,600	474
Orchard Lane Elementary	School	1965/1994	13.38	47,866	–
Palmer Lake Elementary	School	1964/1991/2005	15.00	74,463	656
Park Brook Elementary	School	1959/1994/2004	10.00	55,011	327
Rice Lake Elementary	School	1980	15.42	84,300	708
Rush Creek Elementary	School	1995/2002	29.00	102,648	972
Weaver Lake Science, Math & Technology	School	1991	29.08	98,600	741
Willow Lane ECSE	School	1956/1957/1987	11.10	42,796	164
Woodland Elementary	School	2002	19.00	101,555	987
Zanewood Community School	School	1967/2002	9.21	81,843	513
Brooklyn Junior High	School	1963/1969/1980/2003	28.57	176,104	906
Maple Grove Junior High	School	1990/2003	46.62	275,680	1,590
North View Junior High	School	1970/1986/2002/2007	26.04	186,448	659
Osseo Junior High	School	1966/1969/2002/2004	19.89	194,507	1,205
Maple Grove Senior High	School	1996/2002/2004	110.00	335,872	1,616
Osseo Senior High	School	1952/1957/1960/1962/1964/1966/ 1975/1988/2002	43.63	373,000	1,395
Park Center Senior High	School	8/ 2002/2003	31.00	398,774	1,362
Osseo Area Learning Center	School	2000	5.00	47,108	138
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	–
Timberland Properties	Special education/CBVAT	Leased	–	12,249	47
Dane Technologies, Inc.	Special education	Leased	–	11,800	67
Total				<u>3,815,955</u>	<u>20,244</u>

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

Source: The District's Operations Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance
2004	21,095	2,478,685	172	14,411	68.3 %
2005	21,118	2,629,008	172	15,285	72.4
2006	21,285	2,662,435	172	15,479	72.7
2007	21,420	2,701,115	171	15,796	73.7
2008	21,116	2,661,288	172	15,473	73.3
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

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

Source: The District's Food Service Department

Free Lunch		Reduced Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
556,050	22.4 %	178,970	7.2 %
658,151	25.0	191,721	7.3
719,035	27.0	198,177	7.4
752,637	27.9	221,013	8.2
778,238	29.2	218,726	8.2
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

INDEPENDENT SCHOOL DISTRICT NO. 279

Students
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (For Students Served or Tuition Paid)					
	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary	Secondary	Total	
					Number	Percent Increase (Decrease)
2004	240	1,368	9,769	10,371	21,748	(1.3) %
2005	246	1,454	9,608	10,463	21,771	0.1
2006	261	1,415	9,702	10,565	21,943	0.8
2007	276	1,508	9,755	10,544	22,083	0.6
2008	282	1,421	9,677	10,390	21,770	(1.4)
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	340	1,444	9,539	9,212	20,535	(0.3)

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 and Kindergarten – Handicapped	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2004 through 2007	Various	0.557	1.115	1.060	1.300
Fiscal 2008 through 2013	Various	0.612	1.115	1.060	1.300

Source: Minnesota Department of Education

Total Pupil Units	
Number	Percent Increase (Decrease)
25,139	(1.3) %
25,140	–
25,375	0.9
25,476	0.4
25,231	(1.0)
24,361	(3.4)
24,217	(0.6)
23,969	(1.0)
23,715	(1.1)
23,633	(0.3)

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.**