



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2019

**South Washington County Schools
Independent School District No. 833**

Cottage Grove, Minnesota

igniting a passion



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2019

**South Washington County Schools
Independent School District No. 833**

**7362 E. Pt. Douglas Road S.
Cottage Grove, MN 55016
www.sowashco.org
651-425-6300**

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INDEPENDENT SCHOOL DISTRICT NO. 833

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Section I

Introductory

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South Washington County Schools

KEITH JACOBUS, Ph.D., Superintendent

District Service Center

7362 E. Point Douglas Rd. S.

Cottage Grove, MN 55016

Phone: 651-425-6300 Fax: 651-425-6318

December 20, 2019

To the School Board, Citizens, and Employees of South Washington County Schools:

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) for Independent School District No. 833 (the District) is hereby submitted for the fiscal year ended June 30, 2019. The District's management assumes full responsibility for the completeness and accuracy of the information contained in this report. The report was prepared in accordance with accounting principles generally accepted in the United States of America. An independent firm of certified public accountants audits this report.

Malloy, Montague, Karnowski, Radosevich & Co., P.A., Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's basic financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

REPORT FORMAT

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, an organizational chart, a list of School Board members and administration personnel, the Certificate of Excellence in Financial Reporting award, and a map of the District. The financial section includes the Independent Auditor's Report, management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and supplemental information, which includes the combining and individual fund statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

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

REPORTING ENTITY AND ITS SERVICES

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

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 programs, special education programs, 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 classes for lifelong learning experiences for children and adults.

In 1843, classes were held in a log cabin located in Cottage Grove, Minnesota. One hundred five years later, the District was officially named Independent School District No. 833. The District is located in Washington County and serves the cities of Cottage Grove, Newport, St. Paul Park, and portions of Woodbury, Afton, Denmark Township, and Grey Cloud Island. It encompasses 85 square miles with a resident population of 98,185.

During the 2018–2019 school year, the District operated 26 buildings, including 3 high schools, 4 middle schools, 16 elementary schools, an alternative learning center/district program center, a district service center, and a transportation building. The average age of the District's buildings is approximately 33 years. Enrollment has climbed steadily over the previous 10 years, and the District served 18,545 students for the 2018–2019 school year. The District is projecting an increase of about 200 students in the 2019–2020 school year.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The District's population has grown from 77,263 in 2000 to 98,185 in 2019, a 27.1 percent increase. In that same time period, the District's enrollment has grown from 15,134 in 2000 to 18,545, a 22.5 percent increase. According to the Metropolitan Council, the District can expect continuous growth through the year 2035.

The District currently holds an A2 bond rating. This rating is a sign that the tax base is favorably located within the Minneapolis – St. Paul Metropolitan Area, the District has a stable labor market and above average resident income levels, and alternate liquidity is available in the Internal Service Fund.

The District's economic indicators continue to be ahead of state and national averages. As stated above, the District continues to see population growth, primarily in the northeast portion of the District's boundaries. The growth in population and corresponding construction has contributed to increases in property values for the past six years, and subsequent modest increases are anticipated.

According to data from the U.S. Census Bureau, the median household income in 2018 in Washington County was \$89,598, as compared to \$73,315 for the state of Minnesota, and \$63,179 for the United States.

According to the Bureau of Labor Statistics, the unemployment rate for Washington County continues to be lower than state and national rates. In June 2019, the unemployment rate for Washington County was 3.2 percent, as compared to 3.3 percent for the state of Minnesota, and 3.7 percent for the United States.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

With the exception of voter-approved operating referendum, the District is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue has not been sufficient to meet instructional program needs and increased costs due to inflation. The District will continue to monitor its operations to ensure that revenues are sufficient to meet expenditures and to maintain a reasonable amount in reserve to cover any unforeseen expenditures.

The District currently receives \$2,251 per pupil through voter-approved operating referenda and local optional revenue. Of the current levy, \$771.27 per pupil was set to expire in 2017–2018; however, voters approved to renew the amount for 10 more years in an election on November 7, 2017, \$155.88 per pupil expires in 2023–2024, \$525 per pupil expires in 2026–2027, and \$375 per pupil expires in 2028–2029. The local option allowance totaled \$424 per pupil. These operating levies generated approximately \$46 million for the District in the 2018–2019 school year.

A long-term facilities committee was convened in 2013 and in June 2014, a recommendation was made to the School Board, which featured over \$120 million in new school buildings and improvements. In November 2015, voters approved a \$96.5 million bond to build a new middle school and improve Cottage Grove Middle School, Woodbury Middle School, and Lake Middle School, and convert Oltman Middle School to be used as Nuevas Fronteras Elementary School. The new Oltman Middle School opened in the 2018–2019 school year.

Beginning in February 2016, a Strategic Plan Steering Committee met to begin a redesign of the District’s expiring strategic plan. Since that time, the steering committee gathered input from hundreds of stakeholders, developed a drafted plan, and presented a final document to the School Board for approval.

The plan, “Together we are SoWashCo,” considered the thoughts of a larger Strategic Planning Team, inclusive of parents, students, teachers, support staff, School Board, and district administration. While the mission remains the same for the District, being “committed to igniting a passion for lifelong learning,” a refined focus will be on the enhancement of personalization for students, and climate and culture for both students and staff. Core values selected for the coming years are: collaboration, continuous improvement, equity, integrity, and relationships.

The plan includes the mission, core values, and strategic objectives, with priority statements developed for the focus areas of personalization, climate and culture for students, and climate and culture for staff by action planning teams.

FINANCIAL AND BUDGETARY CONTROL

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 requires estimates and judgments by management.

The budget process includes estimates of revenues and expenditures based upon agreed assumptions. The staff allocation formulas are determined based on need and available resources to accomplish the District’s goals. The budget is adopted in June of each year and revised twice during the fiscal year of its implementation.

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.

RELEVANT FINANCIAL POLICIES

The District has adopted a comprehensive set of financial policies. These policies have ensured the financial stability of the District, as well as provided guidance for current and future financial decisions.

The District has a number of financial policies that align with state statutes. In addition, the District has gone above and beyond the required policies to include additional policies that establish controls and procedures that are vital to the oversight of district finances. Two of these policies include:

The District's Investment Policy follows state statutes in determining what investments are allowed to be held by the District. The policy includes language about diversification levels that go beyond state statutes. This diversification language makes certain that district investments are protected, while still earning a competitive rate of return.

The District's Post-Issuance Debt Compliance Policy creates procedures that ensure the District follows Internal Revenue Service guidelines and regulations in the recordkeeping of these transactions. This policy also establishes controls to verify that expenditures related to these funds are in accordance with related debt agreements, adding protection to the residents' investment in district assets.

One of the District's most important finance policies is the District's Fund Balance Policy. This policy not only ensures the District maintains sufficient funds, but assists in important financial decisions. The District's Fund Balance Policy currently states:

"To ensure the financial strength and stability of the District, the School Board will endeavor to maintain an unrestricted fund balance as of June 30th each year of 5–9 percent of the District's General Fund unrestricted operating expenditure budget."

This policy is attached to all current budget information and future budget projections, and guides decision-making by the School Board.

CERTIFICATE OF EXCELLENCE

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

In 2018–2019, the District received the Certificate of Excellence in Financial Reporting from ASBO International for excellence in the preparation and issuance of the District's CAFR for 2018. It was the 13th consecutive year the District has received the award.

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

ACKNOWLEDGEMENTS

The preparation of a CAFR requires a significant amount of work on the part of a number of departments. Appreciation is extended to the many departments who contributed their time and expertise to this process.



Dan Pyan, Director of Finance and Operations

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graph TD
    SB[SCHOOL BOARD] --> S[Superintendent]
    S --> AS1[Assistant Superintendent]
    S --> AS2[Assistant Superintendent]
    S --> AS3[Assistant Superintendent]
    S --> AS4[Assistant Superintendent]
    S --> DHR[Director of Human Resources]
    S --> DCO[Director of Communications]
    S --> DFO[Director of Finance and Operations]
    S --> DSS[Director of Special Services]
    S --> DOST[Director of Out of School Time Manager]
    S --> DUSM[Director of Facility Use and Systems Manager]
    S --> DCFM[Director of ECPE Manager]
    S --> DACCESS[Director of ACCESS Manager]
    S --> DABE[Director of ABE / Adult Diploma & ESL]
    S --> ASstS[Asst to the Superintendent]

    AS1 --> P1[Principals: Bailey, Nunez-Fontenas, Red Rock, Royal Oaks, Valley Crossing, Woodbury El, Woodbury MS, Woodbury HS]
    AS1 --> DTL[Director of Teaching & Learning Services]
    AS1 --> DPA[Dir of Professional Dev & Accountability]
    AS1 --> M[Manager of Student Information]

    AS2 --> P2[Principals: Armstrong, Crestview, Hillside, Pine Hill, Pullman, Cottage Grove MS, Olman MS, Park HS, SWAHS]
    AS2 --> BAA[Building Athletic & Activity Directors]

    AS3 --> P3[Principals: Liberty Ridge, Middleton, Cottage Grove El, Grey Cloud, Newport, Lake MS, ERHS]
    AS3 --> CE[Coordinator of Educational Equity]
    AS3 --> DT[Director of Technology]

    AS4 --> P4[Principals: Liberty Ridge, Middleton, Cottage Grove El, Grey Cloud, Newport, Lake MS, ERHS]
    AS4 --> CE
    AS4 --> DT

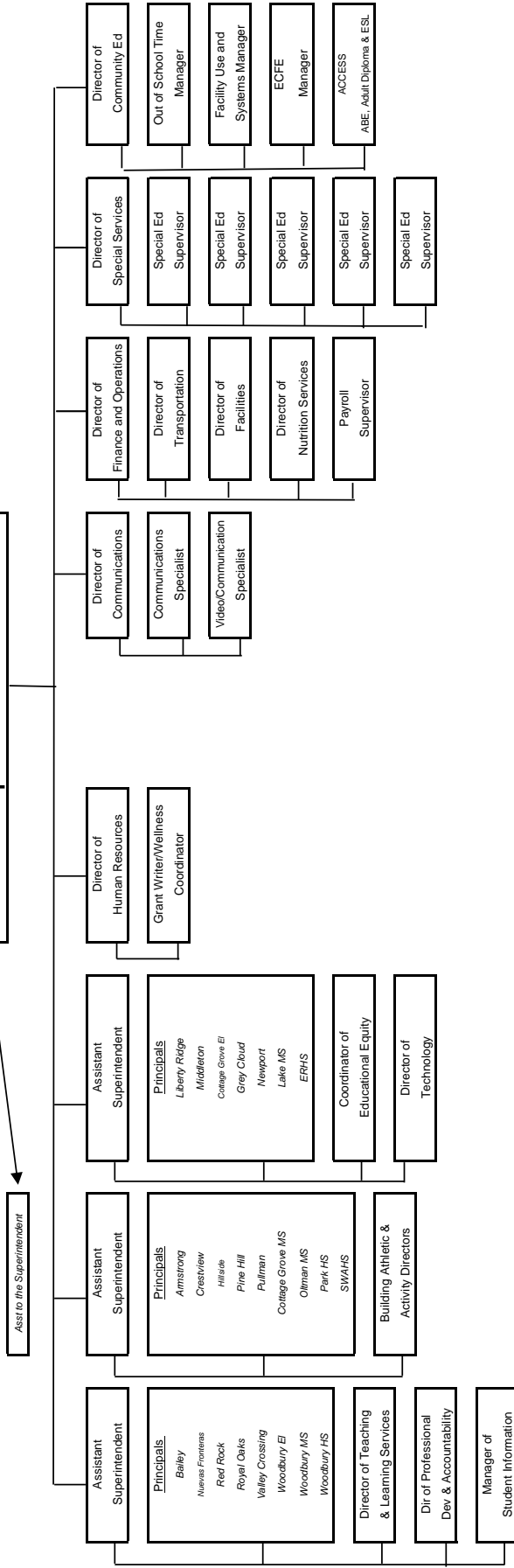
    DHR --> GWC[Grant Writer/Wellness Coordinator]

    DCO --> CS[Communications Specialist]
    DCO --> VCS[Video/Communication Specialist]

    DFO --> DTS[Director of Transportation]
    DFO --> DF[Director of Facilities]
    DFO --> DNS[Director of Nutrition Services]
    DFO --> PS[Payroll Supervisor]

    DSS --> SES1[Special Ed Supervisor]
    DSS --> SES2[Special Ed Supervisor]
    DSS --> SES3[Special Ed Supervisor]
    DSS --> SES4[Special Ed Supervisor]
    DSS --> SES5[Special Ed Supervisor]
    DSS --> SES6[Special Ed Supervisor]

    DOST --> OS[Out of School Time Manager]
  
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INDEPENDENT SCHOOL DISTRICT NO. 833

School Board and Administration
Year Ended June 30, 2019

SCHOOL BOARD

	<u>Position</u>
Tracy Brunnette	Chairperson
Ron Kath	Vice Chairperson
Kathleen Schwartz	Treasurer
Sharon Van Leer	Clerk
Patricia Driscoll	Director
Heather Hirsch	Director
Michelle Witte	Director

ADMINISTRATION

Keith Jacobus	Superintendent
Michael Johnson	Assistant Superintendent
Julie Nielsen	Assistant Superintendent
Kristine Schaefer	Assistant Superintendent
Kwame Ayim	Director of Facilities
Michelle Barries	Director of Special Services
Robert Berkowitz	Director of Technology
Brian Boothe	Director of Professional Development and Accountability
Kelly Jansen	Director of Teaching and Learning Services
Bob Lawrence	Director of Community Education
Carrie Olson	Director of Transportation
Wendy Peterson	Director of Nutrition Services
Dan Pyan	Director of Finance and Operations
Shelly Schafer	Director of Communications
Kevin Witherspoon	Director of Human Resources
Kris Blackburn	Controller
Dayna Pottratz	Executive Assistant – Superintendent



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

**Independent School District No. 833 -
South Washington County Schools**

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

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



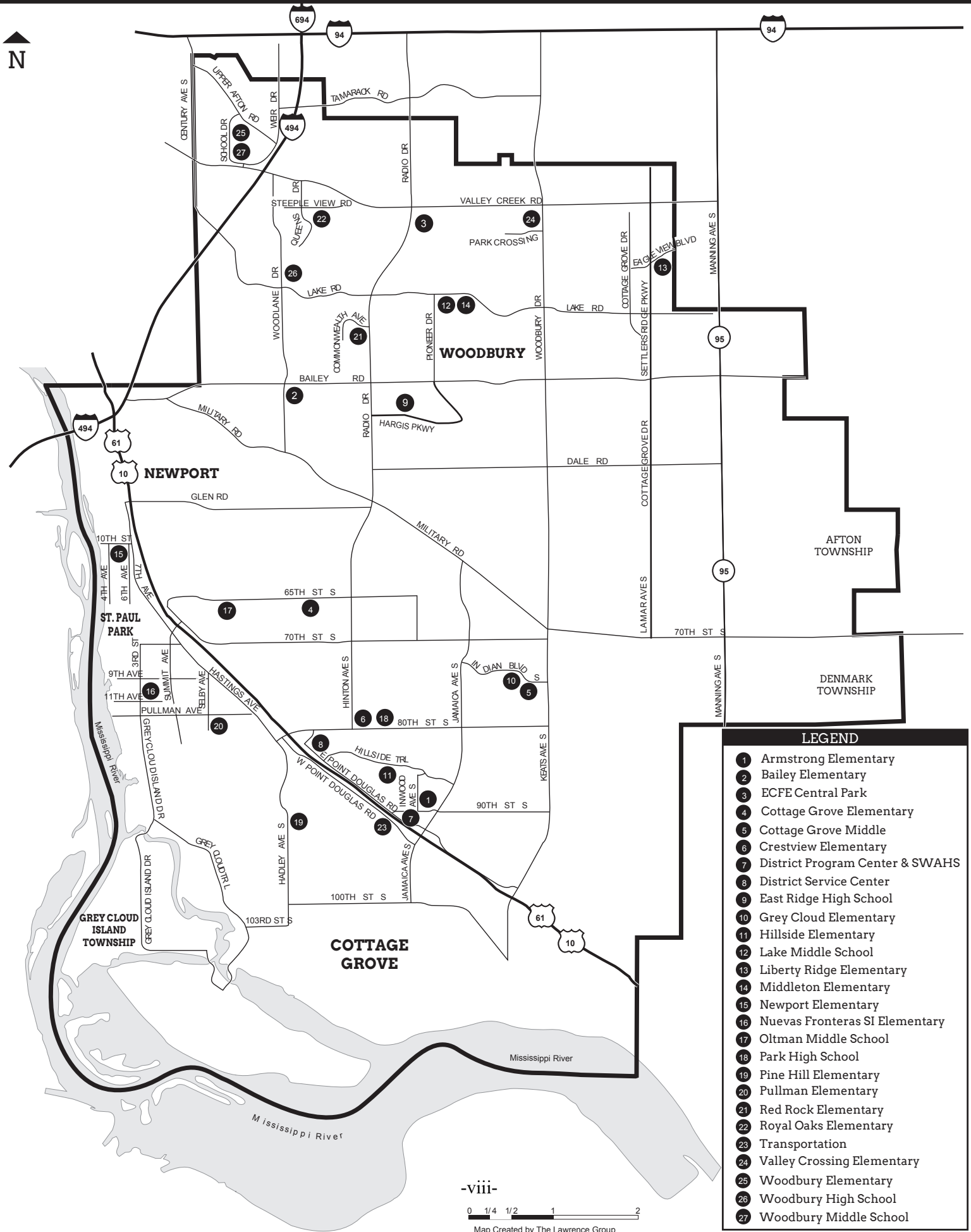
A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSRM
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director

South Washington County Schools





Section II

Financial

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PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 833
Cottage Grove, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 833 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

Prior Year Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 21, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 20, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

