



# **Comprehensive Annual Financial Report**

**For Fiscal Year Ended June 30, 2015**

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

**Cottage Grove, Minnesota**

 Igniting a passion





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**For Fiscal Year Ended June 30, 2015**

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

**7362 E. Pt. Douglas Road S.  
Cottage Grove, MN 55016  
[www.sowashco.org](http://www.sowashco.org)  
651-425-6300**

## **Prepared by the Finance Department**

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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: 651-458-6300 Fax: 651-458-6318**

December 7, 2015

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, South Washington County Schools (the District) is hereby submitted for the fiscal year ended June 30, 2015. 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 financial statements for the year ended June 30, 2015. 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, and a map of the District. The financial section includes the Independent Auditor's Report, 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 2014–2015, the District operated 24 buildings, including three high schools, four middle schools, 14 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 29 years. Enrollment has climbed steadily over the previous 10 years and the District served 17,768 students for the 2014–2015 school year. The District is projecting a similar enrollment for the 2015–2016 school year.

## **LOCAL ECONOMIC CONDITION AND OUTLOOK**

The District's population has grown from 77,263 in 2000 to 98,185 in 2015, a 27 percent increase. In that same time period, the District's enrollment has grown from 15,134 in 2000 to 17,768, a 17 percent increase. According to the Metropolitan Council, the District can expect continuous growth through the year 2035.

The District currently holds an Aa3 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. Due to the recent recession and housing decline, the total property tax value of district property has decreased in recent years. However, the increase in population and corresponding increase in construction partially offset these decreases. For the past two years, property values have increased and subsequent modest increases are anticipated.

According to data from the U.S. Census Bureau, the median household income in 2013 in Washington County was \$81,340, as compared to \$59,836 for the state of Minnesota and \$53,046 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 September 2014, the unemployment rate for Washington County was 3.5 percent, as compared to 3.9 percent for the state of Minnesota and 5.8 percent for the United States.

## **MISSION STATEMENT AND STRATEGIC PLANNING**

Citizens and employees came together in spring 2011 to develop a new strategic plan for the District, resulting in “Pathway to Excellence.” The District’s mission statement is: “We are committed to igniting a passion for lifelong learning.” The 2011–2016 strategic plan includes the following six strategic objectives:

- 1) Develop learners into critical thinkers achieving proficiency, continuous growth, and lifelong success.
- 2) Provide and sustain excellent learning environments that support high student achievement and a passion for lifelong learning.
- 3) Systematic processes for continuous improvement are embedded in all aspects of the District in the pursuit of performance excellence.
- 4) Recruit, hire, and develop the highest quality professionals.
- 5) The District will be the regional leader in technology and innovation that positively impacts student achievement, engagement, and college and career readiness.
- 6) Develop and sustain effective partnerships among students, staff, families, and communities.

## **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.

## **FINANCIAL PROSPECTS FOR FUTURE YEARS**

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 \$1,876 per pupil through voter-approved operating referenda and local optional revenue. Of the current levy, \$771.27 per pupil expires in 2017–2018, \$155.88 per pupil expires in 2023–2024, and \$525 per pupil expires in 2026–2027. These operating levies will generate approximately \$37 million for the District in the 2016–2017 school year.

## **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 2014–2015, 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 2014. It was the ninth 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**

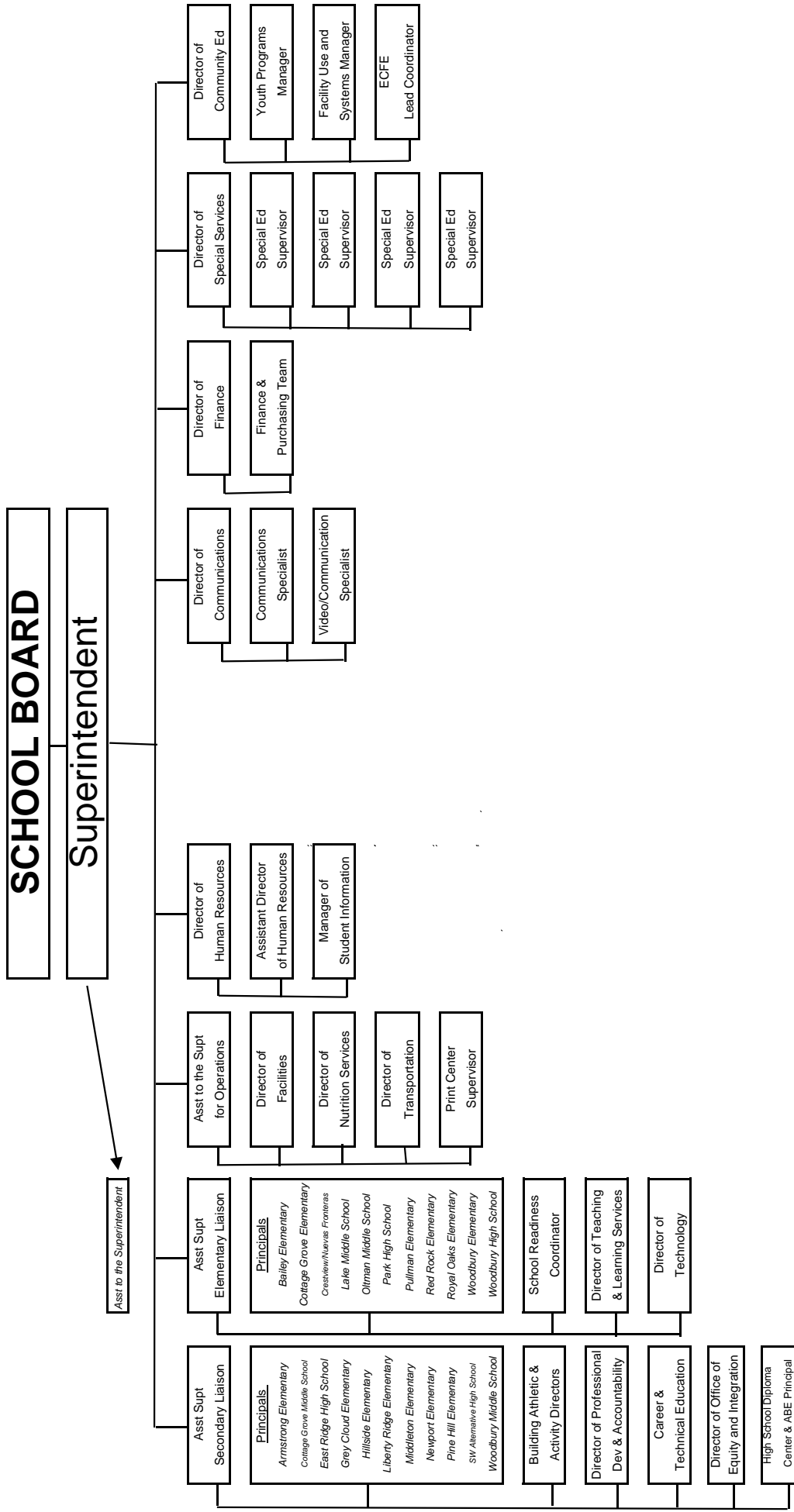
The preparation of a CAFR requires a significant amount of work on the part of a number of departments. Appreciation is extended to the many departments who contributed their time and expertise to this process.



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Dan Pyan, Director of Finance

# DISTRICT 833 - CENTRAL OFFICE REPORTING RELATIONSHIPS



INDEPENDENT SCHOOL DISTRICT NO. 833

School Board and Administration  
Year Ended June 30, 2015

**SCHOOL BOARD**

	<u>Position</u>
Ron Kath	Chairperson
Tracy Brunnette	Vice Chairperson
Sharon Van Leer	Treasurer
Kathleen Schwartz	Clerk
Kathleen McElwee-Stevens	Director
Joseph Slavin	Director
Michelle Witte	Director

**ADMINISTRATION**

Keith Jacobus	Superintendent
Michael Johnson	Assistant Superintendent
Julie Nielsen	Assistant Superintendent
Mike Vogel	Assistant to the Superintendent for Operations
Robert Berkowitz	Director of Technology
Barbara Brown	Director of Communications
Matthew Dorschner	Director of Teaching and Learning Services
Denise Griffith	Director of Human Resources
Brian Boothe	Director of Professional Development & Accountability
Bob Lawrence	Director of Community Education
Dan Pyan	Director of Finance
Kevin Witherspoon	Director of Special Services
Kathryn Grafsgaard	Director of Nutrition Services
Dayna Bentsdahl	Executive Assistant – Superintendent
Kris Blackburn	Controller



# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
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, 2014*

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



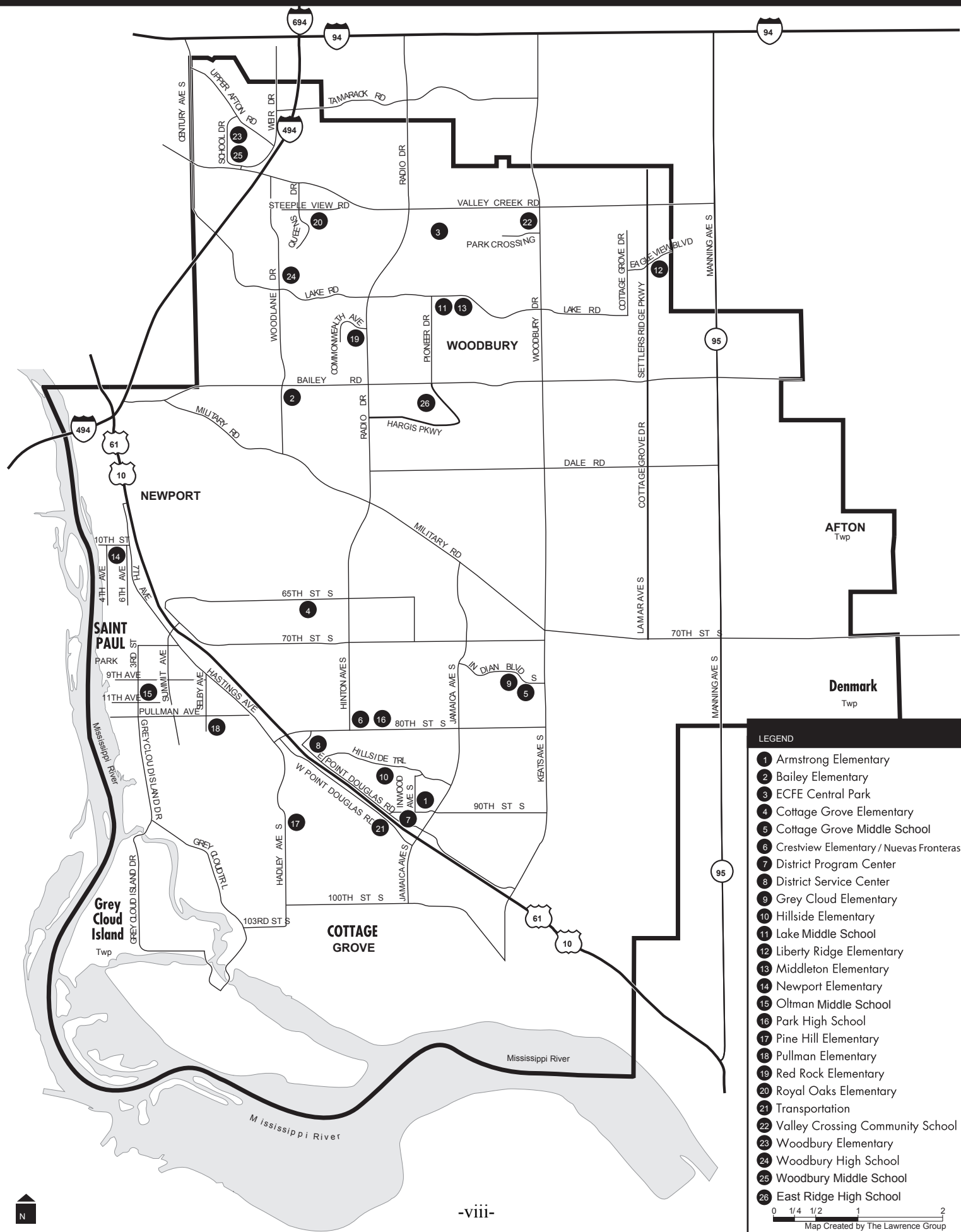
A handwritten signature in black ink, appearing to read "M. Pepera", is written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO  
President

A handwritten signature in black ink, appearing to read "John D. Musso", is written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director

# SOUTH WASHINGTON COUNTY SCHOOLS





## **Section II**

# **Financial**

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**PRINCIPALS**

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

**INDEPENDENT AUDITOR'S REPORT**

To the School Board and Management of  
Independent School District No. 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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **EMPHASIS OF MATTER**

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

(continued)

### **Prior Year Comparative Information**

We have previously audited the District's 2014 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 22, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
December 7, 2015

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## INDEPENDENT SCHOOL DISTRICT NO. 833

### Management's Discussion and Analysis Year Ended June 30, 2015

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, 2015. 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, 2015 by \$44,146,639 (net position). The District's total net position decreased by \$581,115 during the fiscal year ended June 30, 2015, excluding the change in accounting principle reported in the current year as discussed below.
- The District recorded a change in accounting principle in the current year for reporting the District's participation in the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans. This change reduced beginning net position in the government-wide financial statements by \$133,694,258.
- Government-wide revenues totaled \$239,497,687 and were \$581,115 less than expenses of \$240,078,802.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$831,934 from the prior year, compared to a \$1,191,841 decrease planned in the 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 non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements the District's activities are 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.