This section of Independent School District No. 833's (the District) Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2019 by \$79,619,446 (net position deficit). The District's total net position increased by \$70,222,348 during the fiscal year ended June 30, 2019.
- Government-wide revenues totaled \$289,919,697 and were \$70,222,348 more than expenses of \$219,697,349.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$7,556,367 from the prior year, compared to an increase of \$747,515 planned in the final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2019 and 2018		
	2019	2018
Assets		
Current and other assets	\$ 155,627,308	\$ 189,449,746
Capital assets, net of depreciation	450,356,693	423,294,044
Total assets	<u>\$ 605,984,001</u>	<u>\$ 612,743,790</u>
Deferred outflows of resources		
Pension plan deferments	\$ 197,743,404	\$ 260,371,251
OPEB plan deferments	290,621	716
Total deferred outflows of resources	<u>\$ 198,034,025</u>	<u>\$ 260,371,967</u>
Liabilities		
Current and other liabilities	\$ 28,317,198	\$ 34,056,052
Long-term liabilities, including due within one year	527,122,387	833,440,383
Total liabilities	<u>\$ 555,439,585</u>	<u>\$ 867,496,435</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 85,359,618	\$ 78,950,209
Pension plan deferments	242,838,269	76,510,907
Total deferred inflows of resources	<u>\$ 328,197,887</u>	<u>\$ 155,461,116</u>
Net position		
Net investment in capital assets	\$ 116,655,557	\$ 105,081,336
Restricted	10,961,643	10,386,276
Unrestricted	(207,236,646)	(265,309,406)
Total net position	<u>\$ (79,619,446)</u>	<u>\$ (149,841,794)</u>

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

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The increase in net position restricted for capital asset acquisition, community service, and other purposes contributed to the change in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

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

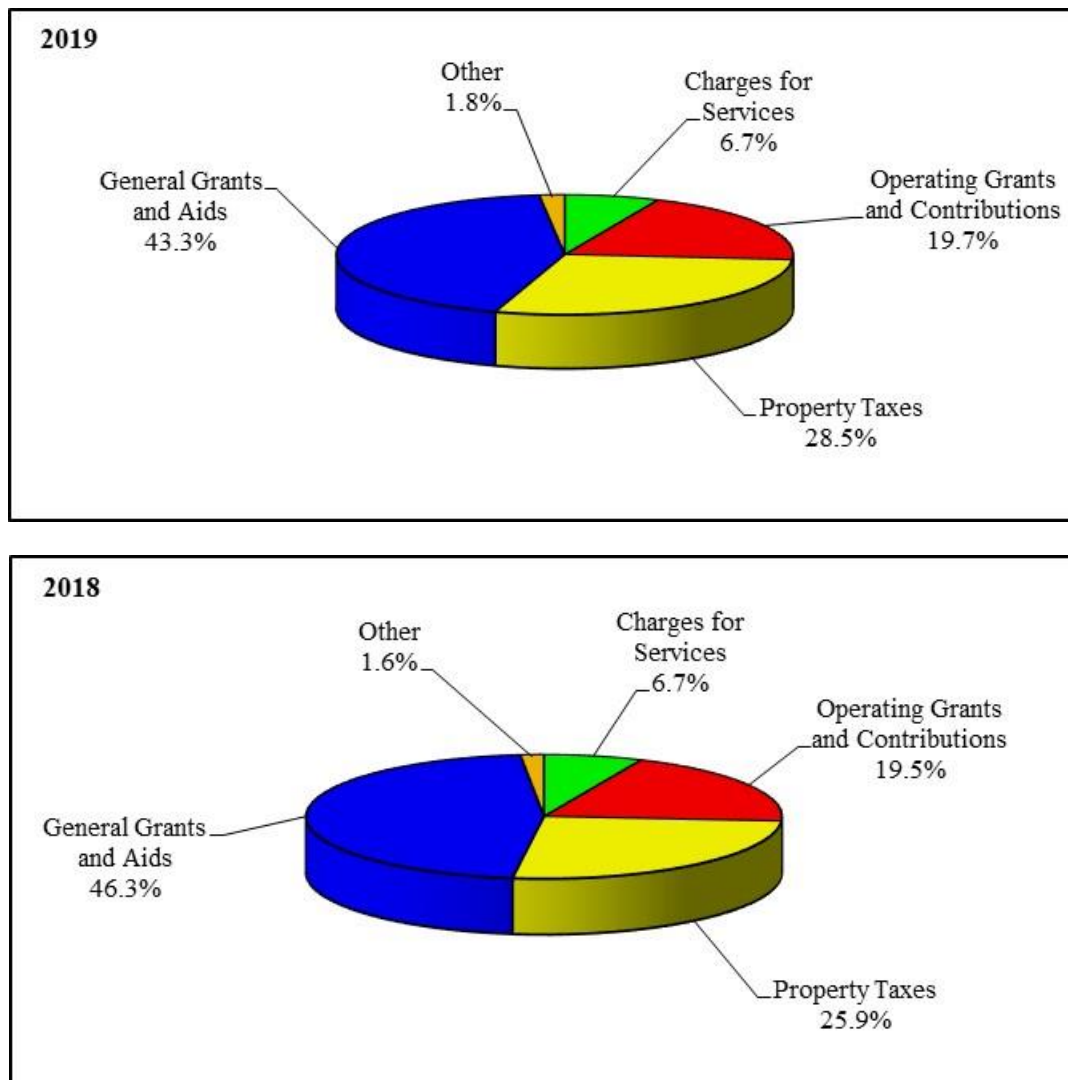
Table 2 Summary Statement of Activities for the Years Ended June 30, 2019 and 2018		
	2019	2018
Revenues		
Program revenues		
Charges for services	\$ 19,567,658	\$ 18,845,038
Operating grants and contributions	57,205,946	54,861,148
General revenues		
Property taxes	82,539,344	73,087,425
General grants and aids	125,508,579	130,718,982
Other	5,098,170	4,458,181
Total revenues	<u>289,919,697</u>	<u>281,970,774</u>
Expenses		
Administration	7,032,372	10,744,172
District support services	6,983,278	7,273,325
Elementary and secondary regular instruction	74,877,601	151,918,411
Vocational education instruction	1,819,974	2,734,373
Special education instruction	31,196,045	53,186,820
Instructional support services	7,976,321	13,571,859
Pupil support services	21,297,476	23,436,936
Sites and buildings	26,674,277	25,062,057
Fiscal and other fixed cost programs	528,945	494,905
Food service	9,758,244	9,453,626
Community service	13,480,226	16,319,158
Depreciation not allocated to other functions	8,735,469	8,820,668
Interest and fiscal charges	9,337,121	10,897,334
Total expenses	<u>219,697,349</u>	<u>333,913,644</u>
Change in net position	70,222,348	(51,942,870)
Net position – beginning	<u>(149,841,794)</u>	<u>(97,898,924)</u>
Net position – ending	<u>\$ (79,619,446)</u>	<u>\$ (149,841,794)</u>

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

The reduction in general grants and aids and significant decrease in expenses reflects the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

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

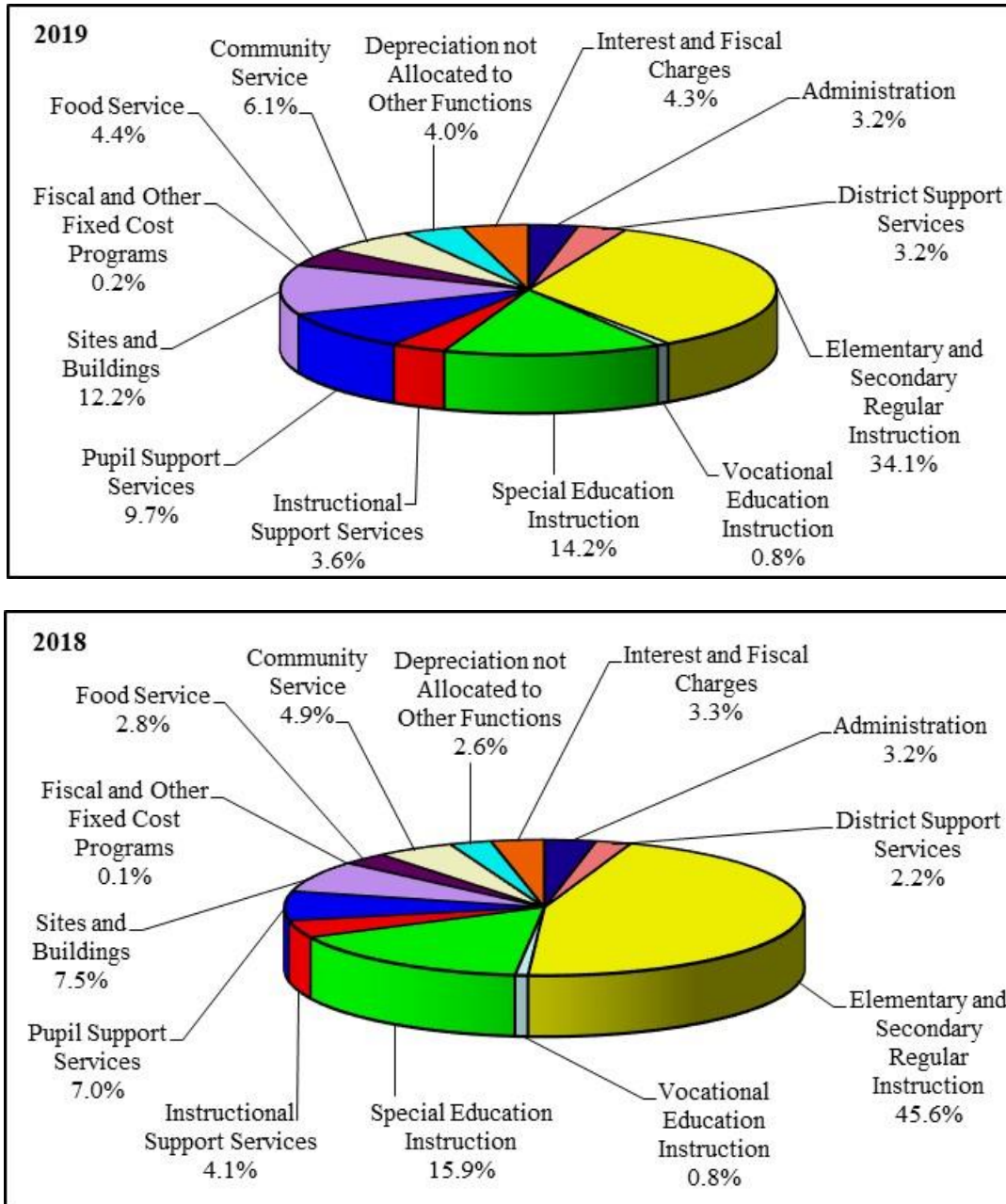


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2019 and 2018



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

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3 Governmental Fund Balances as of June 30, 2019 and 2018			
	2019	2018	Increase (Decrease)
Major funds			
General	\$ 15,968,616	\$ 8,412,249	\$ 7,556,367
Capital Projects –			
Building Construction	19,634,452	59,314,025	(39,679,573)
Debt Service	4,745,861	5,379,219	(633,358)
Nonmajor funds			
Food Service Special Revenue	1,246,073	1,299,704	(53,631)
Community Service Special Revenue	515,839	24,626	491,213
Total governmental funds	<u>\$ 42,110,841</u>	<u>\$ 74,429,823</u>	<u>\$ (32,318,982)</u>

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance, which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2019, the District's governmental funds reported combined fund balances of \$42,110,841, a decrease of \$32,318,982, in comparison with the prior year. Approximately 3.1 percent of this amount (\$1,291,001) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is: 1) not in spendable form (\$2,105,756), 2) restricted for particular purposes (\$35,181,807), 3) committed for particular purposes (\$2,384,590), or 4) assigned for particular purposes (\$1,147,687).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues	<u>\$ 239,270,632</u>	<u>\$ 239,986,710</u>	<u>\$ 716,078</u>	<u>0.3%</u>
Expenditures	<u>\$ 237,678,556</u>	<u>\$ 240,250,195</u>	<u>\$ 2,571,639</u>	<u>1.1%</u>
Other financing sources	<u>\$ 1,000,000</u>	<u>\$ 1,011,000</u>	<u>\$ 11,000</u>	<u>1.1%</u>

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

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2019 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 243,106,194	\$ 3,119,484	1.3%	\$ 16,637,934	7.3%
Expenditures	<u>235,608,806</u>	<u>(4,641,389)</u>	(1.9%)	<u>8,605,544</u>	3.8%
Excess (deficiency) of revenue over expenditures	7,497,388	7,760,873		8,032,390	
Total other financing sources (uses)	<u>58,979</u>	<u>(952,021)</u>		<u>(1,470,575)</u>	
Net change in fund balances	<u>\$ 7,556,367</u>	<u>\$ 6,808,852</u>		<u>\$ 6,561,815</u>	

The fund balance of the General Fund increased \$7,556,367, compared to an increase of \$747,515 approved in the final budget.

General Fund revenues for 2019 increased \$16,637,934, or 7.3 percent, compared to the prior year and were \$3,119,484, or 1.3 percent, over budget. Increases in property taxes, state sources, and investment earnings contributed to the change from the prior year. Favorable variances in these same sources were the primary reason for revenues exceeding budget.

Total General Fund expenditures for 2019 were \$8,605,544, or 3.8 percent, more than the prior year. The largest changes were in salaries and employee benefits, which increased \$5,078,407 and \$1,687,999 in the current year, respectively, as contractually approved. Current year expenditures of \$235,608,806 were \$4,641,389, or 1.9 percent, under budget. The expenditure variance was spread across several programs and object categories of the General Fund. Salaries and employee benefits were under budget by \$2,296,208, or within 1.2 percent of budget. Capital expenditures, were under budget by \$1,259,997, due to the timing and completion of ongoing construction projects. The District budgeted to enter into a new capital lease that did not occur before year-end causing capital spending to be less than projected by \$1,000,000.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The District's spend down of prior year bond issuances contributed to the overall decrease in fund balance of \$39,679,573. These resources are being used to finance construction and improvements at several district facilities. The District has \$19,634,452 of resources remaining in this fund as of June 30, 2019 to finance various district projects.

Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The Debt Service Fund expenditures and other financing uses exceeded revenues and other financing sources by \$633,358 in the current year. The year-end fund balance of \$4,745,861 at June 30, 2019 is available for meeting future debt service obligations. The District has issued refunding bonds in recent years to reduce future debt service levies to taxpayers of the District. The District refunded \$28,080,000 in outstanding bonds in the current year.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, reducing equity by \$53,631, compared to a planned fund balance increase of \$81,432.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$491,213, compared to a planned fund balance increase of \$227,217.

Internal Service Funds

The internal service funds are used to account for and monitor post-employment benefits provided to eligible employees of the District on a cost-reimbursement basis. Additional details related to the District's liabilities for severance, pension, and OPEB are included in the notes to basic financial statements and as required supplementary information.

The net position balance for all internal service funds as of June 30, 2019 was \$1,186,527, which represents a decrease of \$1,427,905 from current year operating results.

The District was transitioning the resources of the OPEB Internal Service Fund to the irrevocable OPEB Trust Fund established in the prior year, which was completed at June 30, 2019.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6			
Capital Assets			
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 14,846,429	\$ 14,846,429	\$ —
Construction in progress	127,068,295	97,442,600	29,625,695
Land improvements	15,368,159	13,613,876	1,754,283
Buildings	425,124,913	420,002,689	5,122,224
Machinery and equipment	17,351,453	16,381,381	970,072
Licensed vehicles	12,750,341	12,750,341	—
Less accumulated depreciation	<u>(162,152,897)</u>	<u>(151,743,272)</u>	<u>(10,409,625)</u>
Total	<u>\$ 450,356,693</u>	<u>\$ 423,294,044</u>	<u>\$ 27,062,649</u>
Depreciation expense	<u>\$ 10,409,625</u>	<u>\$ 10,506,591</u>	<u>\$ (96,966)</u>

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

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

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

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

Long-Term Liabilities

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

Table 7 Outstanding Long-Term Liabilities			
	2019	2018	Change
General obligation bonds	\$ 301,210,000	\$ 320,235,000	\$ (19,025,000)
Certificates of participation	17,275,000	18,345,000	(1,070,000)
Unamortized premium/discount	27,092,196	29,775,773	(2,683,577)
Capital leases	8,556,731	10,763,283	(2,206,552)
Net pension liability – PERA and TRA	151,657,178	434,165,561	(282,508,383)
Total pension liability – district	2,567,825	2,574,368	(6,543)
Compensated absences	1,445,343	1,328,088	117,255
Severance benefits	1,710,338	1,786,048	(75,710)
Net OPEB liability	15,607,776	14,467,262	1,140,514
Total	<u>\$ 527,122,387</u>	<u>\$ 833,440,383</u>	<u>\$ (306,317,996)</u>

The decreases in bonds, certificates of participation, and capital lease obligations in the table above, are primarily due to the planned refunding and repayment schedules reflecting principal payments occurring during fiscal year 2019, in excess of new debt issued in the current year.

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

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

Table 8 Limitations on Debt	
District's market value	\$11,147,246,400
Limit rate	<u>15.00%</u>
Legal debt limit	<u><u>\$ 1,672,086,960</u></u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this CAFR or need additional financial information, contact the Finance Department, Independent School District No. 833, District Service Center, 7362 East Point Douglas Road South, Cottage Grove, Minnesota 55016-3025.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Governmental Activities	
	2019	2018
Assets		
Cash and temporary investments	\$ 79,906,048	\$ 112,268,264
Receivables		
Current taxes	48,953,883	43,399,439
Delinquent taxes	625,527	512,717
Accounts and interest	167,909	328,078
Due from other governmental units	21,995,667	22,380,176
Due from OPEB trust	—	902,303
Inventory	280,850	281,750
Prepaid items	1,824,906	1,284,726
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	1,872,518	8,092,293
Capital assets		
Not depreciated	141,914,724	112,289,029
Depreciated, net of accumulated depreciation	308,441,969	311,005,015
Total capital assets, net of accumulated depreciation	<u>450,356,693</u>	<u>423,294,044</u>
Total assets	605,984,001	612,743,790
Deferred outflows of resources		
Pension plan deferments	197,743,404	260,371,251
OPEB plan deferments	290,621	716
Total deferred outflows of resources	<u>198,034,025</u>	<u>260,371,967</u>
Total assets and deferred outflows of resources	<u>\$ 804,018,026</u>	<u>\$ 873,115,757</u>
Liabilities		
Salaries payable	\$ 10,886,377	\$ 12,738,432
Accounts and contracts payable	10,703,171	14,232,646
Accrued interest payable	5,288,346	5,003,044
Due to other governmental units	356,766	960,385
Unearned revenue	1,082,538	1,121,545
Long-term liabilities		
Due within one year	22,367,438	21,585,670
Due in more than one year	504,754,949	811,854,713
Total long-term liabilities	<u>527,122,387</u>	<u>833,440,383</u>
Total liabilities	555,439,585	867,496,435
Deferred inflows of resources		
Property taxes levied for subsequent year	85,359,618	78,950,209
Pension plan deferments	242,838,269	76,510,907
Total deferred inflows of resources	<u>328,197,887</u>	<u>155,461,116</u>
Net position		
Net investment in capital assets	116,655,557	105,081,336
Restricted for		
Capital asset acquisition	5,063,302	4,842,140
Debt service	—	691,879
Food service	1,246,073	1,299,704
Community service	2,506,424	2,053,755
Other purposes (state and other funding restrictions)	2,145,844	1,498,798
Unrestricted	(207,236,646)	(265,309,406)
Total net position	<u>(79,619,446)</u>	<u>(149,841,794)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 804,018,026</u>	<u>\$ 873,115,757</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

Functions/Programs	Expenses	2019		2018	
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 7,032,372	\$ —	\$ 9,044	\$ (7,023,328)	\$ (10,627,726)
District support services	6,983,278	25	—	(6,983,253)	(7,272,866)
Elementary and secondary regular instruction	74,877,601	1,831,031	14,372,249	(58,674,321)	(135,594,637)
Vocational education instruction	1,819,974	—	827,959	(992,015)	(1,925,301)
Special education instruction	31,196,045	2,714	30,990,042	(203,289)	(24,346,963)
Instructional support services	7,976,321	17,888	2,552,373	(5,406,060)	(11,051,207)
Pupil support services	21,297,476	60,169	2,691,322	(18,545,985)	(20,921,903)
Sites and buildings	26,674,277	—	—	(26,674,277)	(25,062,057)
Fiscal and other fixed cost programs	528,945	—	—	(528,945)	(494,905)
Food service	9,758,244	6,267,966	3,317,457	(172,821)	112,429
Community service	13,480,226	11,387,865	2,445,500	353,139	(3,304,320)
Depreciation not allocated to other functions	8,735,469	—	—	(8,735,469)	(8,820,668)
Interest and fiscal charges	9,337,121	—	—	(9,337,121)	(10,897,334)
Total governmental activities	<u>\$ 219,697,349</u>	<u>\$ 19,567,658</u>	<u>\$ 57,205,946</u>	(142,923,745)	(260,207,458)
General revenues					
Taxes					
Property taxes levied for general purposes				54,158,534	43,556,419
Property taxes levied for community service				1,440,413	1,441,912
Property taxes levied for debt service				26,940,397	28,089,094
General grants and aids				125,508,579	130,718,982
Other general revenues				3,092,200	2,748,456
Investment earnings				2,005,970	1,709,725
Total general revenues				<u>213,146,093</u>	<u>208,264,588</u>
Change in net position				70,222,348	(51,942,870)
Net position – beginning				<u>(149,841,794)</u>	<u>(97,898,924)</u>
Net position – ending				<u>\$ (79,619,446)</u>	<u>\$ (149,841,794)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Balance Sheet
Governmental Funds
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 31,694,336	\$ 22,951,594	\$ 17,556,532
Cash and investments held by trustee	489,408	1,383,110	–
Receivables			
Current taxes	32,031,885	–	15,968,344
Delinquent taxes	385,481	–	228,121
Accounts and interest	161,248	–	1,077
Due from other governmental units	20,854,408	379,997	91,653
Due from other funds	–	–	–
Inventory	163,376	–	–
Prepaid items	1,788,924	4,897	–
	<u>\$ 87,569,066</u>	<u>\$ 24,719,598</u>	<u>\$ 33,845,727</u>
Liabilities			
Salaries payable	\$ 10,448,941	\$ –	\$ –
Accounts and contracts payable	5,246,559	5,085,146	–
Due to other governmental units	340,712	–	–
Unearned revenue	670,762	–	–
Total liabilities	<u>16,706,974</u>	<u>5,085,146</u>	<u>–</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	245,648	–	125,732
Property taxes levied for subsequent year	54,647,828	–	28,974,134
Total deferred inflows of resources	<u>54,893,476</u>	<u>–</u>	<u>29,099,866</u>
Fund balances (deficit)			
Nonspendable	1,952,300	4,897	–
Restricted	7,209,146	19,629,555	4,745,861
Committed	2,384,590	–	–
Assigned	1,147,687	–	–
Unassigned	3,274,893	–	–
Total fund balances	<u>15,968,616</u>	<u>19,634,452</u>	<u>4,745,861</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 87,569,066</u>	<u>\$ 24,719,598</u>	<u>\$ 33,845,727</u>

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 2,954,340	\$ 75,156,802	\$ 105,549,506
—	1,872,518	8,092,293
953,654	48,953,883	43,399,439
11,925	625,527	512,717
4,906	167,231	326,573
669,609	21,995,667	22,380,176
—	—	902,303
117,474	280,850	281,750
31,085	1,824,906	1,284,726
<u>\$ 4,742,993</u>	<u>\$ 150,877,384</u>	<u>\$ 182,729,483</u>
\$ 437,436	\$ 10,886,377	\$ 12,738,432
371,466	10,703,171	14,232,646
16,054	356,766	960,385
411,776	1,082,538	1,121,545
<u>1,236,732</u>	<u>23,028,852</u>	<u>29,053,008</u>
6,693	378,073	296,443
1,737,656	85,359,618	78,950,209
<u>1,744,349</u>	<u>85,737,691</u>	<u>79,246,652</u>
148,559	2,105,756	1,566,476
3,597,245	35,181,807	74,211,916
—	2,384,590	2,698,868
—	1,147,687	—
(1,983,892)	1,291,001	(4,047,437)
<u>1,761,912</u>	<u>42,110,841</u>	<u>74,429,823</u>
<u>\$ 4,742,993</u>	<u>\$ 150,877,384</u>	<u>\$ 182,729,483</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2019</u>	<u>2018</u>
Total fund balances – governmental funds	\$ 42,110,841	\$ 74,429,823
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	612,509,590	575,037,316
Accumulated depreciation	(162,152,897)	(151,743,272)
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	(301,210,000)	(320,235,000)
Certificates of participation	(17,275,000)	(18,345,000)
Unamortized premium/discount	(27,092,196)	(29,775,773)
Capital leases	(8,556,731)	(10,763,283)
Net pension liability – PERA and TRA pension plans	(151,657,178)	(434,165,561)
Compensated absences	(1,445,343)	(1,328,088)
Net OPEB liability	(15,607,776)	(14,467,262)
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.		
	1,186,527	2,614,432
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(5,288,346)	(5,003,044)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – PERA and TRA pension plan deferments	197,028,638	259,909,195
Deferred outflows of resources – OPEB plan deferments	290,621	716
Deferred inflows of resources – PERA and TRA pension plan deferments	(242,838,269)	(76,303,436)
Deferred inflows of resources – unavailable revenue – delinquent taxes	<u>378,073</u>	<u>296,443</u>
Total net position – governmental activities	<u>\$ (79,619,446)</u>	<u>\$ (149,841,794)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 54,091,396	\$ –	\$ 26,926,923
Investment earnings	481,219	1,087,591	306,719
Other	4,825,491	87,189	–
State sources	179,509,804	–	924,450
Federal sources	4,198,284	–	1,023,148
Total revenue	<u>243,106,194</u>	<u>1,174,780</u>	<u>29,181,240</u>
Expenditures			
Current			
Administration	8,871,322	–	–
District support services	7,250,605	–	–
Elementary and secondary regular instruction	112,913,156	–	–
Vocational education instruction	2,230,094	–	–
Special education instruction	42,977,635	–	–
Instructional support services	10,871,937	–	–
Pupil support services	23,155,824	–	–
Sites and buildings	22,303,436	–	–
Fiscal and other fixed cost programs	528,945	–	–
Food service	–	–	–
Community service	283,502	–	–
Capital outlay	–	40,854,353	–
Debt service			
Principal	3,276,552	–	16,735,000
Interest and fiscal charges	945,798	–	13,097,539
Total expenditures	<u>235,608,806</u>	<u>40,854,353</u>	<u>29,832,539</u>
Excess (deficiency) of revenue over expenditures	7,497,388	(39,679,573)	(651,299)
Other financing sources (uses)			
Bonds issued	–	–	–
Refunding bonds issued	–	–	25,790,000
Premium on debt issued	–	–	2,307,941
Capital leases issued	–	–	–
Payment to refunded bond escrow agent	–	–	(28,080,000)
Proceeds from sale of assets	58,979	–	–
Transfers in	–	–	–
Transfers (out)	–	–	–
Total other financing sources (uses)	<u>58,979</u>	<u>–</u>	<u>17,941</u>
Net change in fund balances	7,556,367	(39,679,573)	(633,358)
Fund balances			
Beginning of year	<u>8,412,249</u>	<u>59,314,025</u>	<u>5,379,219</u>
End of year	<u>\$ 15,968,616</u>	<u>\$ 19,634,452</u>	<u>\$ 4,745,861</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 1,439,395	\$ 82,457,714	\$ 73,078,706
26,813	1,902,342	1,613,056
17,655,831	22,568,511	21,593,494
2,851,574	183,285,828	177,134,941
2,911,383	8,132,815	8,505,160
<u>24,884,996</u>	<u>298,347,210</u>	<u>281,925,357</u>
—	8,871,322	8,391,487
—	7,250,605	6,104,486
—	112,913,156	108,625,608
—	2,230,094	2,278,393
—	42,977,635	41,742,679
—	10,871,937	10,573,054
—	23,155,824	21,729,157
—	22,303,436	22,792,237
—	528,945	494,905
9,414,128	9,414,128	9,100,783
14,605,435	14,888,937	14,243,337
460,219	41,314,572	58,549,709
—	20,011,552	19,367,531
—	14,043,337	18,004,042
<u>24,479,782</u>	<u>330,775,480</u>	<u>341,997,408</u>
405,214	(32,428,270)	(60,072,051)
—	—	22,580,000
—	25,790,000	—
—	2,307,941	1,069,773
—	—	1,884,165
—	(28,080,000)	(118,850,000)
32,368	91,347	—
—	—	354,611
—	—	(354,611)
<u>32,368</u>	<u>109,288</u>	<u>(93,316,062)</u>
437,582	(32,318,982)	(153,388,113)
<u>1,324,330</u>	<u>74,429,823</u>	<u>227,817,936</u>
<u>\$ 1,761,912</u>	<u>\$ 42,110,841</u>	<u>\$ 74,429,823</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2019	2018
Total net change in fund balances – governmental funds	\$ (32,318,982)	\$ (153,388,113)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	37,472,274	58,216,992
Depreciation expense	(10,409,625)	(10,506,591)
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.		
	(1,427,905)	(4,100,665)
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.		
	(25,790,000)	(24,464,165)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	44,815,000	134,915,000
Certificates of participation	1,070,000	1,105,000
Capital leases	2,206,552	2,197,531
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.		
	(285,302)	2,590,354
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA and TRA pension plans	282,508,383	31,533,785
Compensated absences	(117,255)	(52,457)
Net OPEB liability	(1,140,514)	2,171,969
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	2,683,577	3,446,581
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – PERA and TRA pension plan deferments	(62,880,557)	(29,049,257)
Deferred outflows of resources – OPEB plan deferments	289,905	716
Deferred inflows of resources – PERA and TRA pension plan deferments	(166,534,833)	(66,568,269)
Deferred inflows of resources – unavailable revenue – delinquent taxes	81,630	8,719
Change in net position – governmental activities	<u>\$ 70,222,348</u>	<u>\$ (51,942,870)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 54,181,477	\$ 52,995,783	\$ 54,091,396	\$ 1,095,613
Investment earnings	80,000	125,000	481,219	356,219
Other	4,825,378	5,381,918	4,825,491	(556,427)
State sources	175,959,856	177,154,019	179,509,804	2,355,785
Federal sources	4,223,921	4,329,990	4,198,284	(131,706)
Total revenue	239,270,632	239,986,710	243,106,194	3,119,484
Expenditures				
Current				
Administration	9,134,993	9,254,460	8,871,322	(383,138)
District support services	8,095,470	8,431,628	7,250,605	(1,181,023)
Elementary and secondary regular instruction	115,039,060	113,704,255	112,913,156	(791,099)
Vocational education instruction	2,266,292	2,312,926	2,230,094	(82,832)
Special education instruction	42,269,365	44,091,196	42,977,635	(1,113,561)
Community service	—	—	283,502	283,502
Instructional support services	11,035,728	11,789,079	10,871,937	(917,142)
Pupil support services	22,466,999	22,933,112	23,155,824	222,712
Sites and buildings	22,691,921	23,096,918	22,303,436	(793,482)
Fiscal and other fixed cost programs	455,000	440,000	528,945	88,945
Debt service				
Principal	3,277,518	3,277,518	3,276,552	(966)
Interest and fiscal charges	946,210	919,103	945,798	26,695
Total expenditures	237,678,556	240,250,195	235,608,806	(4,641,389)
Excess (deficiency) of revenue over expenditures	1,592,076	(263,485)	7,497,388	7,760,873
Other financing sources				
Capital leases issued	1,000,000	1,000,000	—	(1,000,000)
Proceeds from sale of assets	—	11,000	58,979	47,979
Total other financing sources	1,000,000	1,011,000	58,979	(952,021)
Net change in fund balances	\$ 2,592,076	\$ 747,515	7,556,367	\$ 6,808,852
Fund balances				
Beginning of year			8,412,249	
End of year			\$ 15,968,616	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and temporary investments	\$ 4,749,246	\$ 6,718,758
Receivables		
Accounts and interest	<u>678</u>	<u>1,505</u>
Total current assets	4,749,924	6,720,263
Deferred outflows of resources		
Pension plan deferments	714,766	462,056
Liabilities		
Current liabilities		
Severance benefits	211,374	246,010
Long-term liabilities		
Severance benefits	1,498,964	1,540,038
Total pension liability	<u>2,567,825</u>	<u>2,574,368</u>
Total long-term liabilities	<u>4,066,789</u>	<u>4,114,406</u>
Total liabilities	4,278,163	4,360,416
Deferred inflows of resources		
Pension plan deferments	<u>—</u>	<u>207,471</u>
Net position		
Unrestricted	<u>\$ 1,186,527</u>	<u>\$ 2,614,432</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2019</u>	<u>2018</u>
Operating revenue		
Contributions from governmental funds	\$ —	\$ —
Operating expenses		
Severance benefits	317,121	627,275
Pension benefits	201,249	(429,941)
OPEB	1,013,163	4,000,000
Total operating expenses	<u>1,531,533</u>	<u>4,197,334</u>
Operating income (loss)	(1,531,533)	(4,197,334)
Nonoperating revenue		
Investment earnings	<u>103,628</u>	<u>96,669</u>
Income (loss) before transfers	(1,427,905)	(4,100,665)
Transfers in	1,704,219	627,275
Transfers (out)	<u>(1,704,219)</u>	<u>(627,275)</u>
Change in net position	(1,427,905)	(4,100,665)
Net position		
Beginning of year	<u>2,614,432</u>	<u>6,715,097</u>
End of year	<u>\$ 1,186,527</u>	<u>\$ 2,614,432</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Severance benefit payments	\$ (392,831)	\$ (389,078)
Pension benefit payments	(667,973)	(411,363)
OPEB payments	<u>(1,013,163)</u>	<u>(4,000,000)</u>
Net cash flows from operating activities	(2,073,967)	(4,800,441)
Cash flows from noncapital financing activities		
Transfer in	1,704,219	627,275
Transfer (out)	<u>(1,704,219)</u>	<u>(627,275)</u>
Net cash flows from noncapital financing activities	—	—
Cash flows from investing activities		
Interest on investments	<u>104,455</u>	<u>100,002</u>
Net change in cash and cash equivalents	(1,969,512)	(4,700,439)
Cash and cash equivalents		
Beginning of year	<u>6,718,758</u>	<u>11,419,197</u>
End of year	<u><u>\$ 4,749,246</u></u>	<u><u>\$ 6,718,758</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (1,531,533)	\$ (4,197,334)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows of resources		
Deferred outflows of resources	(252,710)	28,223
Severance benefits	(75,710)	238,197
Total pension liability	(6,543)	(1,076,998)
Deferred inflows of resources	<u>(207,471)</u>	<u>207,471</u>
Net cash flows from operating activities	<u><u>\$ (2,073,967)</u></u>	<u><u>\$ (4,800,441)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Fiduciary Net Position
as of June 30, 2019

	Scholarship Private-Purpose Trust Fund	Other Post-Employment Benefits Trust Fund
Assets		
Cash and temporary investments	\$ 50,882	\$ —
Investments held by trustee		
Mutual funds	—	3,203,845
Total assets	<u>50,882</u>	<u>3,203,845</u>
Net position		
Held in trust for scholarships and OPEB	<u>\$ 50,882</u>	<u>\$ 3,203,845</u>

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

	Scholarship Private-Purpose Trust Fund	Other Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	\$ 37,535	\$ —
Investment earnings	—	118,217
Total additions	<u>37,535</u>	<u>118,217</u>
Deductions		
Scholarships awarded	30,500	—
Administrative and other expenses	—	12,653
Total deductions	<u>30,500</u>	<u>12,653</u>
Change in net position	7,035	105,564
Net position		
Beginning of year	<u>43,847</u>	<u>3,098,281</u>
End of year	<u>\$ 50,882</u>	<u>\$ 3,203,845</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Basic Financial Statements Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 833 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (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, district school boards can elect to either control or not to control extracurricular student activities. 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. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “depreciation not allocated to 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.

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

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

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

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 is charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Description of Funds

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

Major Governmental Funds

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

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

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

Nonmajor Governmental Funds

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

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

Proprietary Fund

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 District, or to other governments, on a cost-reimbursement basis. The District's internal service funds include financing for post-employment severance, pension, and other post-employment benefits (OPEB) offered by the District to its employees. The District's OPEB internal service fund was transitioning to an irrevocable trust. The transition was completed at June 30, 2019.

Fiduciary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

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

Expenditures in the Food Service Special Revenue Fund and the Debt Service Fund were over budgeted appropriations by \$69,266 and \$2,371,941, respectively, during the fiscal year ended June 30, 2019. Available fund balance covered these variances.

F. Cash and Temporary Investments

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

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the General Fund and Capital Projects – Building Construction Fund, the escrow accounts held by the trustee can be used only for certain capital asset acquisition costs as required by terms of the debt issue. In the Other Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the respective escrow account.

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

At June 30, 2019, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 21,404,079
Due from other Minnesota school districts	52,249
Due from Washington County and others	<u>539,339</u>
Total	<u><u>\$ 21,995,667</u></u>

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, warehouse supplies, and surplus commodities received from the federal government. Purchased food and supplies are recorded at cost on a first-in, first-out basis. Warehouse supplies are recorded using an average cost 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 recorded as expenses/expenditures at the time of consumption.