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 statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

**Proprietary Funds** – The District maintains one type of proprietary fund. 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:

<b>Table 1</b> <b>Summary Statement of Net Position</b> <b>as of June 30, 2015 and 2014</b>		
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current and other assets	\$ 159,929,033	\$ 133,016,819
Capital assets, net of depreciation	327,000,749	327,702,818
<b>Total assets</b>	<b>\$ 486,929,782</b>	<b>\$ 460,719,637</b>
<b>Deferred outflows of resources</b>		
Pension plan deferments – PERA and TRA	\$ 21,349,911	\$ –
<b>Liabilities</b>		
Current and other liabilities	\$ 31,341,298	\$ 24,131,313
Long-term liabilities, including due within one year	429,914,044	293,738,133
<b>Total liabilities</b>	<b>\$ 461,255,342</b>	<b>\$ 317,869,446</b>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 55,430,639	\$ 52,721,457
Pension plan deferments – PERA and TRA	35,740,351	–
<b>Total deferred inflows of resources</b>	<b>\$ 91,170,990</b>	<b>\$ 52,721,457</b>
<b>Net position</b>		
Net investment in capital assets	\$ 67,105,680	\$ 62,066,067
Restricted	5,307,406	6,717,236
Unrestricted	(116,559,725)	21,345,431
<b>Total net position</b>	<b>\$ (44,146,639)</b>	<b>\$ 90,128,734</b>

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

Total net position decreased by \$134,275,373, which reflects a decrease of \$581,115 from current year operating results, while the change in accounting principle mentioned earlier reduced unrestricted net position by \$133,694,258. This change in accounting principle for pensions significantly increased deferred outflows of resources, long-term liabilities, and deferred inflows of resources, as presented in the table above.

The District's increase in net investment in capital assets is due mostly to the District adding additional capital assets and repaying debt at a faster rate than the assets being depreciated. A decrease in net position restricted for debt service and food service contributed to the overall reduction in the restricted portion of net position. The decrease in unrestricted net position was primarily due to the change in accounting principle, as previously discussed.

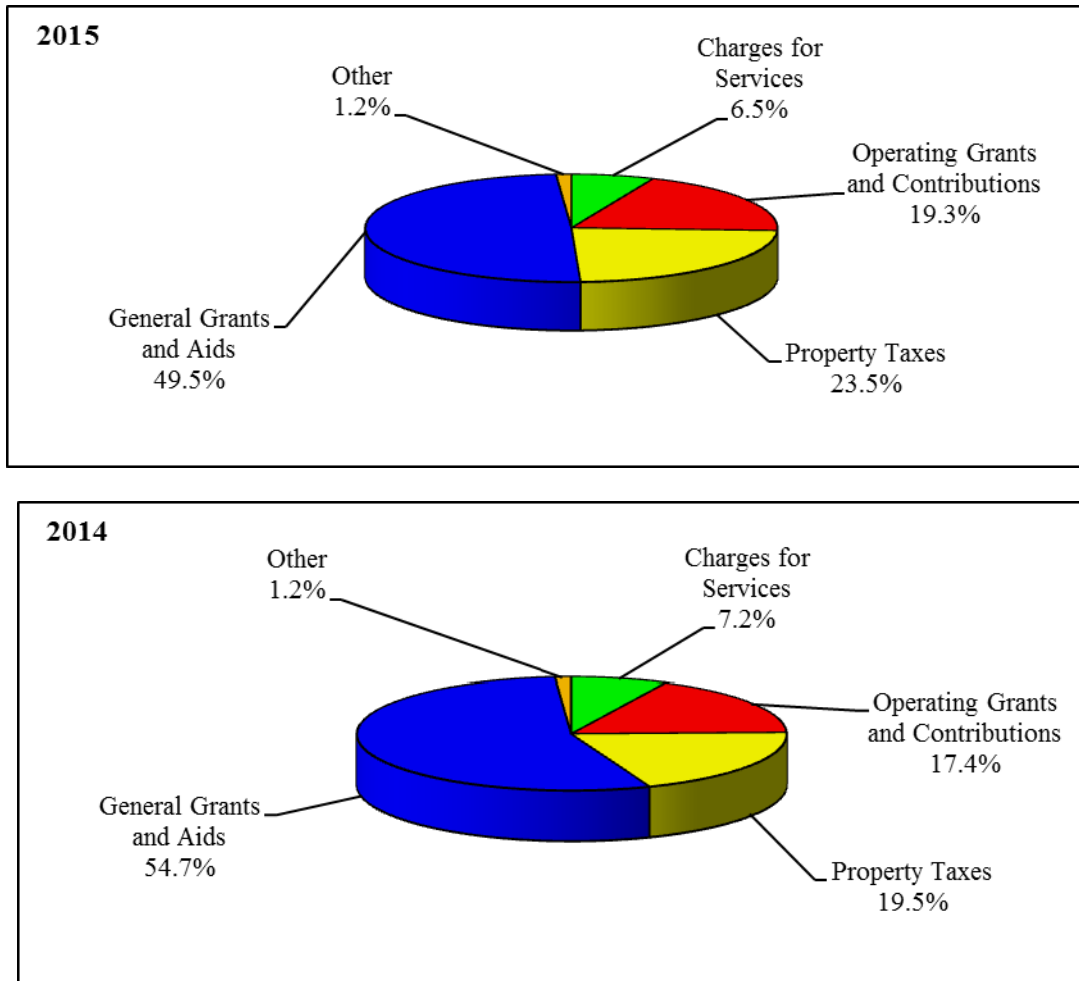
Table 2 presents a summarized version of the District's Statement of Activities:

<b>Table 2</b> <b>Summary Statement of Activities</b> <b>for the Years Ended June 30, 2015 and 2014</b>		
	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 15,538,821	\$ 16,177,040
Operating grants and contributions	46,117,949	39,081,056
General revenues		
Property taxes	56,307,154	43,948,715
General grants and aids	118,753,997	123,100,301
Other	2,779,766	2,737,494
<b>Total revenues</b>	<u>239,497,687</u>	<u>225,044,606</u>
<b>Expenses</b>		
Administration	7,532,409	7,360,847
District support services	5,376,819	3,740,490
Elementary and secondary regular instruction	98,375,195	95,372,479
Vocational education instruction	2,205,777	2,177,553
Special education instruction	31,977,796	29,637,200
Instructional support services	9,562,822	9,413,500
Pupil support services	20,109,824	19,096,318
Sites and buildings	22,005,923	22,213,724
Fiscal and other fixed cost programs	575,898	475,441
Food service	9,163,254	8,490,573
Community service	12,359,513	12,999,994
Unallocated depreciation	9,217,946	9,329,886
Interest and fiscal charges	11,615,626	11,590,377
<b>Total expenses</b>	<u>240,078,802</u>	<u>231,898,382</u>
<b>Change in net position</b>	(581,115)	(6,853,776)
<b>Net position – beginning, as previously reported</b>	90,128,734	96,982,510
<b>Change in accounting principle</b>	(133,694,258)	–
<b>Net position – beginning, restated</b>	<u>(43,565,524)</u>	<u>96,982,510</u>
<b>Net position – ending</b>	<u><u>\$ (44,146,639)</u></u>	<u><u>\$ 90,128,734</u></u>

This table is presented on the 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.