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,281,291 of the property tax levy collectible in 2019 as revenue to the District in fiscal year 2018–2019. The remaining portion of the taxes collectible in 2019 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

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

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

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

L. Long-Term Obligations

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

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

M. Compensated Absences Payable

1. **Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in the governmental fund financial statements only when used or matured, due to employee termination or similar circumstances.
2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of an employee's severance pay upon termination for certain collective bargaining units.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with the provisions of certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. Severance or retirement benefits are required to be paid out twice a year (June and January) following the effective date of retirement. Retirement benefits for certain employee groups are paid into a post-employment tax sheltered annuity account. For all other employees, severance benefits are paid out directly to the employee.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Severance pay based on convertible sick leave is recorded as a liability in the Internal Service Fund and in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.

O. State-Wide Pension Plans

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

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

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

P. Other Post-Employment Benefits (OPEB) Plan

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

Q. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

R. Net Position

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

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

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

S. 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 the governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the School Board’s adopted fund balance policy, the District’s superintendent is authorized to establish assignments of fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

T. Risk Management

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

U. Use of Estimates

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

V. Restricted Assets

Restricted assets are cash and cash equivalents 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."

W. Prior Period Comparative Financial Information/Reclassifications

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 835,591
Investments	84,163,473
Cash on hand	<u>34,229</u>
Total	<u><u>\$ 85,033,293</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 79,906,048
Restricted assets – temporarily restricted	
Cash and investments for capital asset acquisition	1,872,518
Statement of Fiduciary Net Position	
Cash and temporary investments	
Scholarship Private-Purpose Trust Fund	50,882
Investments held by trustee	
Post-Employment Benefits Trust Fund	<u>3,203,845</u>
Total	<u><u>\$ 85,033,293</u></u>

B. Deposits

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

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

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

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

At year-end, the carrying amount of the District’s deposits and the balance on the bank records was \$835,591. At year-end, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District had the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
Negotiable certificates of deposit	N/R	N/R	Level 2	\$ 490,000	\$ 3,430,000	\$ 3,920,000
Investment pools/mutual funds						
MSDLAF – Liquid Class	AAA	S&P	N/A	N/A	N/A	29,576,359
MSDLAF – MAX Class	AAA	S&P	N/A	N/A	N/A	42,001,801
Morgan Stanley Institutional Liquidity Funds	AAA	S&P	N/A	N/A	N/A	265,012
First American Government Obligations Fund	AAA	S&P	Level 2	N/A	N/A	1,389,328
Wells Fargo Advantage Governmental Fund	AAA	S&P	Level 1	N/A	N/A	3,816,919
Mutual funds	N/R	N/R	Level 2	N/A	N/A	3,194,054
Total investments						<u>\$ 84,163,473</u>

N/A – Not Applicable

N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool, which is not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC. The District's investment in this pool is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the MSDLAF – Liquid Class; the redemption notice period is 14 days for the MSDLAF – MAX Class.

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

The District has an internal policy that limits investment choices and addresses these potential risks beyond the statutory limitations listed above. These limitations are discussed below:

- Investments in the various authorized instruments cannot exceed the following percentages of total funds:
 1. U.S. treasury obligations (bills, notes, and bonds) – 100 percent
 2. U.S. government agency securities and instrumentalities of government-sponsored corporations – 100 percent
 3. Bankers' acceptances – 25 percent
 4. Commercial paper – 75 percent
 5. Repurchase agreements – 50 percent
 6. Certificates of deposit – commercial banks – 100 percent
 7. Certificates of deposit – savings and loans – 25 percent
 8. School district investment pool – 75 percent
- Not more than 50 percent of the total nonconstruction portfolio shall be with any one depository.

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

NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 14,846,429	\$ –	\$ –	\$ –	\$ 14,846,429
Construction in progress	97,442,600	36,789,133	–	(7,163,438)	127,068,295
Total capital assets, not depreciated	112,289,029	36,789,133	–	(7,163,438)	141,914,724
Capital assets, depreciated					
Land improvements	13,613,876	–	–	1,754,283	15,368,159
Buildings	420,002,689	–	–	5,122,224	425,124,913
Machinery and equipment	16,381,381	683,141	–	286,931	17,351,453
Licensed vehicles	12,750,341	–	–	–	12,750,341
Total capital assets, depreciated	462,748,287	683,141	–	7,163,438	470,594,866
Less accumulated depreciation for					
Land improvements	(9,955,993)	(679,834)	–	–	(10,635,827)
Buildings	(120,166,426)	(8,436,485)	–	–	(128,602,911)
Machinery and equipment	(12,214,767)	(617,836)	–	–	(12,832,603)
Licensed vehicles	(9,406,086)	(675,470)	–	–	(10,081,556)
Total accumulated depreciation	(151,743,272)	(10,409,625)	–	–	(162,152,897)
Net capital assets, depreciated	311,005,015	(9,726,484)	–	7,163,438	308,441,969
Total capital assets, net	<u>\$ 423,294,044</u>	<u>\$ 27,062,649</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 450,356,693</u>

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

District support services	\$ 57,122
Elementary and secondary regular instruction	44,001
Instructional support services	231
Pupil support services	633,591
Sites and buildings	772,594
Food service	160,902
Community service	5,715
Depreciation not allocated to other functions	<u>8,735,469</u>
Total depreciation expense	<u>\$ 10,409,625</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds					
2010B Taxable Alternative Facility	06/10/2010	5.15%	\$ 4,365,000	06/01/2026	\$ 4,220,000
2010C Taxable Alternative Facility	06/10/2010	5.00%	\$ 19,565,000	06/01/2026	19,565,000
2012A Alternative Facility Bonds	04/19/2012	3.00–3.25%	\$ 6,150,000	02/01/2027	4,475,000
2014A Alternative Facility Bonds	05/20/2014	2.00–3.50%	\$ 14,840,000	02/01/2028	14,640,000
2014B Capital Facilities Bonds	05/20/2014	2.00–2.50%	\$ 5,670,000	02/01/2024	2,865,000
2015A Refunding Bonds	05/05/2015	2.00–5.00%	\$ 32,695,000	02/01/2021	11,905,000
2016A Building Bonds	03/01/2016	3.50–5.00%	\$ 87,145,000	02/01/2035	87,145,000
2016B Refunding Bonds	05/12/2016	3.00–5.00%	\$ 73,460,000	02/01/2027	63,160,000
2016C Facilities Maintenance Bonds	05/12/2016	3.00–4.00%	\$ 14,470,000	02/01/2031	14,470,000
2016E Refunding Bonds	11/09/2016	3.00–5.00%	\$ 33,035,000	02/01/2027	30,395,000
2018A Facilities Maintenance Bonds	05/18/2018	3.00–5.00%	\$ 22,580,000	02/01/2033	22,580,000
2018B Refunding Bonds	11/06/2018	5.00%	\$ 25,790,000	02/01/2023	25,790,000
Total general obligation bonds					<u>\$ 301,210,000</u>

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

The District's Taxable Alternative Facility Bonds, Series 2010B were issued as Qualified Zone Academy Bonds – Direct Payment, for which the District receives a federal rebate equal to 100 percent of the interest payment on this debt issue. The District's Taxable Alternative Facility Bonds, Series 2010C were issued as Qualified School Construction Bonds – Direct Payment. Although the District has complied with all eligibility requirements for this credit, the District received notice from the Internal Revenue Service that interest payment credits were reduced from originally anticipated amounts.

In November 2018, the District issued \$25,790,000 of General Obligation School Building Refunding Bonds, Series 2018B. The bonds were used to redeem the 2019 through 2023 maturities of the District's 2010A School Building Refunding Bonds on their February 1, 2019 call date. The 2018B bonds bear an interest rate of 5.00 percent, and have a final maturity of February 1, 2023. The refunding will reduce the District's future debt service payments by \$1,472,937, and produce a present value savings of \$1,380,595.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2016D Certificates of Participation	06/16/2016	4.00–5.00%	\$ 13,200,000	04/01/2031	\$ 11,115,000
2017A Certificates of Participation	06/22/2017	3.00–3.25%	\$ 6,995,000	02/01/2032	<u>6,160,000</u>
Total certificates of participation					<u>\$ 17,275,000</u>

The District has issued certificates of participation under Minnesota Statutes § 123B.51 to finance the purchase of Valley Crossing Elementary School, and to finance an addition to the Woodbury Middle School. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Capital Leases

The District has purchased various assets through capitalized lease-purchase agreements. Annual principal and interest on these leases will be paid from the General Fund.

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Liberty Ridge Site II	\$ 4,550,000	2.99%	04/12/2012	04/15/2027	\$ 2,406,619
Security equipment	2,268,000	2.90%	04/23/2015	04/01/2024	1,331,909
Elementary entrance projects	3,325,000	2.06%	05/12/2016	04/01/2024	2,136,568
Buses	1,438,734	2.03%	05/18/2016	05/18/2022	628,694
Apple iPads	N/A	0.90%	07/25/2016	07/25/2019	361,716
Apple MacBooks	N/A	0.25%	01/02/2017	01/02/2020	436,623
Maintenance equipment	262,954	1.37%	07/06/2017	07/06/2021	258,536
Buses	653,760	0.50%	07/15/2017	07/15/2023	467,708
Buses	740,447	0.50%	04/15/2018	04/15/2024	528,358
	<u>\$ 13,238,895</u>				<u>\$ 8,556,731</u>

N/A – These leases were used to acquire equipment, which individually fell under the District’s capitalization policy, therefore, the equipment acquired is not included as part of capital assets.

Amortization of assets capitalized through these lease agreements is included in depreciation expense in the government-wide financial statements. The amount charged to depreciation for the year ended June 30, 2019 was \$471,185.

The assets acquired through these capital leases are reported as follows:

	Construction in Progress	Buildings	Machinery and Equipment	Licensed Vehicles
Assets	\$ 470,775	\$ 9,672,225	\$ 262,954	\$ 2,832,941
Less accumulated depreciation	<u>–</u>	<u>630,370</u>	<u>35,060</u>	<u>848,635</u>
Net book value	<u>\$ 470,775</u>	<u>\$ 9,041,855</u>	<u>\$ 227,894</u>	<u>\$ 1,984,306</u>

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

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Other Long-Term Liabilities

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

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

Pension Plans	Total/Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 28,525,709	\$ 6,976,918	\$ 7,287,169	\$ 1,466,016
TRA	123,131,469	190,051,720	235,551,100	(50,876,587)
District	2,567,825	714,766	–	201,249
Total	<u>\$ 154,225,003</u>	<u>\$ 197,743,404</u>	<u>\$ 242,838,269</u>	<u>\$ (49,209,322)</u>

E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 17,355,000	\$ 12,824,420	\$ 1,110,000	\$ 662,394	\$ 2,245,721	\$ 198,477
2021	18,805,000	11,722,955	1,160,000	614,794	1,483,098	158,434
2022	20,530,000	10,855,455	1,210,000	564,894	1,403,607	122,472
2023	22,185,000	9,872,180	1,260,000	512,794	1,210,823	86,631
2024	25,760,000	8,834,380	1,315,000	458,394	1,243,178	54,275
2025–2029	106,870,000	27,701,010	7,330,000	1,533,418	970,304	47,787
2030–2034	78,195,000	10,028,437	3,890,000	240,850	–	–
2035	11,510,000	402,850	–	–	–	–
	<u>\$ 301,210,000</u>	<u>\$ 92,241,687</u>	<u>\$ 17,275,000</u>	<u>\$ 4,587,538</u>	<u>\$ 8,556,731</u>	<u>\$ 668,076</u>

F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
General obligation bonds	\$ 320,235,000	\$ 25,790,000	\$ 44,815,000	\$ 301,210,000	\$ 17,355,000
Certificates of participation	18,345,000	–	1,070,000	17,275,000	1,110,000
Unamortized premium/discount	29,775,773	2,307,941	4,991,518	27,092,196	–
Capital leases	10,763,283	–	2,206,552	8,556,731	2,245,721
Net pension liability – PERA and TRA	434,165,561	2,620,575	285,128,958	151,657,178	–
Total pension liability – District	2,574,368	661,430	667,973	2,567,825	–
Compensated absences	1,328,088	1,814,773	1,697,518	1,445,343	1,445,343
Severance benefits	1,786,048	317,121	392,831	1,710,338	211,374
Net OPEB liability	14,467,262	2,153,677	1,013,163	15,607,776	–
	<u>\$ 833,440,383</u>	<u>\$ 35,665,517</u>	<u>\$ 341,983,513</u>	<u>\$ 527,122,387</u>	<u>\$ 22,367,438</u>

NOTE 5 – FUND BALANCES

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

A. Classifications

At year-end, a summary of the District's governmental fund balance classifications is as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 163,376	\$ –	\$ –	\$ 117,474	\$ 280,850
Prepaid items	1,788,924	4,897	–	31,085	1,824,906
Total nonspendable	1,952,300	4,897	–	148,559	2,105,756
Restricted					
Staff development	671,393	–	–	–	671,393
Capital projects levy	200,338	–	–	–	200,338
Operating capital	1,216,847	–	–	–	1,216,847
State-approved alternative program	1,325,369	–	–	–	1,325,369
Safe schools levy	591,786	–	–	–	591,786
Basic skills extended time	118,399	–	–	–	118,399
Long-term facilities maintenance	3,054,331	13,396,994	–	–	16,451,325
Community arts center	30,683	–	–	–	30,683
Projects funded by certificates of participation	–	1,028,737	–	–	1,028,737
Building construction	–	5,203,824	–	–	5,203,824
Debt service	–	–	4,745,861	–	4,745,861
Food service	–	–	–	1,106,818	1,106,818
Community education programs	–	–	–	2,125,417	2,125,417
Early childhood family education programs	–	–	–	365,010	365,010
Total restricted	7,209,146	19,629,555	4,745,861	3,597,245	35,181,807
Committed					
ATPPS	136,074	–	–	–	136,074
Donations/gifts	543,441	–	–	–	543,441
School budget carryover	1,705,075	–	–	–	1,705,075
Total committed	2,384,590	–	–	–	2,384,590
Assigned					
Subsequent year's budget	1,147,687	–	–	–	1,147,687
Unassigned					
Restricted account deficits					
School readiness deficit	–	–	–	(1,113,482)	(1,113,482)
Community service deficit	–	–	–	(870,410)	(870,410)
Unassigned	3,274,893	–	–	–	3,274,893
Total unassigned	3,274,893	–	–	(1,983,892)	1,291,001
	<u>\$ 15,968,616</u>	<u>\$ 19,634,452</u>	<u>\$ 4,745,861</u>	<u>\$ 1,761,912</u>	<u>\$ 42,110,841</u>

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 unrestricted fund balance each year of 5.0–9.0 percent of the District's General Fund unrestricted operating expenditure budget. At June 30, 2019, the unrestricted fund balance of the General Fund was 2.9 percent of current year expenditures.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

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

B. Benefits Provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Other Post-Employment Benefits Trust Fund to finance these obligations. The District was transitioning resources from the internal service fund to the irrevocable trust fund, which was completed as of June 30, 2019.

D. Membership

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

Retirees and beneficiaries receiving benefits	63
Active plan members	<u>2,273</u>
Total members	<u><u>2,336</u></u>

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability of the District

The District's net OPEB liability was based on the actuarial valuation performed as of July 1, 2017, and was rolled forward to June 30, 2019, as allowed using generally accepted actuarial principles. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 18,811,621
Plan fiduciary net position	<u>(3,203,845)</u>
District's net OPEB liability	<u><u>\$ 15,607,776</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>17.0%</u></u>

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2017 and measurement date as of June 30, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.10%
Expected long-term investment return	4.50%
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.25%, grading to 5.00% over 5 years
Dental trend rate	4.00%

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

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

A single discount rate of 3.10 percent was used to measure the total OPEB liability. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. equity	39.00 %	5.20 %
International developed equity	15.00	5.20
Emerging equity	6.00	5.20
Core fixed	20.00	3.00
Interm IG Corp	10.00	3.75
High yield	5.00	4.25
Emerging debt	5.00	4.75
Total	100.00 %	4.50 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 3.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 3.4 percent.

I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning balance	\$ 17,565,543	\$ 3,098,281	\$ 14,467,262
Changes for the year			
Service cost	1,333,395	—	1,333,395
Interest	625,359	—	625,359
Assumption changes	300,487	—	300,487
Employer contributions	—	1,013,163	(1,013,163)
Projected investment return	—	139,423	(139,423)
Differences between expected and actual experience	—	(21,206)	21,206
Benefit payments	(1,013,163)	(1,013,163)	—
Administrative expenses	—	(12,653)	12,653
Total net changes	1,246,078	105,564	1,140,514
Ending balance	\$ 18,811,621	\$ 3,203,845	\$ 15,607,776

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Assumption changes since the prior measurement date included an adjustment in the discount rate, which was lowered from 3.40 percent to 3.10 percent.

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.10%	3.10%	4.10%
Net OPEB liability	\$ 16,831,283	\$ 15,607,776	\$ 14,428,561

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

	<u>1% Decrease in Healthcare Cost Trend Rates</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase in Healthcare Cost Trend Rates</u>
Medical trend rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
Dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 13,489,206	\$ 15,607,776	\$ 18,139,590

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

For the current year ended, the District recognized OPEB expense of \$1,863,772. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 262,926	\$ —
Difference between projected and actual investment earnings	27,695	—
Total	<u>\$ 290,621</u>	<u>\$ —</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2020	\$ 44,530
2021	\$ 44,530
2022	\$ 44,530
2023	\$ 44,349
2024	\$ 37,561
Thereafter	\$ 75,121

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through the Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report.

These benefits are summarized as follows:

Teacher Pension Benefits – For eligible teachers hired before July 1, 1991, the District pays a lump sum pension benefit up to \$22,500 based on years of service at retirement. The amount of any pension benefits due to an employee is reduced by the total matching contributions made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

Other Pension Benefits – The District offers pension benefits to several other employee groups. Eligible employees (contracts stipulate a minimum number of years of service and a minimum age) can earn a lump sum pension benefit that differs by bargaining unit. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits. The District has established an internal service fund to account for these obligations.

C. Membership

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

Retirees and beneficiaries receiving benefits	17
Active plan members	<u>1,320</u>
Total members	<u><u>1,337</u></u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2017 and a measurement date as of July 1, 2018, using the entry-age, level percentage of pay method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

E. Discount Rate

The discount rate used to measure the total pension liability was 3.40 percent. The District discount rate used in the prior measurement date was 3.40 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance	\$ 2,574,368
Changes for the year	
Service cost	70,938
Interest	83,006
Differences between expected and actual experience	250,876
Benefit payments	(411,363)
Total net changes	(6,543)
Ending balance	\$ 2,567,825

G. Total Pension Liability Sensitivity to Discount Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Pension discount rate	2.40%	3.40%	4.40%
Total pension liability	\$ 2,616,226	\$ 2,567,825	\$ 2,516,643

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)**H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources**

For the current year ended, the District reported a total pension expense of \$201,249. As of year-end, the District reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 46,793	\$ –
District's contributions to the plan subsequent to the measurement date	667,973	–
Total	<u>\$ 714,766</u>	<u>\$ –</u>

A total of \$667,973 reported as deferred outflows of resources related to pensions resulting from district contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the District pension will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 3,900
2021	\$ 3,900
2022	\$ 3,900
2023	\$ 3,900
2024	\$ 3,900
Thereafter	\$ 27,293

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2019, were \$2,662,629. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2019, were \$8,878,634. The District's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2019, the District reported a liability of \$28,525,709 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.5142 percent at the end of the measurement period and 0.5165 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amounts recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 28,525,709
State's proportionate share of the net pension liability associated with the District	\$ 935,577

For the year ended June 30, 2019, the District recognized pension expense of \$1,247,800 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$218,216 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the GERF.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 758,253	\$ 798,156
Changes in actuarial assumptions	2,614,174	3,214,980
Differences between projected and actual investment earnings	–	3,073,216
Changes in proportion	941,862	200,817
District's contributions to the GERF subsequent to the measurement date	2,662,629	–
Total	<u>\$ 6,976,918</u>	<u>\$ 7,287,169</u>

A total of \$2,662,629 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 1,159,501
2021	\$ (1,179,444)
2022	\$ (2,357,559)
2023	\$ (595,378)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of \$123,131,469 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 1.9604 percent at the end of the measurement period and 2.0098 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$ 123,131,469
State's proportionate share of the net pension liability associated with the District	\$ 11,568,657

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended June 30, 2019, the District recognized negative pension expense of \$42,802,436. It also recognized \$8,074,151 as a decrease to pension expense (and grant revenue) for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,323,031	\$ 2,537,614
Changes in actuarial assumptions	143,799,131	211,059,541
Differences between projected and actual investment earnings	–	11,277,300
Changes in proportion	36,050,924	10,676,645
District's contributions to the TRA subsequent to the measurement date	8,878,634	–
Total	<u>\$ 190,051,720</u>	<u>\$ 235,551,100</u>

A total of \$8,878,634 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 12,604,520
2021	\$ 6,928,142
2022	\$ 1,145,621
2023	\$ (40,135,932)
2024	\$ (34,920,365)

E. Actuarial Assumptions

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

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

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

F. Discount Rate

1. GERF

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. TRA

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 46,357,927	\$ 28,525,709	\$ 13,805,720
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 195,409,143	\$ 123,131,469	\$ 63,502,865

H. Pension Plan Fiduciary Net Position

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

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

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity are included in the financial statements in the General Fund and special revenue funds.

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

NOTE 10 – INTERFUND TRANSACTIONS

The District made the following transfers during the current year:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
Internal service funds		
Severance Benefits Fund	\$ 886,329	\$ –
Pension Benefits Fund	817,890	–
Other Post-Employment Benefits Fund	<u>–</u>	<u>(1,704,219)</u>
Total transfers	<u>\$ 1,704,219</u>	<u>\$ (1,704,219)</u>

Transfers were made between funds to allocate resources for spending.

Such interfund transactions are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

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

C. Construction Contracts

At June 30, 2019, the District had commitments totaling \$5,695,712 under various construction contracts for which the work was not yet completed.

D. Operating Leases

The District is obligated under certain bus and space leases accounted for as operating leases. These operating leases range in duration from 3 to 10 years with varying terms. Operating leases do not give rise to property rights and, therefore, the results of the lease agreements are not reflected as a liability in the District's financial statements.

During the year ended June 30, 2019, rental payments under these operating leases totaled \$678,544. The leases require the following future annual lease payments:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 678,544
2021	\$ 94,945
2022	\$ 97,156
2023	\$ 97,156
2024	\$ 97,156
2025–2028	\$ 344,779

NOTE 12 – SUBSEQUENT EVENTS

In July 2019, the District entered into a lease purchase agreement for school buses. The lease will be paid through the General Fund. The lease requires seven annual payments of \$158,433.

In July 2019, the District entered into a lease purchase agreement for Chromebooks. The lease will be paid through the General Fund. The lease requires four annual payments of \$202,500.

In July 2019, the District entered into a lease purchase agreement for technology equipment. The lease will be paid through the General Fund. The lease requires four annual payments of \$167,405.

NOTE 13 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, *Fiduciary Activities*, is intended to enhance consistency and comparability of fiduciary activity reporting by state and local governments. It is also meant to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The MDE has also issued guidance for implementing this standard, which will impact the reporting of extracurricular student activity accounts previously not under School Board control, beginning in the 2019–2020 fiscal year. This new guidance provided by the MDE will require the activities currently presented separately in this financial statement to be operated under School Board control and reported as part of the District’s General Fund for the year ending June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5346%	\$ 25,112,830	\$ —	\$ 25,112,830	\$ 28,092,359	89.39%	78.70%
06/30/2016	06/30/2015	0.5003%	\$ 25,928,143	\$ —	\$ 25,928,143	\$ 29,415,673	88.14%	78.20%
06/30/2017	06/30/2016	0.4933%	\$ 40,053,517	\$ 523,069	\$ 40,576,586	\$ 30,782,743	130.12%	68.90%
06/30/2018	06/30/2017	0.5165%	\$ 32,973,022	\$ 414,616	\$ 33,387,638	\$ 33,279,230	99.08%	75.90%
06/30/2019	06/30/2018	0.5142%	\$ 28,525,709	\$ 935,577	\$ 29,461,286	\$ 34,513,997	82.65%	79.50%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 2,167,373	\$ 2,167,373	\$ —	\$ 29,415,673	7.37%
06/30/2016	\$ 2,296,584	\$ 2,296,584	\$ —	\$ 30,782,743	7.46%
06/30/2017	\$ 2,495,606	\$ 2,495,606	\$ —	\$ 33,279,230	7.50%
06/30/2018	\$ 2,588,589	\$ 2,588,589	\$ —	\$ 34,513,997	7.50%
06/30/2019	\$ 2,662,629	\$ 2,662,629	\$ —	\$ 35,502,746	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.9987%	\$ 92,098,657	\$ 6,479,000	\$ 98,577,657	\$ 91,237,229	100.94%	81.50%
06/30/2016	06/30/2015	1.8359%	\$113,568,572	\$ 13,930,331	\$127,498,903	\$ 92,802,751	122.38%	76.80%
06/30/2017	06/30/2016	1.7845%	\$425,645,829	\$ 42,723,360	\$468,369,189	\$ 92,469,962	460.31%	44.88%
06/30/2018	06/30/2017	2.0098%	\$401,192,539	\$ 38,782,331	\$439,974,870	\$108,203,544	370.78%	51.57%
06/30/2019	06/30/2018	1.9604%	\$123,131,469	\$ 11,568,657	\$134,700,126	\$108,308,303	113.69%	78.07%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 6,983,156	\$ 6,983,156	\$ —	\$ 92,802,751	7.52%
06/30/2016	\$ 6,961,699	\$ 6,961,699	\$ —	\$ 92,469,962	7.53%
06/30/2017	\$ 8,114,210	\$ 8,114,210	\$ —	\$108,203,544	7.50%
06/30/2018	\$ 8,123,097	\$ 8,123,097	\$ —	\$108,308,303	7.50%
06/30/2019	\$ 8,878,634	\$ 8,878,634	\$ —	\$115,187,988	7.71%

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Pension Benefits Plan
Schedule of Changes in the District's Total
Pension Liability and Related Ratios
Year Ended June 30, 2019

	District Fiscal Year-End Date		
	2017	2018	2019
Total pension liability			
Service cost	\$ 134,534	\$ 68,872	\$ 70,938
Interest	126,185	101,615	83,006
Assumption changes	58,493	(41,423)	—
Plan changes	—	(396,856)	—
Differences between expected and actual experience	—	(373,520)	250,876
Benefit payments	(274,805)	(435,686)	(411,363)
Net change in total pension liability	44,407	(1,076,998)	(6,543)
Total pension liability – beginning of year	3,606,959	3,651,366	2,574,368
Total pension liability – end of year	<u>\$ 3,651,366</u>	<u>\$ 2,574,368</u>	<u>\$ 2,567,825</u>
Covered-employee payroll	<u>\$ 82,208,486</u>	<u>\$ 86,224,567</u>	<u>\$ 88,811,304</u>
Total pension liability as a percentage of covered-employee payroll	<u>4.44%</u>	<u>2.99%</u>	<u>2.89%</u>

Note: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	District Fiscal Year-End Date	
	2018	2019
Total OPEB liability		
Service cost	\$ 1,236,066	\$ 1,333,395
Interest	592,549	625,359
Assumption changes	—	300,487
Benefit payments	(902,303)	(1,013,163)
Net change in total OPEB liability	926,312	1,246,078
Total OPEB liability – beginning of year	16,639,231	17,565,543
Total OPEB liability – end of year	17,565,543	18,811,621
Plan fiduciary net position		
Contributions	4,000,000	1,013,163
Investment earnings	1,479	118,217
Benefit payments – member-financed	(895)	(1,013,163)
Administrative expense	(902,303)	(12,653)
Net change in plan fiduciary net position	3,098,281	105,564
Plan fiduciary net position – beginning of year	—	3,098,281
Plan fiduciary net position – end of year	3,098,281	3,203,845
Net OPEB liability	\$ 14,467,262	\$ 15,607,776
Plan fiduciary net position as a percentage of the total OPEB liability	17.64%	17.03%
Covered-employee payroll	\$ 123,806,902	\$ 127,521,109
Net OPEB liability as a percentage of covered-employee payroll	11.69%	12.24%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2018, when the District established the OPEB Trust. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

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

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2018	1.80 %
2019	3.40 %

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Required Supplementary Information
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

PENSION BENEFITS PLAN

2017 CHANGES IN PLAN PROVISIONS

- The matching contribution for teachers hired after July 1, 1991 increased. The matching contribution is an offset to the GASB Statement No. 73 benefit. Due to the amount of the increase, the number of teachers with zero liability (i.e., they are assumed to have accumulated \$22,500 in matching contributions before reaching benefit eligibility) increased from 67 to 615.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 2.90 percent to 3.40 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- Retirement rates now begin at age 55 even if the years of service requirement to receive a GASB Statement No. 73 benefit has not been met.
- The discount rate was changed from 3.50 percent to 2.90 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.40 percent to 3.10 percent.

2018 CHANGES IN PLAN PROVISIONS

- The Tier 1 post-retirement subsidy was removed for future retirees.
- The subsidized benefit eligibility for principals was changed from age 55 with 10 years of service, to age 55 with no service requirement.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.40 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 1,075,915	\$ 1,878,425	\$ 2,954,340
Receivables			
Current taxes	—	953,654	953,654
Delinquent taxes	—	11,925	11,925
Accounts and interest	3,213	1,693	4,906
Due from other governmental units	420,278	249,331	669,609
Inventory	117,474	—	117,474
Prepaid items	21,781	9,304	31,085
Total assets	<u>\$ 1,638,661</u>	<u>\$ 3,104,332</u>	<u>\$ 4,742,993</u>
Liabilities			
Salaries payable	\$ 17,367	\$ 420,069	\$ 437,436
Accounts and contracts payable	105,632	265,834	371,466
Due to other governmental units	—	16,054	16,054
Unearned revenue	269,589	142,187	411,776
Total liabilities	<u>392,588</u>	<u>844,144</u>	<u>1,236,732</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	—	6,693	6,693
Property taxes levied for subsequent year	—	1,737,656	1,737,656
Total deferred inflows of resources	<u>—</u>	<u>1,744,349</u>	<u>1,744,349</u>
Fund balances (deficit)			
Nonspendable	139,255	9,304	148,559
Restricted	1,106,818	2,490,427	3,597,245
Unassigned	—	(1,983,892)	(1,983,892)
Total fund balances	<u>1,246,073</u>	<u>515,839</u>	<u>1,761,912</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,638,661</u>	<u>\$ 3,104,332</u>	<u>\$ 4,742,993</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 1,439,395	\$ 1,439,395
Investment earnings	25,612	1,201	26,813
Other	6,267,966	11,387,865	17,655,831
State sources	424,550	2,427,024	2,851,574
Federal sources	2,892,907	18,476	2,911,383
Total revenue	9,611,035	15,273,961	24,884,996
Expenditures			
Current			
Food service	9,414,128	—	9,414,128
Community service	—	14,605,435	14,605,435
Capital outlay	282,906	177,313	460,219
Total expenditures	9,697,034	14,782,748	24,479,782
Excess (deficiency) of revenue over expenditures	(85,999)	491,213	405,214
Other financing sources			
Proceeds from sale of assets	32,368	—	32,368
Net change in fund balances	(53,631)	491,213	437,582
Fund balances			
Beginning of year	1,299,704	24,626	1,324,330
End of year	\$ 1,246,073	\$ 515,839	\$ 1,761,912

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2019	2018
Assets		
Cash and temporary investments	\$ 31,694,336	\$ 25,966,154
Cash and investments held by trustee	489,408	617,292
Receivables		
Current taxes	32,031,885	28,179,560
Delinquent taxes	385,481	295,737
Accounts and interest	161,248	187,337
Due from other governmental units	20,854,408	20,866,813
Due from other funds	—	902,303
Inventory	163,376	151,740
Prepaid items	1,788,924	1,244,686
Total assets	<u>\$ 87,569,066</u>	<u>\$ 78,411,622</u>
Liabilities		
Salaries payable	\$ 10,448,941	\$ 12,172,246
Accounts and contracts payable	5,246,559	5,575,796
Due to other governmental units	340,712	955,247
Unearned revenue	670,762	690,418
Total liabilities	<u>16,706,974</u>	<u>19,393,707</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	245,648	178,510
Property taxes levied for subsequent year	54,647,828	50,427,156
Total deferred inflows of resources	<u>54,893,476</u>	<u>50,605,666</u>
Fund balances (deficit)		
Nonspendable for inventory	163,376	151,740
Nonspendable for prepaid items	1,788,924	1,244,686
Restricted for staff development	671,393	339,329
Restricted for health and safety	—	122,051
Restricted for capital projects levy	200,338	1,173,083
Restricted for operating capital	1,216,847	2,335,176
Restricted for state-approved alternative program	1,325,369	1,128,786
Restricted for safe schools levy	591,786	1,211,830
Restricted for basic skills extended time	118,399	—
Restricted for long-term facilities maintenance	3,054,331	—
Restricted for community arts center	30,683	30,683
Committed for ATPPS	136,074	—
Committed for donations/gifts	543,441	633,830
Committed for school budget carryover	1,705,075	2,065,038
Assigned for subsequent year's budget	1,147,687	—
Unassigned – long-term facilities maintenance		
restricted account deficit	—	(619,590)
Unassigned	3,274,893	(1,404,393)
Total fund balances	<u>15,968,616</u>	<u>8,412,249</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 87,569,066</u>	<u>\$ 78,411,622</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 52,995,783	\$ 54,091,396	\$ 1,095,613	\$ 43,551,656
Investment earnings	125,000	481,219	356,219	192,882
Other	5,381,918	4,825,491	(556,427)	4,683,744
State sources	177,154,019	179,509,804	2,355,785	173,609,738
Federal sources	4,329,990	4,198,284	(131,706)	4,430,240
Total revenue	239,986,710	243,106,194	3,119,484	226,468,260
Expenditures				
Current				
Administration	9,254,460	8,871,322	(383,138)	8,391,487
District support services	8,431,628	7,250,605	(1,181,023)	6,104,486
Elementary and secondary regular instruction	113,704,255	112,913,156	(791,099)	108,625,608
Vocational education instruction	2,312,926	2,230,094	(82,832)	2,278,393
Special education instruction	44,091,196	42,977,635	(1,113,561)	41,742,679
Community service	—	283,502	283,502	67,671
Instructional support services	11,789,079	10,871,937	(917,142)	10,573,054
Pupil support services	22,933,112	23,155,824	222,712	21,729,157
Sites and buildings	23,096,918	22,303,436	(793,482)	22,792,237
Fiscal and other fixed cost programs	440,000	528,945	88,945	494,905
Debt service				
Principal	3,277,518	3,276,552	(966)	3,302,531
Interest and fiscal charges	919,103	945,798	26,695	901,054
Total expenditures	240,250,195	235,608,806	(4,641,389)	227,003,262
Excess (deficiency) of revenue over expenditures	(263,485)	7,497,388	7,760,873	(535,002)
Other financing sources (uses)				
Capital leases issued	1,000,000	—	(1,000,000)	1,884,165
Proceeds from sale of assets	11,000	58,979	47,979	—
Transfers (out)	—	—	—	(354,611)
Total other financing sources (uses)	1,011,000	58,979	(952,021)	1,529,554
Net change in fund balances	\$ 747,515	7,556,367	\$ 6,808,852	994,552
Fund balances				
Beginning of year		8,412,249		7,417,697
End of year		\$ 15,968,616		\$ 8,412,249