Figure A shows further analysis of these revenue sources:

**Figure A – Sources of Revenues for Fiscal Years 2015 and 2014**



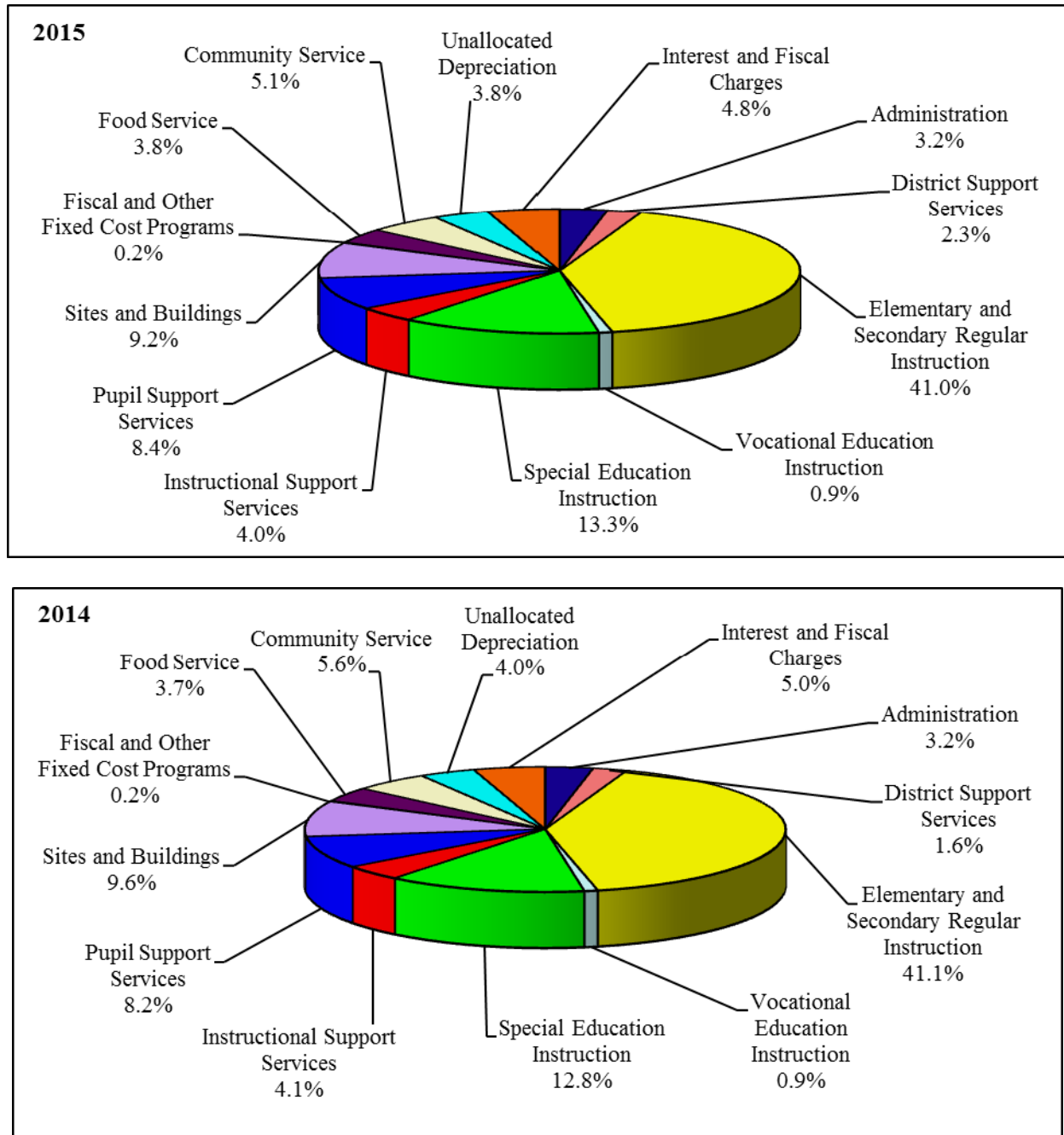
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts as a result of limited funding increases in recent years.

Property taxes are generally the next largest source of funding. The level of funding 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.

The proportionate share of district revenue from these two sources may change significantly between fiscal years, due to the "tax shift." The tax shift is an accounting tool used on occasion to balance the state budget, whereby districts recognize cash collections for the subsequent year's property tax levy as current year revenue, and the state adjusts aid payments to districts by an equal amount.

Figure B shows further analysis of these expense functions:

**Figure B – Expenses for Fiscal Years 2015 and 2014**



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

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

<b>Table 3</b> <b>Governmental Fund Balances</b> <b>as of June 30, 2015 and 2014</b>			
	2015	2014	Increase (Decrease)
Major funds			
General	\$ 10,317,486	\$ 9,485,552	\$ 831,934
Capital Projects –			
Building Construction	11,028,500	21,745,222	(10,716,722)
Debt Service	40,357,373	6,464,953	33,892,420
Nonmajor funds			
Food Service Special Revenue	78,680	959,153	(880,473)
Community Service Special Revenue	747,755	1,184,391	(436,636)
Total governmental funds	<u>\$ 62,529,794</u>	<u>\$ 39,839,271</u>	<u>\$ 22,690,523</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, 2015, the District's governmental funds reported combined fund balances of \$62,529,794, an increase of \$22,690,523 in comparison with the prior year. The District has an unassigned fund balance deficit of \$1,326,400 as of June 30, 2015. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is: 1) not in spendable form (\$3,260,705), 2) restricted for particular purposes (\$56,477,698), 3) committed for particular purposes (\$1,611,060), or 4) assigned for particular purposes (\$2,506,731).

## ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4 General Fund Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues	\$ 189,374,796	\$ 190,764,515	\$ 1,389,719	0.7%
Other financing sources	<u>4,000,000</u>	<u>4,000,000</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 193,374,796</u>	<u>\$ 194,764,515</u>	<u>\$ 1,389,719</u>	0.7%
Expenditures	<u>\$ 194,443,488</u>	<u>\$ 195,956,356</u>	<u>\$ 1,512,868</u>	0.8%

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:

<b>Table 5 General Fund Operating Results</b>					
	<u>2015 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	\$ 191,077,682	\$ 313,167	0.2%	\$ 13,525,405	7.6%
Expenditures	<u>196,568,748</u>	<u>612,392</u>	0.3%	<u>8,012,363</u>	4.2%
Excess (deficiency) of revenue over expenditures	(5,491,066)	(299,225)		5,513,042	
Other financing sources	<u>6,323,000</u>	<u>2,323,000</u>		<u>(283,382)</u>	
Net change in fund balances	<u>\$ 831,934</u>	<u>\$ 2,023,775</u>		<u>\$ 5,229,660</u>	

The fund balance of the General Fund increased \$831,934, compared to a decrease of \$1,191,841 approved in the budget.



Overall, revenues were within 0.2 percent of anticipated amounts. The revenue budget variance was primarily in property taxes, which were over budget by \$827,318, and state sources, which were less than budget by \$1,275,530. Conservative budgeting for other local sources contributed to the \$779,408 favorable variance in this funding source. The increase in revenues over the prior year was a combination of the District serving more students and an increase in the general education funding formula.

The expenditure budget variance was spread across several programs and object categories of the General Fund. Overall expenditures were 0.3 percent over amounts approved in the final budget. The increase was largely for personnel costs as contractually approved along with an increase for all-day kindergarten recorded in the General Fund in the current year.

## **COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS**

### **Capital Projects – Building Construction Fund**

The Capital Projects – Building Construction Fund expenditures exceeded revenues by \$10,716,722 in the current year, compared to a decrease of \$5,435,000 projected in the final budget. The District has \$11,028,500 of resources remaining in this fund as of June 30, 2015 to finance various district projects, primarily through the alternative facilities program.

### **Debt Service Fund**

The Debt Service Fund revenues and other financing sources exceeded expenditures by \$33,892,420 in the current year. The District issued refunding bonds in the current year, recognizing \$36,696,004 of other financing sources for a fiscal 2016 bond refunding. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of \$40,357,373 at June 30, 2015 is available for meeting future debt service obligations.