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 1,075,915	\$ 1,522,906
Receivables		
Accounts and interest	3,213	213
Due from other governmental units	420,278	42,501
Inventory	117,474	130,010
Prepaid items	<u>21,781</u>	<u>20,336</u>
Total assets	<u><u>\$ 1,638,661</u></u>	<u><u>\$ 1,715,966</u></u>
Liabilities		
Salaries payable	\$ 17,367	\$ 18,933
Accounts and contracts payable	105,632	107,359
Unearned revenue	<u>269,589</u>	<u>289,970</u>
Total liabilities	392,588	416,262
Fund balances		
Nonspendable for inventory	117,474	130,010
Nonspendable for prepaid items	21,781	20,336
Restricted for food service	<u>1,106,818</u>	<u>1,149,358</u>
Total fund balances	<u><u>1,246,073</u></u>	<u><u>1,299,704</u></u>
Total liabilities and fund balances	<u><u>\$ 1,638,661</u></u>	<u><u>\$ 1,715,966</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,000	\$ 25,612	\$ 24,612	\$ 13,916
Other – primarily meal sales	6,242,300	6,267,966	25,666	6,204,513
State sources	429,400	424,550	(4,850)	419,901
Federal sources	3,036,500	2,892,907	(143,593)	2,941,641
Total revenue	<u>9,709,200</u>	<u>9,611,035</u>	<u>(98,165)</u>	<u>9,579,971</u>
Expenditures				
Current				
Salaries	3,120,260	3,185,302	65,042	2,994,030
Employee benefits	1,183,312	1,177,854	(5,458)	1,154,165
Purchased services	447,500	489,591	42,091	421,861
Supplies and materials	3,935,527	3,915,412	(20,115)	3,854,636
Other expenditures	581,169	645,969	64,800	676,091
Capital outlay	360,000	282,906	(77,094)	368,724
Total expenditures	<u>9,627,768</u>	<u>9,697,034</u>	<u>69,266</u>	<u>9,469,507</u>
Excess (deficiency) of revenue over expenditures	81,432	(85,999)	(167,431)	110,464
Other financing sources				
Proceeds from sale of assets	–	32,368	32,368	–
Transfers in	–	–	–	354,611
Total other financing sources	<u>–</u>	<u>32,368</u>	<u>32,368</u>	<u>354,611</u>
Net change in fund balances	<u>\$ 81,432</u>	<u>(53,631)</u>	<u>\$ (135,063)</u>	465,075
Fund balances				
Beginning of year		<u>1,299,704</u>		<u>834,629</u>
End of year		<u>\$ 1,246,073</u>		<u>\$ 1,299,704</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 1,878,425	\$ 1,462,292
Receivables		
Current taxes	953,654	768,685
Delinquent taxes	11,925	10,513
Accounts and interest	1,693	1,477
Due from other governmental units	249,331	222,603
Prepaid items	<u>9,304</u>	<u>19,704</u>
Total assets	<u><u>\$ 3,104,332</u></u>	<u><u>\$ 2,485,274</u></u>
Liabilities		
Salaries payable	\$ 420,069	\$ 545,657
Accounts and contracts payable	265,834	322,454
Due to other governmental units	16,054	5,138
Unearned revenue	<u>142,187</u>	<u>141,157</u>
Total liabilities	844,144	1,014,406
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	6,693	5,675
Property taxes levied for subsequent year	<u>1,737,656</u>	<u>1,440,567</u>
Total deferred inflows of resources	1,744,349	1,446,242
Fund balances (deficit)		
Nonspendable for prepaid items	9,304	19,704
Restricted for community education programs	2,125,417	1,485,963
Restricted for early childhood family education programs	365,010	454,435
Restricted for adult basic education	–	87,978
Unassigned – school readiness restricted account deficit	(1,113,482)	(1,232,974)
Unassigned – community service restricted account deficit	<u>(870,410)</u>	<u>(790,480)</u>
Total fund balances	<u>515,839</u>	<u>24,626</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,104,332</u></u>	<u><u>\$ 2,485,274</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,471,743	\$ 1,439,395	\$ (32,348)	\$ 1,441,341
Investment earnings	3,000	1,201	(1,799)	116
Other – primarily tuition and fees	11,488,007	11,387,865	(100,142)	10,704,967
State sources	2,375,904	2,427,024	51,120	2,293,264
Federal sources	16,902	18,476	1,574	16,607
Total revenue	<u>15,355,556</u>	<u>15,273,961</u>	<u>(81,595)</u>	<u>14,456,295</u>
Expenditures				
Current				
Salaries	9,436,819	9,329,074	(107,745)	9,001,381
Employee benefits	2,770,032	2,606,542	(163,490)	2,535,864
Purchased services	1,821,248	1,827,484	6,236	1,828,119
Supplies and materials	852,560	835,036	(17,524)	778,532
Other expenditures	7,380	7,299	(81)	31,770
Capital outlay	240,300	177,313	(62,987)	273,431
Total expenditures	<u>15,128,339</u>	<u>14,782,748</u>	<u>(345,591)</u>	<u>14,449,097</u>
Net change in fund balances	<u>\$ 227,217</u>	491,213	<u>\$ 263,996</u>	7,198
Fund balances				
Beginning of year		<u>24,626</u>		<u>17,428</u>
End of year		<u>\$ 515,839</u>		<u>\$ 24,626</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 22,951,594	\$ 58,756,772
Cash and investments held by trustee	1,383,110	7,475,001
Receivables		
Accounts and interest	–	137,191
Due from other governmental units	379,997	1,168,894
Prepaid items	<u>4,897</u>	<u>–</u>
Total assets	<u><u>\$ 24,719,598</u></u>	<u><u>\$ 67,537,858</u></u>
Liabilities		
Salaries payable	\$ –	\$ 1,596
Accounts and contracts payable	<u>5,085,146</u>	<u>8,222,237</u>
Total liabilities	5,085,146	8,223,833
Fund balances		
Nonspendable for prepaid items	4,897	–
Restricted for projects funded by certificates of participation	1,028,737	2,250,221
Restricted for long-term facilities maintenance	13,396,994	27,341,488
Restricted for building construction	<u>5,203,824</u>	<u>29,722,316</u>
Total fund balances	<u>19,634,452</u>	<u>59,314,025</u>
Total liabilities and fund balances	<u><u>\$ 24,719,598</u></u>	<u><u>\$ 67,537,858</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 300,000	\$ 1,087,591	\$ 787,591	\$ 1,107,974
Other	–	87,189	87,189	–
Total revenue	300,000	1,174,780	874,780	1,107,974
Expenditures				
Capital outlay				
Salaries	71,984	326,510	254,526	16,784
Employee benefits	11,986	7,241	(4,745)	2,522
Purchased services	38,085,154	24,673,858	(13,411,296)	5,711,523
Supplies and materials	–	144,308	144,308	–
Capital expenditures	4,369,519	15,702,436	11,332,917	52,176,725
Total expenditures	42,538,643	40,854,353	(1,684,290)	57,907,554
Excess (deficiency) of revenue over expenditures	(42,238,643)	(39,679,573)	2,559,070	(56,799,580)
Other financing sources				
Bonds issued	–	–	–	22,580,000
Premium on debt issued	–	–	–	731,959
Total other financing sources	–	–	–	23,311,959
Net change in fund balances	\$ (42,238,643)	(39,679,573)	\$ 2,559,070	(33,487,621)
Fund balances				
Beginning of year		59,314,025		92,801,646
End of year		\$ 19,634,452		\$ 59,314,025

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 17,556,532	\$ 17,841,382
Receivables		
Current taxes	15,968,344	14,451,194
Delinquent taxes	228,121	206,467
Accounts and interest	1,077	355
Due from other governmental units	<u>91,653</u>	<u>79,365</u>
Total assets	<u><u>\$ 33,845,727</u></u>	<u><u>\$ 32,578,763</u></u>
Liabilities		
Accounts and contracts payable	\$ —	\$ 4,800
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	125,732	112,258
Property taxes levied for subsequent year	<u>28,974,134</u>	<u>27,082,486</u>
Total deferred inflows of resources	<u>29,099,866</u>	<u>27,194,744</u>
Fund balances		
Restricted for debt service	<u>4,745,861</u>	<u>5,379,219</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 33,845,727</u></u>	<u><u>\$ 32,578,763</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 29,750,000	\$ 26,926,923	\$ (2,823,077)	\$ 28,085,709
Investment earnings	25,000	306,719	281,719	298,168
Other	—	—	—	270
State sources	947,179	924,450	(22,729)	812,038
Federal sources	1,100,000	1,023,148	(76,852)	1,116,672
Total revenue	31,822,179	29,181,240	(2,640,939)	30,312,857
Expenditures				
Debt service				
Principal	16,000,000	16,735,000	735,000	16,065,000
Interest	11,450,598	12,933,511	1,482,913	16,754,166
Fiscal charges and other	10,000	164,028	154,028	348,822
Total expenditures	27,460,598	29,832,539	2,371,941	33,167,988
Excess (deficiency) of revenue over expenditures	4,361,581	(651,299)	(5,012,880)	(2,855,131)
Other financing sources (uses)				
Refunding bonds issued	962,695	25,790,000	24,827,305	—
Premium on debt issued	—	2,307,941	2,307,941	337,814
Payment to refunded bond escrow agent	—	(28,080,000)	(28,080,000)	(118,850,000)
Total other financing sources (uses)	962,695	17,941	(944,754)	(118,512,186)
Net change in fund balances	\$ 5,324,276	(633,358)	\$ (5,957,634)	(121,367,317)
Fund balances				
Beginning of year		5,379,219		126,746,536
End of year		\$ 4,745,861		\$ 5,379,219

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets			
Cash and temporary investments	\$ 2,279,546	\$ 2,469,700	\$ —
Receivables			
Accounts and interest	<u>325</u>	<u>353</u>	<u>—</u>
Total current assets	2,279,871	2,470,053	—
Deferred outflows of resources			
Pension plan deferments	—	714,766	—
Liabilities			
Current liabilities			
Severance benefits	211,374	—	—
Long-term liabilities			
Severance benefits	1,498,964	—	—
Total pension liability	<u>—</u>	<u>2,567,825</u>	<u>—</u>
Total long-term liabilities	<u>1,498,964</u>	<u>2,567,825</u>	<u>—</u>
Total liabilities	1,710,338	2,567,825	—
Deferred inflows of resources			
Pension plan deferments	<u>—</u>	<u>—</u>	<u>—</u>
Net position			
Unrestricted	<u>\$ 569,533</u>	<u>\$ 616,994</u>	<u>\$ —</u>

Totals	
2019	2018
\$ 4,749,246	\$ 6,718,758
678	1,505
4,749,924	6,720,263
714,766	462,056
211,374	246,010
1,498,964	1,540,038
2,567,825	2,574,368
4,066,789	4,114,406
4,278,163	4,360,416
—	207,471
\$ 1,186,527	\$ 2,614,432

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Operating revenue			
Contributions from governmental funds	\$ —	\$ —	\$ —
Operating expenses			
Severance benefits	317,121	—	—
Pension benefits	—	201,249	—
Other post-employment benefits	—	—	1,013,163
Total operating expenses	<u>317,121</u>	<u>201,249</u>	<u>1,013,163</u>
Operating income (loss)	(317,121)	(201,249)	(1,013,163)
Nonoperating revenue			
Investment earnings	<u>325</u>	<u>353</u>	<u>102,950</u>
Income (loss) before transfers	(316,796)	(200,896)	(910,213)
Transfers in	886,329	817,890	—
Transfers (out)	<u>—</u>	<u>—</u>	<u>(1,704,219)</u>
Change in net position	569,533	616,994	(2,614,432)
Net position			
Beginning of year	<u>—</u>	<u>—</u>	<u>2,614,432</u>
End of year	<u>\$ 569,533</u>	<u>\$ 616,994</u>	<u>\$ —</u>

Totals	
2019	2018
\$ —	\$ —
317,121	627,275
201,249	(429,941)
1,013,163	4,000,000
<u>1,531,533</u>	<u>4,197,334</u>
(1,531,533)	(4,197,334)
<u>103,628</u>	<u>96,669</u>
(1,427,905)	(4,100,665)
1,704,219	627,275
<u>(1,704,219)</u>	<u>(627,275)</u>
(1,427,905)	(4,100,665)
<u>2,614,432</u>	<u>6,715,097</u>
<u>\$ 1,186,527</u>	<u>\$ 2,614,432</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Cash flows from operating activities			
Severance benefit payments	\$ (392,831)	\$ —	\$ —
Pension benefit payments	—	(667,973)	—
OPEB payments	—	—	(1,013,163)
Net cash flows from operating activities	(392,831)	(667,973)	(1,013,163)
Cash flows from noncapital financial activities			
Transfer in	886,329	817,890	—
Transfer (out)	—	—	(1,704,219)
Net cash flows from noncapital financing activities	886,329	817,890	(1,704,219)
Cash flows from investing activities			
Interest on investments	—	—	104,455
Net change in cash and cash equivalents	493,498	149,917	(2,612,927)
Cash and cash equivalents			
Beginning of year	1,786,048	2,319,783	2,612,927
End of year	<u>\$ 2,279,546</u>	<u>\$ 2,469,700</u>	<u>\$ —</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (317,121)	\$ (201,249)	\$ (1,013,163)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets, liabilities, and deferred outflows/inflows of resources			
Deferred outflows of resources	—	(252,710)	—
Severance benefits	(75,710)	—	—
Total pension liability	—	(6,543)	—
Deferred inflows of resources	—	(207,471)	—
Net cash flows from operating activities	<u>\$ (392,831)</u>	<u>\$ (667,973)</u>	<u>\$ (1,013,163)</u>

Totals	
2019	2018
\$ (392,831)	\$ (389,078)
(667,973)	(411,363)
(1,013,163)	(4,000,000)
<u>(2,073,967)</u>	<u>(4,800,441)</u>
1,704,219	627,275
<u>(1,704,219)</u>	<u>(627,275)</u>
—	—
<u>104,455</u>	<u>100,002</u>
(1,969,512)	(4,700,439)
<u>6,718,758</u>	<u>11,419,197</u>
<u>\$ 4,749,246</u>	<u>\$ 6,718,758</u>
\$ (1,531,533)	\$ (4,197,334)
(252,710)	28,223
(75,710)	238,197
(6,543)	(1,076,998)
<u>(207,471)</u>	<u>207,471</u>
<u>\$ (2,073,967)</u>	<u>\$ (4,800,441)</u>

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Section III

Statistical

Igniting a passion

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 833's (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

				Fiscal Year
	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 51,600,287	\$ 52,070,800	\$ 50,633,665	\$ 55,788,399
Restricted	5,078,562	4,568,751	7,224,679	7,969,499
Unrestricted	50,012,108	40,897,389	41,564,392	33,224,612
Total governmental activities net position	<u>\$ 106,690,957</u>	<u>\$ 97,536,940</u>	<u>\$ 99,422,736</u>	<u>\$ 96,982,510</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by \$133,694,258.

Note 2: The District implemented GASB Statement No. 73 in fiscal 2017. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by \$3,250,849.

Note 3: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2018. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by \$13,473,303.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 62,066,067	\$ 67,105,680	\$ 85,486,603	\$ 97,078,662	\$ 105,081,336	\$ 116,655,557
6,717,236	5,307,406	7,985,002	8,559,909	10,386,276	10,961,643
<u>21,345,431</u>	<u>(116,559,725)</u>	<u>(123,762,639)</u>	<u>(190,064,192)</u>	<u>(265,309,406)</u>	<u>(207,236,646)</u>
<u>\$ 90,128,734</u>	<u>\$ (44,146,639)</u>	<u>\$ (30,291,034)</u>	<u>\$ (84,425,621)</u>	<u>\$ (149,841,794)</u>	<u>\$ (79,619,446)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2010	2011	2012	2013
Governmental activities				
Expenses				
Administration	\$ 6,432,684	\$ 6,726,526	\$ 6,804,171	\$ 7,050,311
District support services	4,488,058	4,155,337	3,911,630	4,018,082
Elementary and secondary regular instruction	83,495,190	88,083,313	88,058,900	92,521,117
Vocational education instruction	2,261,115	1,909,055	1,717,365	1,740,819
Special education instruction	24,300,238	24,304,069	23,604,017	25,962,043
Instructional support services	8,720,902	8,762,391	8,523,989	9,113,915
Pupil support services	16,113,029	17,177,994	17,762,412	18,413,745
Sites and buildings	15,855,796	21,394,450	19,307,770	19,778,272
Fiscal and other fixed cost programs	477,434	320,340	397,742	431,469
Food service	6,573,724	7,086,114	7,520,073	7,806,312
Community service	10,032,694	10,520,754	11,558,180	12,430,058
Depreciation not allocated to other functions	5,734,973	8,563,123	8,945,019	9,231,034
Interest and fiscal charges	14,692,589	14,757,583	13,100,740	11,796,212
Total governmental activities expenses	199,178,426	213,761,049	211,212,008	220,293,389
Program revenues				
Charges for services				
Food service	5,095,535	5,057,023	4,945,351	5,140,646
Community service	7,540,926	8,002,134	8,817,171	9,547,111
All other	1,201,243	1,157,250	1,180,515	1,119,080
Operating grants and contributions	33,907,129	35,709,293	34,410,790	39,448,027
Total governmental activities program revenues	47,744,833	49,925,700	49,353,827	55,254,864
Net (expense) revenue	(151,433,593)	(163,835,349)	(161,858,181)	(165,038,525)
General revenues and other changes in net position				
Taxes				
Property taxes levied for general purposes	28,329,696	39,366,853	27,927,885	27,046,036
Property taxes levied for community service	1,283,820	1,997,132	1,277,741	1,312,685
Property taxes levied for capital projects	2,217,915	2,069,000	—	1,306,697
Property taxes levied for debt service	21,113,789	20,075,991	23,546,002	24,174,245
General grants and aids	96,811,892	88,826,346	106,110,510	106,799,031
Other general revenues	1,570,069	1,685,748	3,543,466	1,956,699
Investment earnings	2,117,619	660,262	1,338,373	2,906
Special item – joint school proceeds	—	—	—	—
Total general revenues and other changes in net position	153,444,800	154,681,332	163,743,977	162,598,299
Change in net position	\$ 2,011,207	\$ (9,154,017)	\$ 1,885,796	\$ (2,440,226)