### **Food Service Special Revenue Fund**

The total fund balance for the Food Service Special Revenue Fund decreased from \$959,153 at the beginning of the year to \$78,680 at the end of the 2015 fiscal year. The \$880,473 decrease in fund balance is \$330,042 more than the budget spend-down of \$550,431 approved by the School Board.

### **Community Service Special Revenue Fund**

The total fund balance for the Community Service Special Revenue Fund decreased from \$1,184,391 at the beginning of the year to \$747,755 at the end of the 2015 fiscal year. The \$436,636 decrease in fund balance is \$269,762 more than the budget spend-down of \$166,874 approved by the School Board.

### **Internal Service Funds**

During upcoming years, the District will continue to have an obligation to pay post-employment benefits according to negotiated contracts. Accordingly, the District established internal service funds to account for its severance, pension, and health plan benefits. The internal service funds are used to account for and monitor these benefits provided to eligible employees of the District on a cost-reimbursement basis.

Additional details related to the District's actuarially accrued liability for pension and OPEB and funding progress are included in the notes to basic financial statements and as required supplementary information.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2015 and 2014.

<b>Table 6</b>			
<b>Capital Assets</b>			
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land	\$ 9,747,070	\$ 9,747,070	\$ –
Construction in progress	9,505,120	656,140	8,848,980
Land improvements	13,585,366	13,585,366	–
Buildings	391,257,247	391,257,247	–
Machinery and equipment	14,343,198	14,175,378	167,820
Licensed vehicles	9,742,593	10,685,821	(943,228)
Less accumulated depreciation	<u>(121,179,845)</u>	<u>(112,404,204)</u>	<u>(8,775,641)</u>
Total	<u>\$ 327,000,749</u>	<u>\$ 327,702,818</u>	<u>\$ (702,069)</u>
Depreciation expense	<u>\$ 10,344,552</u>	<u>\$ 10,566,711</u>	<u>\$ (222,159)</u>

By the end of 2015, 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 2015, 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:

<b>Table 7</b> <b>Outstanding Long-Term Liabilities</b>			
	2015	2014	Change
General obligation bonds	\$ 292,440,000	\$ 276,850,000	\$ 15,590,000
Unamortized premium/discount	9,239,371	5,941,951	3,297,420
Capital leases	6,619,996	6,769,454	(149,458)
Net pension liability – PERA*	25,112,830	–	25,112,830
Net pension liability – TRA*	92,098,657	–	92,098,657
Compensated absences	1,070,476	1,129,369	(58,893)
Severance benefits	1,722,489	1,883,527	(161,038)
Net OPEB obligation	1,610,225	1,163,832	446,393
Total	<u>\$ 429,914,044</u>	<u>\$ 293,738,133</u>	<u>\$ 136,175,911</u>
*Reflects current year change in accounting principle; prior year balances were not restated.			

The District issued one bond and one capital lease in the current year. The bond issue will be used to refund debt issued in previous years at a lower rate of interest. The capital lease issued in the current year will be used to finance security equipment totaling \$2,268,000. These current year increases were offset by scheduled debt payments made in the current year.

As previously discussed, the District recorded a change in accounting principle in the current year for reporting the District's participation in the PERA and TRA pension plans. Information needed to restate previous periods was not readily available; therefore, prior period amounts were not restated.

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.)

<b>Table 8</b> <b>Limitations on Debt</b>	
District's market value	\$ 9,098,596,000
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,364,789,400</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. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. In the 2015 fiscal year, several funding and pupil weighting changes went into effect, which included an equivalent increase of \$105, or 2.0 percent, for the basic general education formula funding. The Legislature has added \$117, or 2.0 percent, per pupil to the formula for fiscal year 2016 and an additional \$119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

## **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, 2015  
(With Partial Comparative Information as of June 30, 2014)

	Governmental Activities	
	2015	2014
Assets		
Cash and temporary investments	\$ 99,301,587	\$ 80,242,717
Receivables		
Current taxes	32,176,756	30,976,266
Delinquent taxes	632,177	907,711
Accounts and interest	69,323	117,247
Due from other governmental units	22,163,568	18,480,783
Inventory	365,238	424,233
Prepaid items	2,895,467	1,034,041
Net pension asset	56,917	433
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	2,268,000	–
Cash and investments for debt service	–	833,388
Capital assets		
Not depreciated	19,252,190	10,403,210
Depreciated, net of accumulated depreciation	307,748,559	317,299,608
Total capital assets, net of accumulated depreciation	<u>327,000,749</u>	<u>327,702,818</u>
Total assets	486,929,782	460,719,637
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	21,349,911	–
Total assets and deferred outflows of resources	<u>\$ 508,279,693</u>	<u>\$ 460,719,637</u>
Liabilities		
Salaries payable	\$ 11,168,069	\$ 10,290,220
Accounts and contracts payable	12,655,072	8,250,356
Accrued interest payable	4,368,147	4,344,497
Due to other governmental units	680,316	647,949
Arbitrage payable	–	53,536
Unearned revenue	2,469,694	544,755
Long-term liabilities		
Due within one year	54,395,602	20,913,700
Due in more than one year	375,518,442	272,824,433
Total long-term liabilities	<u>429,914,044</u>	<u>293,738,133</u>
Total liabilities	461,255,342	317,869,446
Deferred inflows of resources		
Property taxes levied for subsequent year	55,430,639	52,721,457
Pension plan deferments – PERA and TRA	35,740,351	–
Total deferred inflows of resources	<u>91,170,990</u>	<u>52,721,457</u>
Net position		
Net investment in capital assets	67,105,680	62,066,067
Restricted for		
Capital asset acquisition	2,899,837	837,924
Food service	78,680	959,153
Community service	1,978,345	2,107,873
Debt service	–	2,495,074
Other purposes (state and other funding restrictions)	350,544	317,212
Unrestricted	(116,559,725)	21,345,431
Total net position	<u>(44,146,639)</u>	<u>90,128,734</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 508,279,693</u>	<u>\$ 460,719,637</u>

See notes to basic financial statements

## INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Activities  
Year Ended June 30, 2015  
(With Partial Comparative Information for the Year Ended June 30, 2014)