2014	2015	2016	2017	2018	2019
\$ 7,360,847	\$ 7,532,409	\$ 8,060,524	\$ 10,381,871	\$ 10,744,172	\$ 7,032,372
3,740,490	5,376,819	6,414,735	6,596,898	7,273,325	6,983,278
95,372,479	98,375,195	100,748,199	148,539,553	151,918,411	74,877,601
2,177,553	2,205,777	2,313,645	2,685,595	2,734,373	1,819,974
29,637,200	31,977,796	34,696,192	50,522,278	53,186,820	31,196,045
9,413,500	9,562,822	9,842,037	13,144,802	13,571,859	7,976,321
19,096,318	20,109,824	19,090,739	24,295,235	23,436,936	21,297,476
22,213,724	22,005,923	20,099,373	23,711,287	25,062,057	26,674,277
475,441	575,898	318,258	493,785	494,905	528,945
8,490,573	9,163,254	8,651,331	9,508,533	9,453,626	9,758,244
12,999,994	12,359,513	13,312,337	16,767,322	16,319,158	13,480,226
9,329,886	9,217,946	8,997,829	8,894,001	8,820,668	8,735,469
11,590,377	11,615,626	10,964,797	15,903,275	10,897,334	9,337,121
231,898,382	240,078,802	243,509,996	331,444,435	333,913,644	219,697,349
5,317,906	5,362,540	5,929,451	6,265,612	6,204,513	6,267,966
9,616,643	8,969,973	10,012,263	10,587,395	10,704,967	11,387,865
1,242,491	1,206,308	1,608,938	3,840,898	1,935,558	1,911,827
39,081,056	46,117,949	46,131,521	51,670,670	54,861,148	57,205,946
55,258,096	61,656,770	63,682,173	72,364,575	73,706,186	76,773,604
(176,640,286)	(178,422,032)	(179,827,823)	(259,079,860)	(260,207,458)	(142,923,745)
17,273,471	28,675,307	28,665,427	43,123,208	43,556,419	54,158,534
675,875	1,337,276	1,327,464	1,376,364	1,441,912	1,440,413
1,063,625	434,612	2,089,950	—	—	—
24,935,744	25,859,959	26,834,502	28,683,471	28,089,094	26,940,397
123,100,301	118,753,997	122,563,945	130,278,195	130,718,982	125,508,579
2,582,363	2,598,100	2,267,072	3,365,486	2,748,456	3,092,200
155,131	181,666	580,418	1,369,398	1,709,725	2,005,970
—	—	9,354,650	—	—	—
169,786,510	177,840,917	193,683,428	208,196,122	208,264,588	213,146,093
\$ (6,853,776)	\$ (581,115)	\$ 13,855,605	\$ (50,883,738)	\$ (51,942,870)	\$ 70,222,348

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

Fiscal Year	Property Tax					Total
	General Purposes	Community Service	Capital Projects	Debt Service		
2010	\$ 28,329,696	\$ 1,283,820	\$ 2,217,915	\$ 21,113,789	\$ 52,945,220	
2011	39,366,853	1,997,132	2,069,000	20,075,991	63,508,976	
2012	27,927,885	1,277,741	—	23,546,002	52,751,628	
2013	27,046,036	1,312,685	1,306,697	24,174,245	53,839,663	
2014	17,273,471	675,875	1,063,625	24,935,744	43,948,715	
2015	28,675,307	1,337,276	434,612	25,859,959	56,307,154	
2016	28,665,427	1,327,464	2,089,950	26,834,502	58,917,343	
2017	43,123,208	1,376,364	—	28,683,471	73,183,043	
2018	43,556,419	1,441,912	—	28,089,094	73,087,425	
2019	54,158,534	1,440,413	—	26,940,397	82,539,344	

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Nonspendable	\$ 725,419	\$ 823,164	\$ 1,125,484	\$ 1,105,277
Restricted	1,573,914	832,872	2,188,743	2,886,060
Committed	—	4,810,821	4,188,228	3,899,880
Assigned	11,379,950	7,708,428	3,988,180	2,598,614
Unassigned	11,292,132	5,204,005	8,245,358	3,393,447
Total General Fund	<u>\$ 24,971,415</u>	<u>\$ 19,379,290</u>	<u>\$ 19,735,993</u>	<u>\$ 13,883,278</u>
All other governmental funds				
Nonspendable	\$ 179,281	\$ 187,327	\$ 187,405	\$ 319,142
Restricted	82,712,351	65,501,210	16,691,364	11,824,838
Unassigned – special revenue funds and capital projects fund	<u>(40,461)</u>	<u>(115,104)</u>	<u>(175,737)</u>	<u>(391,720)</u>
Total all other governmental funds	<u>\$ 82,851,171</u>	<u>\$ 65,573,433</u>	<u>\$ 16,703,032</u>	<u>\$ 11,752,260</u>
Total all governmental funds	<u>\$ 107,822,586</u>	<u>\$ 84,952,723</u>	<u>\$ 36,439,025</u>	<u>\$ 25,635,538</u>

2014	2015	2016	2017	2018	2019
\$ 1,135,917	\$ 2,949,314	\$ 3,139,510	\$ 3,257,797	\$ 1,396,426	\$ 1,952,300
1,155,136	3,250,381	5,232,246	5,647,049	6,340,938	7,209,146
3,531,073	1,611,060	2,848,063	2,349,140	2,698,868	2,384,590
1,068,692	2,506,731	—	—	—	1,147,687
2,594,734	—	(3,916,752)	(3,836,289)	(2,023,983)	3,274,893
<u>\$ 9,485,552</u>	<u>\$ 10,317,486</u>	<u>\$ 7,303,067</u>	<u>\$ 7,417,697</u>	<u>\$ 8,412,249</u>	<u>\$ 15,968,616</u>
\$ 322,357	\$ 311,391	\$ 282,171	\$ 342,224	\$ 170,050	\$ 153,456
30,934,103	53,227,317	206,999,874	222,113,714	67,870,978	27,972,661
(902,741)	(1,326,400)	(1,640,601)	(2,055,699)	(2,023,454)	(1,983,892)
<u>\$ 30,353,719</u>	<u>\$ 52,212,308</u>	<u>\$ 205,641,444</u>	<u>\$ 220,400,239</u>	<u>\$ 66,017,574</u>	<u>\$ 26,142,225</u>
<u>\$ 39,839,271</u>	<u>\$ 62,529,794</u>	<u>\$ 212,944,511</u>	<u>\$ 227,817,936</u>	<u>\$ 74,429,823</u>	<u>\$ 42,110,841</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Local sources				
Property taxes	\$ 52,709,735	\$ 63,259,902	\$ 53,398,487	\$ 54,114,344
Investment earnings	1,587,535	522,878	271,107	33,466
Other	15,407,773	15,902,155	18,486,503	17,763,536
State sources	113,312,426	115,110,779	130,985,867	138,316,987
Federal sources	17,406,595	9,424,860	9,535,433	7,930,071
Total revenues	200,424,064	204,220,574	212,677,397	218,158,404
Expenditures				
Current				
Administration	6,259,025	6,630,915	6,834,030	6,885,574
District support services	4,012,025	3,922,033	3,932,209	4,126,221
Elementary and secondary regular instruction	81,946,206	85,964,779	87,351,693	91,084,361
Vocational education instruction	2,261,115	1,992,798	1,717,365	1,740,819
Special education instruction	24,284,928	24,153,866	23,732,334	25,956,261
Instructional support services	8,682,829	8,735,134	8,573,910	9,121,267
Pupil support services	15,985,035	17,177,277	17,473,201	18,382,511
Sites and buildings	15,310,726	16,793,160	19,728,887	18,770,018
Fiscal and other fixed cost programs	477,434	320,340	397,742	431,469
Food service	6,435,678	6,899,039	7,323,687	7,534,746
Community service	9,941,998	10,289,794	11,378,251	12,204,906
Capital outlay	27,550,445	19,130,882	14,170,324	7,168,443
Debt service				
Principal	9,702,244	9,976,286	11,141,959	14,187,625
Interest and fiscal charges	15,879,670	15,104,134	15,214,160	12,632,458
Total expenditures	228,729,358	227,090,437	228,969,752	230,226,679
Excess (deficiency) of revenues over expenditures	(28,305,294)	(22,869,863)	(16,292,355)	(12,068,275)
Other financing sources (uses)				
Bonds issued	23,930,000	—	6,150,000	—
Refunding bonds issued	41,445,000	—	8,440,000	—
Certificates of participation issued	—	—	—	—
Premium on debt issued	3,773,788	—	93,657	—
Capital leases issued	—	—	4,100,000	1,264,788
Payment to refunded bond escrow agent	(50,510,000)	—	(51,005,000)	—
Proceeds from sale of assets	—	—	—	—
Transfers in	284,327	295,369	139,164	—
Transfers out	(284,327)	(295,369)	(139,164)	—
Total other financing sources (uses)	18,638,788	—	(32,221,343)	1,264,788
Net change in fund balances before special item	(9,666,506)	(22,869,863)	(48,513,698)	(10,803,487)
Special item – joint school proceeds	—	—	—	—
Net change in fund balances	\$ (9,666,506)	\$ (22,869,863)	\$ (48,513,698)	\$ (10,803,487)
Debt service as a percentage of noncapital expenditures	12.7%	11.9%	12.3%	12.0%

2014	2015	2016	2017	2018	2019
\$ 44,086,418	\$ 56,771,747	\$ 58,998,316	\$ 73,186,254	\$ 73,078,706	\$ 82,457,714
76,020	86,803	566,696	1,304,737	1,613,056	1,902,342
18,759,403	18,136,921	19,629,349	23,623,131	21,593,494	22,568,511
154,160,144	156,896,497	160,752,665	167,784,753	177,134,941	183,285,828
8,021,213	7,692,816	7,942,801	8,771,312	8,505,160	8,132,815
225,103,198	239,584,784	247,889,827	274,670,187	281,925,357	298,347,210
7,279,625	7,527,157	7,892,778	8,197,267	8,391,487	8,871,322
3,723,231	5,405,748	6,523,030	6,307,421	6,104,486	7,250,605
92,903,232	97,894,964	98,789,970	107,854,344	108,625,608	112,913,156
2,177,553	2,219,972	2,317,450	2,206,298	2,278,393	2,230,094
29,648,664	32,318,511	34,778,587	39,392,782	41,742,679	42,977,635
9,429,549	9,624,579	9,845,835	10,306,731	10,573,054	10,871,937
18,964,817	19,998,559	19,897,703	21,088,490	21,729,157	23,155,824
21,214,467	19,235,624	30,054,434	23,601,889	22,792,237	22,303,436
475,441	575,898	318,258	493,785	494,905	528,945
7,905,963	8,733,963	8,442,308	8,942,896	9,100,783	9,414,128
12,761,208	12,199,272	13,046,284	14,775,151	14,243,337	14,888,937
3,625,881	12,365,749	26,906,115	29,648,166	58,549,709	41,314,572
15,901,988	19,522,458	16,895,781	18,886,010	19,367,531	20,011,552
12,433,570	12,295,560	12,855,423	17,241,055	18,004,042	14,043,337
238,445,189	259,918,014	288,563,956	308,942,285	341,997,408	330,775,480
(13,341,991)	(20,333,230)	(40,674,129)	(34,272,098)	(60,072,051)	(32,428,270)
20,510,000	—	101,615,000	—	22,580,000	—
—	32,695,000	73,460,000	33,035,000	—	25,790,000
—	—	13,200,000	6,995,000	—	—
429,342	4,001,004	24,942,087	5,494,553	1,069,773	2,307,941
2,606,382	2,268,000	4,763,734	3,184,710	1,884,165	—
—	—	(36,435,000)	—	(118,850,000)	(28,080,000)
—	59,749	188,375	436,260	—	91,347
4,144,517	4,000,000	—	—	354,611	—
(144,517)	—	—	—	(354,611)	—
27,545,724	43,023,753	181,734,196	49,145,523	(93,316,062)	109,288
14,203,733	22,690,523	141,060,067	14,873,425	(153,388,113)	(32,318,982)
—	—	9,354,650	—	—	—
\$ 14,203,733	\$ 22,690,523	\$ 150,414,717	\$ 14,873,425	\$(153,388,113)	\$ (32,318,982)
12.0%	12.7%	11.9%	13.0%	13.2%	11.6%

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

Fiscal Year	Property Tax				
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total
2010	\$ 28,223,168	\$ 1,277,326	\$ 2,217,915	\$ 20,991,326	\$ 52,709,735
2011	39,212,681	1,989,914	2,069,000	19,988,307	63,259,902
2012	28,343,779	1,294,368	–	23,760,340	53,398,487
2013	27,207,656	1,320,051	1,306,697	24,279,940	54,114,344
2014	17,356,331	679,486	1,063,625	24,986,976	44,086,418
2015	28,926,672	1,349,064	434,612	26,061,399	56,771,747
2016	28,704,114	1,329,610	2,089,950	26,874,642	58,998,316
2017	43,100,551	1,378,067	–	28,707,636	73,186,254
2018	43,551,656	1,441,341	–	28,085,709	73,078,706
2019	54,091,396	1,439,395	–	26,926,923	82,457,714

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation				
	Agricultural	Nonagricultural	Fiscal Disparities		Tax Increment
			Contribution	Distribution	
2010	\$ 1,390,202	\$ 99,076,630	\$ (6,930,281)	\$ 13,071,258	\$ (2,386,274)
2011	1,556,753	91,487,690	(7,024,577)	13,200,039	(1,583,763)
2012	1,460,166	85,636,730	(6,411,866)	12,973,932	(1,367,074)
2013	1,416,082	80,294,632	(6,400,832)	11,605,924	(1,218,416)
2014	1,520,718	84,069,276	(6,110,679)	11,530,736	(850,053)
2015	1,631,755	96,283,039	(6,110,745)	11,589,664	(729,809)
2016	1,525,489	99,519,527	(6,241,320)	11,611,979	(807,459)
2017	1,598,306	103,036,166	(6,595,331)	12,705,153	(858,726)
2018	1,683,634	111,257,338	(7,009,757)	13,530,896	(819,974)
2019	1,602,386	120,117,908	(7,540,244)	14,579,885	(1,138,803)

Source: State of Minnesota School Tax Report

Total Taxable		Total Direct Tax Rate	Taxable Market Value	Tax Capacity as a Percentage of Market Value
\$	104,221,535	31.649 %	\$ 8,902,560,100	1.17 %
	97,636,142	35.215	8,208,261,700	1.19
	92,291,888	37.894	8,109,596,500	1.14
	85,697,390	41.286	7,626,898,000	1.12
	90,159,998	39.169	7,978,967,600	1.13
	102,663,904	35.675	9,098,596,000	1.13
	105,608,216	36.812	9,372,785,100	1.13
	109,885,568	34.309	9,652,063,700	1.14
	118,642,137	33.303	10,371,491,600	1.14
	127,621,132	34.926	11,147,246,400	1.14

INDEPENDENT SCHOOL DISTRICT NO. 833

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	ISD No. 833	Overlapping Rates Municipalities (1)			
			Cottage Grove	Woodbury	Newport	St. Paul Park
Tax capacity rate	2010	31.649%	35.415%	31.033%	53.643%	35.028%
Market value rate	2010	0.20782%	–	0.02362%	–	–
Tax capacity rate	2011	35.215%	38.255%	34.921%	60.261%	43.221%
Market value rate	2011	0.20834%	–	0.02572%	–	–
Tax capacity rate	2012	37.894%	41.446%	35.921%	64.662%	49.481%
Market value rate	2012	0.19942%	–	0.02566%	–	–
Tax capacity rate	2013	41.286%	45.046%	39.440%	70.803%	57.471%
Market value rate	2013	0.21905%	–	0.02700%	–	–
Tax capacity rate	2014	39.169%	43.812%	38.076%	72.054%	48.754%
Market value rate	2014	0.22287%	–	0.02594%	–	–
Tax capacity rate	2015	35.675%	41.591%	34.657%	69.973%	45.677%
Market value rate	2015	0.20996%	–	0.01308%	–	–
Tax capacity rate	2016	36.812%	43.140%	35.287%	61.660%	45.560%
Market value rate	2016	0.33988%	–	0.01216%	–	–
Tax capacity rate	2017	34.309%	43.012%	35.219%	60.304%	43.919%
Market value rate	2017	0.31281%	–	0.01187%	–	–
Tax capacity rate	2018	33.303%	40.583%	33.670%	58.736%	42.591%
Market value rate	2018	0.37066%	–	0.01111%	–	–
Tax capacity rate	2019	34.926%	38.959%	33.177%	57.383%	43.475%
Market value rate	2019	0.34919%	–	0.00664%	–	–

(1) Municipalities listed include those with district learning sites.

(2) The miscellaneous other levy includes Northeast Metropolitan Intermediate School District No. 916, Metropolitan Council, Metropolitan Mosquito Control District, Transit District 509, Transit Area, Washington Co HRA 187, Woodbury EDA, Woodbury HRA 316, Ramsey-Washington Metro Watershed District, Valley Branch Watershed District, South Washington Watershed District, and Regional Rail Authority.

(3) The City of Cottage Grove was used as the municipality for purposes of the total district residents.

Source: Washington County

					Total
Denmark	Grey Cloud Island	Afton	Washington County	Miscellaneous Other (2)	ISD No. 833 Resident (3)
13.035%	23.875%	25.357%	27.775%	8.512%	103.351%
—	—	—	0.00314%	—	0.21096%
13.088%	23.773%	27.044%	29.772%	9.263%	112.505%
—	—	—	0.00229%	—	0.21063%
13.696%	27.277%	30.078%	31.939%	10.322%	121.601%
—	—	—	0.00180%	—	0.20122%
13.678%	25.691%	30.059%	34.225%	12.854%	133.411%
—	—	—	0.00191%	—	0.22096%
13.135%	26.196%	30.092%	32.811%	12.843%	128.635%
—	—	—	0.00449%	—	0.22736%
12.490%	23.580%	27.737%	30.186%	11.365%	118.817%
—	—	—	0.00400%	—	0.21396%
11.236%	23.481%	29.373%	30.564%	11.831%	122.347%
—	—	—	0.00390%	—	0.34378%
11.264%	22.455%	32.300%	30.448%	11.413%	119.181%
—	—	—	0.00378%	—	0.31659%
11.063%	21.834%	32.255%	29.983%	11.450%	115.319%
—	—	—	0.00353%	—	0.37418%
13.600%	20.238%	32.983%	29.682%	12.575%	116.142%
—	—	—	0.00330%	—	0.35249%

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INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Property	2017			2010		
		Tax Capacity	Rank	Percent of Total Tax Capacity	Tax Capacity	Rank	Percent of Total Tax Capacity
Xcel Energy	Utility	\$ 2,433,846	1	1.91 %	\$ 1,617,853	1	1.55 %
Grand Forest Owner, LLC	Residential	815,180	2	0.64	565,464	4	0.54
Woodbury Village Shopping	Industrial	795,193	3	0.62	791,132	2	0.76
3M Company	Commercial	729,412	4	0.57	694,387	3	0.67
Marquette Valley Creek, LLC	Residential	637,693	5	0.50	—	—	—
Classic at Preserve Apartments, LLC	Residential	500,845	6	0.39	—	—	—
Allina Health System	Commercial	477,348	7	0.37	391,826	6	0.38
St. Paul Park Refining Co., LLC	Industrial	467,724	8	0.37	302,330	7	0.29
Target Corporation	Commercial	375,930	9	0.29	—	—	—
Healtheast Properties, LLC	Commercial	343,450	10	0.27	282,976	8	0.27
I & G St. Paul, LLC	Residential	—	—	—	452,268	5	0.43
West-Biel 68, LLC	Commercial	—	—	—	270,210	9	0.26
Bellwood, LLC	Commercial	—	—	—	245,892	10	0.24
Total		<u>\$ 7,576,621</u>		<u>5.93 %</u>	<u>\$ 5,614,338</u>		<u>5.39 %</u>

Note: The most recent data available is from 2017.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 833

Property Tax Levies, Collections, and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	First Year Levy Recognized	
					Amount	Percentage of Levy
2010	\$ 46,043,972	\$ 6,455,509	\$ 1,328,990	\$ 53,828,471	\$ 52,730,574	98.0 %
2011	45,370,297	6,856,973	1,505,259	53,732,529	53,122,776	98.9
2012	46,267,400	7,196,635	10,202	53,474,237	52,997,555	99.1
2013	47,348,831	6,764,319	11,047	54,124,197	53,735,190	99.3
2014	48,596,750	7,360,609	11,559	55,968,918	55,629,431	99.4
2015	51,600,611	7,160,639	17,920	58,779,170	58,588,601	99.7
2016	66,435,278	6,578,305	18,900	73,032,483	72,672,119	99.5
2017	63,551,494	8,982,988	16,488	72,550,970	72,226,591	99.6
2018	73,282,732	8,846,232	151,891	82,280,855	81,900,871	99.5
2019	78,308,098	10,187,875	144,936	88,640,909	39,687,026	44.8

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

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

Source: State of Minnesota School Tax Report

			Uncollected Taxes Receivable as of June 30, 2019			
Received in Subsequent Years	Total to Date		Delinquent		Current	
	Amount	Percentage of Levy	Amount	Percent	Amount	Percent
\$ 1,097,897	\$ 53,828,471	100.0 %	\$ —	— %	\$ —	— %
609,753	53,732,529	100.0	—	—	—	—
476,682	53,474,237	100.0	—	—	—	—
306,249	54,041,439	99.8	82,758	0.2	—	—
317,656	55,947,087	100.0	21,831	—	—	—
166,328	58,754,929	100.0	24,241	—	—	—
314,095	72,986,214	99.9	46,269	0.1	—	—
253,935	72,480,526	99.9	70,444	0.1	—	—
—	81,900,871	99.5	379,984	0.5	—	—
—	39,687,026	44.8	—	—	48,953,883	55.2
			<u>\$ 625,527</u>		<u>\$ 48,953,883</u>	

INDEPENDENT SCHOOL DISTRICT NO. 833

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Capital Leases	Total Primary Government		
2010	\$337,570,000	\$ 8,577,535	\$ —	\$ 5,191,142	\$351,338,677	3.10 %	\$ 3,607
2011	328,635,000	7,893,326	—	4,149,856	340,678,182	2.79	3,663
2012	282,165,000	6,911,442	—	7,162,897	296,239,339	2.34	3,152
2013	269,700,000	6,214,757	—	6,705,060	282,619,817	2.20	2,994
2014	276,850,000	5,941,951	—	6,769,454	289,561,405	2.22	3,030
2015	292,440,000	9,239,371	—	6,619,996	308,299,367	2.19	3,140
2016	415,810,000	31,115,494	13,200,000	9,757,949	469,883,443	3.07	4,786
2017	432,570,000	33,222,354	19,450,000	11,076,649	496,319,003	3.19	5,055
2018	320,235,000	29,775,773	18,345,000	10,763,283	379,119,056	2.23	3,861
2019	301,210,000	27,092,196	17,275,000	8,556,731	354,133,927	N/A	3,607

N/A – Not Available

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

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percentage of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2010	\$ 346,147,535	\$ 48,867,209	\$ 297,280,326	\$ 8,902,560,100	3.34 %	97,406	\$ 3,052
2011	336,528,326	47,211,175	289,317,151	8,208,261,700	3.52	92,998	3,111
2012	289,076,442	5,606,302	283,470,140	8,109,596,500	3.50	93,972	3,017
2013	275,914,757	5,634,352	270,280,405	7,626,898,000	3.54	94,399	2,863
2014	282,791,951	6,464,953	276,326,998	7,978,967,600	3.46	95,556	2,892
2015	301,679,371	40,357,373	261,321,998	9,098,596,000	2.87	98,185	2,662
2016	446,925,494	89,987,868	356,937,626	9,372,785,100	3.81	98,185	3,635
2017	465,792,354	126,746,536	339,045,818	9,652,063,700	3.51	98,185	3,453
2018	350,010,773	5,379,219	344,631,554	10,371,491,600	3.32	98,185	3,510
2019	328,302,196	4,745,861	323,556,335	11,147,246,400	2.90	98,185	3,295

Source: Annual school district census and U.S. Census

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INDEPENDENT SCHOOL DISTRICT NO. 833

Direct and Overlapping Debt
as of June 30, 2019

Governmental Unit	Gross Bonded Debt	Percent Allocable to ISD No. 833	Portion Allocable to ISD No. 833
Independent School District No. 833	\$ 328,302,196	100.00%	\$ 328,302,196
Overlapping debt			
Washington County	\$ 116,345,000	39.52%	45,980,358
City of Afton	\$ 7,945,000	5.46%	433,884
City of Cottage Grove	\$ 37,640,000	98.41%	37,042,427
City of Newport	\$ 7,875,000	100.00%	7,875,000
City of St. Paul Park	\$ 3,385,000	100.00%	3,385,000
City of Woodbury	\$ 58,800,000	73.82%	43,408,806
Metropolitan Council	\$ 147,660,000	3.34%	4,936,421
Ramsey-Washington Metro Watershed District	\$ 4,419,000	56.57%	2,499,661
South Washington Watershed District	\$ 3,245,000	75.09%	2,436,813
Total overlapping debt			<u>147,998,370</u>
Total direct and overlapping debt			<u><u>\$ 476,300,566</u></u>

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

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 833

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Debt limit	\$ 1,335,384,015	\$ 1,231,239,255	\$ 1,216,439,475	\$ 1,144,034,700
Total net debt applicable to the limit	288,702,791	281,423,825	276,558,698	264,065,648
Legal debt margin	<u>\$ 1,046,681,224</u>	<u>\$ 949,815,430</u>	<u>\$ 939,880,777</u>	<u>\$ 879,969,052</u>
Total net debt applicable to the limit as a percentage of debt limit	21.62%	22.86%	22.74%	23.08%

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: District finance department.

2014	2015	2016	2017	2018	2019
\$ 1,196,845,140	\$ 1,364,789,400	\$ 1,405,917,765	\$ 1,447,809,555	\$ 1,555,723,740	\$ 1,672,086,960
270,385,047	252,082,627	325,822,132	305,823,464	314,855,781	296,464,139
<u>\$ 926,460,093</u>	<u>\$ 1,112,706,773</u>	<u>\$ 1,080,095,633</u>	<u>\$ 1,141,986,091</u>	<u>\$ 1,240,867,959</u>	<u>\$ 1,375,622,821</u>
22.59%	18.47%	23.18%	21.12%	20.24%	17.73%

Legal Debt Margin Calculation for Fiscal Year 2019

Market value	\$ 11,147,246,400
Debt limit (15% of market value)	1,672,086,960
Debt applicable to limit	
General obligation bonds	301,210,000
Less amount set aside for repayment of general obligation debt	<u>(4,745,861)</u>
Total net debt applicable to the limit	<u>296,464,139</u>
Legal debt margin	<u>\$ 1,375,622,821</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Washington County			Total ISD No. 833 Population (2)	School Enrollment (3)	Unemployment Rate (3)
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)			
2010	238,136	\$ 11,318,413,000	\$ 47,529	97,406	16,864	6.1
2011	240,640	12,230,548,000	50,825	92,998	17,150	5.9
2012	243,313	12,642,268,000	51,959	93,972	17,477	5.1
2013	248,095	12,838,180,000	51,747	94,399	17,649	4.4
2014	252,877	13,034,092,000	51,543	95,556	17,719	3.6
2015	250,123	14,056,242,000	56,197	98,185	17,773	3.2
2016	252,921	15,299,947,000	60,493	98,185	17,794	3.3
2017	253,128	15,579,589,000	61,548	98,185	18,178	3.0
2018	256,905	17,013,335,000	66,224	98,185	18,567	2.5
2019	N/A	N/A	N/A	98,185	18,545	3.2

N/A – Not Available

Sources:

- (1) 2018 Comprehensive Annual Financial Report of Washington County, Minnesota
- (2) Annual school district census and U.S. Census
- (3) ISD No. 833 and the Bureau of Economic Analysis

INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Employers
Current Year and Nine Years Ago

Employer	2019			2010		
	Employees	Rank	Percent of Employment	Employees	Rank	Percent of Employment
Independent School District No. 833	2,605	1	32.81 %	2,793	1	43.37 %
HealthEast Woodwinds Hospital	1,429	2	18.00	485	4	7.53
3M Company – Cottage Grove	800	3	10.08	667	3	10.36
Bailey Nurseries, Inc.	800	3	10.08	700	2	10.87
Renewal by Anderson	450	5	5.67	350	6	5.43
Woodbury Senior Living	450	5	5.67	220	10	3.42
Ecowater Systems	440	7	5.54	380	5	5.90
Target	430	8	5.42	–	–	–
Walmart Supercenter	335	9	4.22	–	–	–
Cub Foods	200	10	2.52	–	–	–
Assurant	–		–	340	7	5.28
Up North Plastics	–	–	–	280	8	4.35
Dean Foods	–	–	–	225	9	3.49
Total	<u>7,939</u>		<u>100.00 %</u>	<u>6,440</u>		<u>100.00 %</u>

Note: The statistic for total cities' employment is not available; therefore, the percentage represents the percentage of the top 10 listed.

Source: Reference USA, written and telephone survey, and the Minnesota Department of Employment and Economic Development

INDEPENDENT SCHOOL DISTRICT NO. 833

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2010	2011	2012	2013
District directors/superintendent	14	15	15	14
Principals	40	41	41	41
Teachers, nurses, and counselors	1,209	1,250	1,267	1,280
Coordinators, supervisors, specialists, and technical support	234	237	235	240
Paraprofessionals	327	324	337	348
Food service	139	145	140	148
Custodians	115	116	117	121
Bus drivers and mechanics	206	199	203	206
Community education leads and assistants	22	22	22	20
Total	2,306	2,349	2,377	2,418

(1) This schedule is a headcount based on contract group. Full-time and part-time employees count the same.

2014	2015	2016	2017	2018	2019
14	14	13	11	13	12
43	43	43	45	47	48
1,350	1,373	1,373	1,402	1,406	1,419
237	244	247	256	256	275
374	396	422	449	465	466
142	129	134	130	125	129
116	113	119	123	127	125
194	178	175	164	188	158
23	23	23	25	26	23
2,493	2,513	2,549	2,605	2,653	2,655

INDEPENDENT SCHOOL DISTRICT NO. 833

Operating Indicators by Function
Standardized Testing Rates
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Standardized tests				
MCA Reading (1)				
Grade 3	84 %	87 %	85 %	65 %
Grade 4	80	83	86	60
Grade 5	82	87	86	71
Grade 6	77	81	82	65
Grade 7	75	78	81	64
Grade 8	75	82	83	68
Grade 10	81	86	87	74
MCA Math (1)				
Grade 3	91	80	79	81
Grade 4	86	75	81	83
Grade 5	78	61	65	72
Grade 6	73	57	68	65
Grade 7	71	60	65	68
Grade 8	70	65	69	73
Grade 11	56	65	56	68
ACT				
Average composite score	23.0	23.4	23.6	23.5

(1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test.

2014	2015	2016	2017	2018	2019
65 %	67 %	67 %	65 %	66 %	62 %
64	67	71	66	65	67
72	79	79	77	77	74
67	68	73	71	70	68
64	66	65	67	68	65
69	69	73	68	70	69
71	71	71	73	76	68
82	81	79	77	77	74
77	77	78	75	73	74
67	68	67	63	65	60
69	64	65	65	61	62
68	67	64	66	67	60
72	69	73	65	68	64
60	58	58	61	64	59
24.1	24.1	22.3	22.7	22.4	22.4

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INDEPENDENT SCHOOL DISTRICT NO. 833

School Facilities
as of June 30, 2019

Facility	Use	Constructed	Acres	Classrooms	Square Footage	Capacity*	Enrollment (1)
Armstrong Elementary	School	1969/1987/2001 2012	12.00	31	76,211	484	319
Cottage Grove Elementary	School	2002/2016	35.00	36	100,480	648	461
Crestview Elementary	School	1963/1970/1990 1999/2001	35.00	36	81,840	648	343
Gordon Bailey Elementary	School	1991/1992/2000 2015	30.00	45	115,609	820	630
Grey Cloud Elementary	School	1991/1992/2001 2009/2015	41.00	45	119,320	756	716
Hillside Elementary	School	1963/1970/1990 2001	16.00	32	75,864	616	429
Liberty Ridge Elementary	School	2003/2006/2016	25.00	56	136,968	993	875
Middleton Elementary	School	1991/1992/1999 2015	30.00	45	115,980	780	679
Newport Elementary	School	1955/1970/1990	9.00	21	79,286	352	258
Nuevas Fronteras Elementary	School	1951/1960/1965 1973/1974/1995 2002	20.00	37	146,155	936	415
Pine Hill Elementary	School	1960/1967/1970 2001	12.00	28	73,631	510	445
Pullman Elementary	School	1960/1970/2001	16.00	29	70,842	510	375
Red Rock Elementary	School	2002/2016	31.00	36	100,401	648	613
Royal Oaks Elementary	School	1966/1970/1990 2001	7.00	32	75,859	616	566
Valley Crossing Elementary	School	1996	34.35	33	133,665	800	658
Woodbury Elementary	School	1960/1963/1970 1989/1990/1999 2001	10.00	40	95,567	648	531
Cottage Grove Middle School	School	1995/2003/2005 2008/2018	72.00	56	200,229	1,342	948
Lake Middle School	School	1995/2000	67.00	54	188,996	1,320	1,240
Oltman Middle School	School	2018	60.00	47	243,898	990	911
Woodbury Middle School	School	1969/1989/2002 2018	16.00	44	205,139	1,080	1,184
East Ridge High School	School	2009/2013	58.00	70	382,264	1,802	1,830
Park Senior High School	School	1964/1971/1973 1994/2002/2003 2008/2009	51.00	86	403,981	2,167	1,877
Woodbury Senior High School	School	1974/2002/2003 2007/2008/2009	45.00	80	366,599	2,026	1,980
District Service Center	Office/ warehouse	1972	7.00	N/A	51,312	N/A	—
District Program Center	School/ office	1980	7.00	9	56,045	N/A	82
District Transportation Center	Office/garage/ maintenance	1971/1977/2002	10.00	N/A	44,864	N/A	—

N/A – Not Available

(1) Enrollment data from October 1, 2018.

* Capacity is based on student-to-staff ratios in effect for fiscal year 2015.

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Fiscal Year	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance
2010	15,852	1,595,427	173	9,222	58.18 %
2011	16,121	1,681,144	174	9,662	59.93
2012	16,428	1,713,365	174	9,847	59.94
2013	16,590	1,657,164	173	9,579	57.74
2014	16,656	1,670,058	168	9,941	59.68
2015	16,707	1,798,346	174	10,335	61.86
2016	16,726	1,814,033	174	10,425	62.33
2017	17,087	1,772,015	174	10,184	59.60
2018	17,453	1,754,196	172	10,199	58.44
2019	17,432	1,726,182	169	10,214	58.59

(1) Based on State Food and Nutrition Department guidelines; attendance is deemed to be 94 percent of enrollment.

Free Lunch		Reduced-Price Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
260,093	16.30 %	89,631	5.62 %
284,227	16.91	103,884	6.18
327,020	19.09	105,126	6.14
335,781	20.26	104,921	6.33
332,818	19.93	104,162	6.24
338,742	18.84	116,852	6.50
337,475	18.60	113,467	6.25
338,116	19.08	115,548	6.52
353,564	20.16	115,635	6.59
312,069	18.08	124,606	7.22

INDEPENDENT SCHOOL DISTRICT NO. 833

Expenditures per Student (Average Daily Membership)
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Administration	\$ 371	\$ 387	\$ 391	\$ 390
District support services	238	229	225	234
Elementary and secondary regular instruction	4,859	5,013	4,998	5,161
Vocational education instruction	134	116	98	99
Special education instruction	1,440	1,408	1,358	1,471
Instructional support services	515	509	491	517
Pupil support services	948	1,002	1,000	1,042
Sites and buildings	908	979	1,129	1,064
Fiscal and other fixed cost programs	28	19	23	24
Food service	382	402	419	427
Community service	590	600	651	692
Capital outlay	1,634	1,116	811	406
Debt service	1,517	1,462	1,508	1,520
Total expenditures	<u>\$ 13,563</u>	<u>\$ 13,241</u>	<u>\$ 13,101</u>	<u>\$ 13,045</u>
Average daily membership	<u>16,864</u>	<u>17,150</u>	<u>17,477</u>	<u>17,649</u>

Note: Includes all governmental fund expenditures.

2014	2015	2016	2017	2018	2019
\$ 411	\$ 424	\$ 444	\$ 451	\$ 452	\$ 478
210	304	367	347	329	391
5,243	5,508	5,552	5,933	5,850	6,089
123	125	130	121	123	120
1,673	1,818	1,955	2,167	2,248	2,317
532	542	553	567	569	586
1,070	1,125	1,118	1,160	1,170	1,249
1,197	1,082	1,689	1,298	1,228	1,203
27	32	18	27	27	29
446	491	474	492	490	508
720	686	733	813	767	803
205	696	1,512	1,631	3,153	2,228
1,599	1,790	1,672	1,987	2,013	1,836
<u>\$ 13,457</u>	<u>\$ 14,624</u>	<u>\$ 16,217</u>	<u>\$ 16,995</u>	<u>\$ 18,420</u>	<u>\$ 17,836</u>
<u>17,719</u>	<u>17,773</u>	<u>17,794</u>	<u>18,178</u>	<u>18,567</u>	<u>18,545</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2010	155	1,149	7,853	7,707	16,864	19,443
2011	169	1,107	7,940	7,934	17,150	19,828
2012	218	1,165	8,034	8,060	17,477	20,189
2013	259	1,042	8,156	8,192	17,649	20,465
2014	267	1,059	8,155	8,238	17,719	20,542
2015	354	1,111	8,159	8,149	17,773	19,397
2016	394	1,084	8,107	8,209	17,794	19,435
2017	428	1,120	8,374	8,256	18,178	19,826
2018	443	1,165	8,511	8,448	18,567	20,256
2019	499	1,137	8,376	8,533	18,545	20,252

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

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

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