Functions/Programs	Expenses	2015		2014	
				Net (Expense)	Net (Expense)
				Revenue and	Revenue and
		Program Revenues		Changes in	Changes in
		Charges for	Operating	Net Position	Net Position
		Services	Grants and	Governmental	Governmental
			Contributions	Activities	Activities
Governmental activities					
Administration	\$ 7,532,409	\$ —	\$ 62,901	\$ (7,469,508)	\$ (7,346,292)
District support services	5,376,819	—	449	(5,376,370)	(3,740,490)
Elementary and secondary regular instruction	98,375,195	1,034,013	13,483,000	(83,858,182)	(81,860,179)
Vocational education instruction	2,205,777	—	881,335	(1,324,442)	(1,302,680)
Special education instruction	31,977,796	1,590	21,536,034	(10,440,172)	(10,281,191)
Instructional support services	9,562,822	—	2,274,411	(7,288,411)	(9,186,479)
Pupil support services	20,109,824	170,705	3,305,948	(16,633,171)	(16,838,332)
Sites and buildings	22,005,923	—	10	(22,005,913)	(22,213,724)
Fiscal and other fixed cost programs	575,898	—	—	(575,898)	(475,441)
Food service	9,163,254	5,362,540	2,934,417	(866,297)	(511,612)
Community service	12,359,513	8,969,973	1,639,444	(1,750,096)	(1,963,603)
Unallocated depreciation	9,217,946	—	—	(9,217,946)	(9,329,886)
Interest and fiscal charges	11,615,626	—	—	(11,615,626)	(11,590,377)
Total governmental activities	<u>\$ 240,078,802</u>	<u>\$ 15,538,821</u>	<u>\$ 46,117,949</u>	(178,422,032)	(176,640,286)
General revenues					
Taxes					
Property taxes, levied for general purposes				28,675,307	17,273,471
Property taxes, levied for community service				1,337,276	675,875
Property taxes, levied for capital projects				434,612	1,063,625
Property taxes, levied for debt service				25,859,959	24,935,744
General grants and aids				118,753,997	123,100,301
Other general revenues				2,598,100	2,582,363
Investment earnings				181,666	155,131
Total general revenues				<u>177,840,917</u>	<u>169,786,510</u>
Change in net position				(581,115)	(6,853,776)
Net position – beginning, as previously reported				90,128,734	96,982,510
Change in accounting principle				(133,694,258)	—
Net position – beginning, restated				<u>(43,565,524)</u>	<u>96,982,510</u>
Net position – ending				<u>\$ (44,146,639)</u>	<u>\$ 90,128,734</u>

See notes to basic financial statements

## INDEPENDENT SCHOOL DISTRICT NO. 833

Balance Sheet  
Governmental Funds  
as of June 30, 2015  
(With Partial Comparative Information as of June 30, 2014)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 14,495,679	\$ 16,213,342	\$ 51,758,684
Cash and investments held by trustee	2,268,000	–	–
Receivables			
Current taxes	16,708,224	–	14,739,247
Delinquent taxes	328,967	–	287,773
Accounts and interest	28,153	–	15,811
Due from other governmental units	20,998,728	–	617,261
Inventory	266,061	–	–
Prepaid items	2,683,253	–	14,150
	<u>\$ 57,777,065</u>	<u>\$ 16,213,342</u>	<u>\$ 67,432,926</u>
Liabilities			
Salaries payable	\$ 10,493,815	\$ –	\$ –
Accounts and contracts payable	6,958,910	5,183,378	–
Due to other governmental units	664,438	1,464	–
Unearned revenue	1,955,483	–	–
Total liabilities	<u>20,072,646</u>	<u>5,184,842</u>	<u>–</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	189,777	–	173,178
Property taxes levied for subsequent year	27,197,156	–	26,902,375
Total deferred inflows of resources	<u>27,386,933</u>	<u>–</u>	<u>27,075,553</u>
Fund balances (deficit)			
Nonspendable	2,949,314	–	14,150
Restricted	3,250,381	11,028,500	40,343,223
Committed	1,611,060	–	–
Assigned	2,506,731	–	–
Unassigned	–	–	–
Total fund balances	<u>10,317,486</u>	<u>11,028,500</u>	<u>40,357,373</u>
	<u>\$ 57,777,065</u>	<u>\$ 16,213,342</u>	<u>\$ 67,432,926</u>
Total liabilities, deferred inflows of resources, and fund balances			
	<u>\$ 57,777,065</u>	<u>\$ 16,213,342</u>	<u>\$ 67,432,926</u>

See notes to basic financial statements



Nonmajor Funds	Total Governmental Funds	
	2015	2014
\$ 2,285,090	\$ 84,752,795	\$ 60,375,094
—	2,268,000	833,388
729,285	32,176,756	30,976,266
15,437	632,177	907,711
7,527	51,491	98,993
547,579	22,163,568	18,480,783
99,177	365,238	424,233
198,064	2,895,467	1,034,041
<u>\$ 3,882,159</u>	<u>\$ 145,305,492</u>	<u>\$ 113,130,509</u>
\$ 674,254	\$ 11,168,069	\$ 10,290,220
512,784	12,655,072	8,250,356
14,414	680,316	647,949
514,211	2,469,694	544,755
<u>1,715,663</u>	<u>26,973,151</u>	<u>19,733,280</u>
8,953	371,908	836,501
1,331,108	55,430,639	52,721,457
<u>1,340,061</u>	<u>55,802,547</u>	<u>53,557,958</u>
297,241	3,260,705	1,458,274
1,855,594	56,477,698	32,089,239
—	1,611,060	3,531,073
—	2,506,731	1,068,692
(1,326,400)	(1,326,400)	1,691,993
<u>826,435</u>	<u>62,529,794</u>	<u>39,839,271</u>
<u>\$ 3,882,159</u>	<u>\$ 145,305,492</u>	<u>\$ 113,130,509</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, 2015  
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Total fund balances – governmental funds	\$ 62,529,794	\$ 39,839,271
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	448,180,594	440,107,022
Accumulated depreciation	(121,179,845)	(112,404,204)
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	(292,440,000)	(276,850,000)
Unamortized premium/discount	(9,239,371)	(5,941,951)
Capital leases	(6,619,996)	(6,769,454)
Net pension liability – PERA	(25,112,830)	–
Net pension liability – TRA	(92,098,657)	–
Compensated absences	(1,070,476)	(1,129,369)
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.		
	11,290,827	16,838,951
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(4,368,147)	(4,344,497)
Arbitrage liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds until actually due.		
	–	(53,536)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	21,349,911	–
Deferred inflows – PERA and TRA pension plans	(35,740,351)	–
Deferred inflows – delinquent property taxes	371,908	836,501
Total net position – governmental activities	<u>\$ (44,146,639)</u>	<u>\$ 90,128,734</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2015  
(With Partial Comparative Information for the Year Ended June 30, 2014)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 28,926,672	\$ 434,612	\$ 26,061,399
Investment earnings	60,561	–	22,439
Other	3,804,408	–	–
State sources	154,225,397	–	631,095
Federal sources	4,060,644	–	1,108,303
Total revenue	191,077,682	434,612	27,823,236
Expenditures			
Current			
Administration	7,527,157	–	–
District support services	5,405,748	–	–
Elementary and secondary regular instruction	97,894,964	–	–
Vocational education instruction	2,219,972	–	–
Special education instruction	32,318,511	–	–
Instructional support services	9,624,579	–	–
Pupil support services	19,998,559	–	–
Sites and buildings	19,235,624	–	–
Fiscal and other fixed cost programs	575,898	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	11,151,334	576,538
Debt service			
Principal	1,627,458	–	17,895,000
Interest and fiscal charges	140,278	–	12,155,282
Total expenditures	196,568,748	11,151,334	30,626,820
Excess (deficiency) of revenue over expenditures	(5,491,066)	(10,716,722)	(2,803,584)
Other financing sources (uses)			
Building bonds issued	–	–	–
Refunding bonds issued	–	–	32,695,000
Premium on bonds issued	–	–	4,001,004
Capital lease issued	2,268,000	–	–
Proceeds from sale of assets	55,000	–	–
Transfers in	4,000,000	–	–
Transfers (out)	–	–	–
Total other financing sources (uses)	6,323,000	–	36,696,004
Net change in fund balances	831,934	(10,716,722)	33,892,420
Fund balances			
Beginning of year	9,485,552	21,745,222	6,464,953
End of year	\$ 10,317,486	\$ 11,028,500	\$ 40,357,373

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2015	2014
\$ 1,349,064	\$ 56,771,747	\$ 44,086,418
3,803	86,803	76,020
14,332,513	18,136,921	18,759,403
2,040,005	156,896,497	154,160,144
2,523,869	7,692,816	8,021,213
<u>20,249,254</u>	<u>239,584,784</u>	<u>225,103,198</u>
—	7,527,157	7,279,625
—	5,405,748	3,723,231
—	97,894,964	92,903,232
—	2,219,972	2,177,553
—	32,318,511	29,648,664
—	9,624,579	9,429,549
—	19,998,559	18,964,817
—	19,235,624	21,214,467
—	575,898	475,441
8,733,963	8,733,963	7,905,963
12,199,272	12,199,272	12,761,208
637,877	12,365,749	3,625,881
—	19,522,458	15,901,988
—	12,295,560	12,433,570
<u>21,571,112</u>	<u>259,918,014</u>	<u>238,445,189</u>
(1,321,858)	(20,333,230)	(13,341,991)
—	—	20,510,000
—	32,695,000	—
—	4,001,004	429,342
—	2,268,000	2,606,382
4,749	59,749	—
—	4,000,000	4,144,517
—	—	(144,517)
<u>4,749</u>	<u>43,023,753</u>	<u>27,545,724</u>
(1,317,109)	22,690,523	14,203,733
<u>2,143,544</u>	<u>39,839,271</u>	<u>25,635,538</u>
<u>\$ 826,435</u>	<u>\$ 62,529,794</u>	<u>\$ 39,839,271</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, 2015

(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Total net change in fund balances – governmental funds	\$ 22,690,523	\$ 14,203,733
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	9,850,546	2,814,803
Depreciation expense	(10,344,552)	(10,566,711)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(208,063)	–
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.		
	(5,548,124)	(6,493,373)
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.		
	(34,963,000)	(23,116,382)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	17,105,000	13,360,000
Capital leases	2,417,458	2,541,988
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	(23,650)	141,045
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	3,991,190	–
Net pension liability – TRA	20,912,836	–
Compensated absences	58,893	107,843
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.		
	(3,297,420)	272,806
Arbitrage liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are reported in the governmental funds when the liability is actually paid.		
	53,536	18,175
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	12,928,656	–
Deferred inflows – PERA and TRA pension plans	(35,740,351)	–
Deferred inflows – delinquent property taxes	(464,593)	(137,703)
Change in net position – governmental activities	<u>\$ (581,115)</u>	<u>\$ (6,853,776)</u>

See notes to basic financial statements

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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, 2015

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 28,099,354	\$ 28,099,354	\$ 28,926,672	\$ 827,318
Investment earnings	–	–	60,561	60,561
Other	3,537,000	3,025,000	3,804,408	779,408
State sources	153,800,002	155,500,927	154,225,397	(1,275,530)
Federal sources	3,938,440	4,139,234	4,060,644	(78,590)
Total revenue	<u>189,374,796</u>	<u>190,764,515</u>	<u>191,077,682</u>	<u>313,167</u>
Expenditures				
Current				
Administration	7,269,763	7,413,290	7,527,157	113,867
District support services	5,212,021	5,097,959	5,405,748	307,789
Elementary and secondary regular instruction	98,966,334	97,507,328	97,894,964	387,636
Vocational education instruction	1,954,175	2,054,731	2,219,972	165,241
Special education instruction	30,504,038	30,814,220	32,318,511	1,504,291
Instructional support services	8,201,881	9,879,005	9,624,579	(254,426)
Pupil support services	20,503,586	20,952,873	19,998,559	(954,314)
Sites and buildings	18,601,932	18,133,192	19,235,624	1,102,432
Fiscal and other fixed cost programs	1,542,035	1,542,035	575,898	(966,137)
Debt service				
Principal	1,494,154	2,368,154	1,627,458	(740,696)
Interest and fiscal charges	193,569	193,569	140,278	(53,291)
Total expenditures	<u>194,443,488</u>	<u>195,956,356</u>	<u>196,568,748</u>	<u>612,392</u>
Excess (deficiency) of revenue over expenditures	(5,068,692)	(5,191,841)	(5,491,066)	(299,225)
Other financing sources				
Capital lease issued	–	–	2,268,000	2,268,000
Proceeds from sale of assets	–	–	55,000	55,000
Transfer in	4,000,000	4,000,000	4,000,000	–
Total other financing sources	<u>4,000,000</u>	<u>4,000,000</u>	<u>6,323,000</u>	<u>2,323,000</u>
Net change in fund balances	<u>\$ (1,068,692)</u>	<u>\$ (1,191,841)</u>	831,934	<u>\$ 2,023,775</u>
Fund balances				
Beginning of year			<u>9,485,552</u>	
End of year			<u>\$ 10,317,486</u>	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Net Position  
 Proprietary Funds  
 Internal Service Funds  
 as of June 30, 2015  
 (With Partial Comparative Information as of June 30, 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and temporary investments	\$ 14,548,792	\$ 19,867,623
Interest receivable	<u>17,832</u>	<u>18,254</u>
Total current assets	<u>14,566,624</u>	<u>19,885,877</u>
Long-term assets		
Net pension asset	<u>56,917</u>	<u>433</u>
Total assets	14,623,541	19,886,310
Liabilities		
Current liabilities		
Severance benefits	212,475	261,873
Long-term liabilities		
Severance benefits	1,510,014	1,621,654
Net other post-employment benefits obligation	<u>1,610,225</u>	<u>1,163,832</u>
Total long-term liabilities	<u>3,120,239</u>	<u>2,785,486</u>
Total liabilities	<u>3,332,714</u>	<u>3,047,359</u>
Net position		
Unrestricted	<u>\$ 11,290,827</u>	<u>\$ 16,838,951</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Revenue, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Internal Service Funds  
 Year Ended June 30, 2015  
 (With Partial Comparative Information for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Operating revenue		
Contributions from governmental funds	\$ 968,327	\$ —
Operating expenses		
Severance benefits	126,298	122,619
Pension benefits	465,375	461,974
Other post-employment benefits	1,966,105	1,969,716
Total operating expenses	<u>2,557,778</u>	<u>2,554,309</u>
Operating income (loss)	(1,589,451)	(2,554,309)
Nonoperating revenue		
Investment earnings	<u>41,327</u>	<u>60,936</u>
Income (loss) before transfers	(1,548,124)	(2,493,373)
Transfers in	591,240	4,664
Transfers (out)	<u>(4,591,240)</u>	<u>(4,004,664)</u>
Change in net position	(5,548,124)	(6,493,373)
Net position		
Beginning of year	<u>16,838,951</u>	<u>23,332,324</u>
End of year	<u>\$ 11,290,827</u>	<u>\$ 16,838,951</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Cash Flows  
 Proprietary Funds  
 Internal Service Funds  
 Year Ended June 30, 2015  
 (With Partial Comparative Information for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 968,327	\$ —
Severance benefit payments	(287,336)	(281,104)
Pension benefit payments	(521,859)	(594,325)
Other post-employment benefit payments	(1,519,712)	(1,577,525)
Net cash flows from operating activities	<u>(1,360,580)</u>	<u>(2,452,954)</u>
Cash flows from noncapital financing activities		
Transfer in	591,240	4,664
Transfer (out)	(4,591,240)	(4,004,664)
Net cash flows from noncapital financing activities	<u>(4,000,000)</u>	<u>(4,000,000)</u>
Cash flows from investing activities		
Interest on investments	41,749	60,576
Net change in cash and temporary investments	(5,318,831)	(6,392,378)
Cash and temporary investments		
Beginning of year	<u>19,867,623</u>	<u>26,260,001</u>
End of year	<u>\$ 14,548,792</u>	<u>\$ 19,867,623</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (1,589,451)	\$ (2,554,309)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Net pension asset	(56,484)	(132,351)
Severance benefits	(161,038)	(158,485)
Net other post-employment benefits obligation	446,393	392,191
Net cash flows from operating activities	<u>\$ (1,360,580)</u>	<u>\$ (2,452,954)</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Fiduciary Net Position  
Fiduciary Fund  
as of June 30, 2015

	Scholarship Private-Purpose Trust Fund
Assets	
Cash and temporary investments	\$ 48,508
Net position	
Held in trust for scholarships	\$ 48,508

Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended June 30, 2015

	Scholarship Private-Purpose Trust Fund
Additions	
Contributions	\$ 32,300
Deductions	
Scholarships and other deductions	38,562
Change in net position	(6,262)
Net position	
Beginning of year	54,770
End of year	\$ 48,508

See notes to basic financial statements

## INDEPENDENT SCHOOL DISTRICT NO. 833

### Notes to Basic Financial Statements June 30, 2015

#### **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 “unallocated depreciation.” 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 for 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; the Scholarship Private-Purpose Trust Fund is the District's only fiduciary fund. 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 bond issue or under the alternative facilities program.

**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 health benefits offered by the District to its employees.

#### **Fiduciary Fund**

**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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. Budgetary Information

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

Expenditures in the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and the Debt Service Fund exceeded budgeted appropriations by \$612,392, \$207,024, \$19,170, \$5,281,722, and \$2,441,373, respectively, during the fiscal year ended June 30, 2015. These variances were financed by revenues and other financing sources in excess of budget and available fund balance.

### F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. 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, the escrow account held by the trustee can be used only for certain capital asset acquisition costs as required by terms of the debt issue. Interest earned on these investments is allocated directly to the 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 2a7-like external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

### G. Receivables

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, 2015, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 21,990,443
Due from other Minnesota school districts	6,763
Due from Washington County and other	<u>166,362</u>
Total	<u><u>\$ 22,163,568</u></u>

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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 \$3,348,531 of the property tax levy collectible in 2015 as revenue to the District in fiscal year 2014–2015. The remaining portion of the taxes collectible in 2015 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.

### **K. Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market 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.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

### **M. Compensated Absences 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 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 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.

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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### O. 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 their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

### P. Fund Balance Classifications

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

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

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Q. 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 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.

### **R. Deferred Outflows/Inflows of Resources**

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

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

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

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **S. 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 fiscal year 2015.

### **T. Use of Estimates**

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

### **U. 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."

### **V. 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, 2014, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### **W. Change in Accounting Principle**

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30, 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by \$133,694,258. This change reflects the District's proportionate share of the net pension liabilities (\$142,115,513 decrease in net position) and related deferred outflows of resources (\$8,421,255 increase in net position) for the PERA and TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 3,940,606
Investments	97,666,357
Cash on hand	<u>11,132</u>
Total	<u><u>\$ 101,618,095</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 99,301,587
Restricted assets – temporarily restricted	
Cash and investments for capital asset acquisition	2,268,000
Statement of Fiduciary Net Position	
Cash and temporary investments	<u>48,508</u>
Total	<u><u>\$ 101,618,095</u></u>

### B. Deposits

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

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

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

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

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

At year-end, the District had a carrying amount of deposits of \$3,940,606, while the balance on the bank records was \$3,910,643. At June 30, 2015, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.



## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District had the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years			
	Credit Rating	Rating Agency	Less Than 1	1 to 5	6 to 10	Total
U.S. agency securities	AA	S&P	\$ –	\$ 4,681,471	\$ –	\$ 4,681,471
Negotiable certificates of deposit	N/R	N/A	\$ 1,241,000	\$ –	\$ –	1,241,000
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	73,863,584
Wells Fargo Advantage Governmental Fund	AAA	S&P	N/A	N/A	N/A	5,668,320
RBC U.S. Government Fund	AAA	S&P	N/A	N/A	N/A	9,943,982
Federated Prime Obligations Fund	AAA	S&P	N/A	N/A	N/A	2,268,000
Total investments						\$ 97,666,357

N/A – Not Available

N/R – Not Reported

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 Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The District's investment in the MSDLA is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

**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	\$ 9,747,070	\$ –	\$ –	\$ –	\$ 9,747,070
Construction in progress	656,140	8,848,980	–	–	9,505,120
Total capital assets, not depreciated	10,403,210	8,848,980	–	–	19,252,190
Capital assets, depreciated					
Land improvements	13,585,366	–	–	–	13,585,366
Buildings	391,257,247	–	–	–	391,257,247
Machinery and equipment	14,175,378	398,336	(230,516)	–	14,343,198
Licensed vehicles	10,685,821	603,230	(1,546,458)	–	9,742,593
Total capital assets, depreciated	429,703,812	1,001,566	(1,776,974)	–	428,928,404
Less accumulated depreciation for					
Land improvements	(7,270,290)	(671,099)	–	–	(7,941,389)
Buildings	(87,902,102)	(7,916,106)	–	–	(95,818,208)
Machinery and equipment	(9,086,188)	(1,076,980)	148,881	–	(10,014,287)
Licensed vehicles	(8,145,624)	(680,367)	1,420,030	–	(7,405,961)
Total accumulated depreciation	(112,404,204)	(10,344,552)	1,568,911	–	(121,179,845)
Net capital assets, depreciated	317,299,608	(9,342,986)	(208,063)	–	307,748,559
Total capital assets, net	\$ 327,702,818	\$ (494,006)	\$ (208,063)	\$ –	\$ 327,000,749

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

District support services	\$ 16,392
Elementary and secondary regular instruction	162,667
Special education instruction	116
Instructional support services	372
Pupil support services	630,893
Sites and buildings	173,543
Food service	134,992
Community service	7,631
Unallocated depreciation	9,217,946
Total depreciation expense	\$ 10,344,552

## 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	Remaining Maturities	Principal Outstanding
General obligation bonds					
2005B Refunding Bonds	10/20/2005	3.99%	\$ 52,500,000	02/01/2016–02/01/2021	\$ 36,435,000
2006A Building Bonds	11/28/2006	4.15%	\$ 110,000,000	02/01/2016–02/01/2027	92,800,000
2008A Building Bonds	06/18/2008	4.41%	\$ 39,000,000	02/01/2016–02/01/2027	33,500,000
2008B Alternative Facility Bonds	08/13/2008	4.41%	\$ 11,250,000	02/01/2016–02/01/2025	10,650,000
2010A Refunding Bonds	04/21/2010	3.30%	\$ 41,445,000	02/01/2016–02/01/2023	38,520,000
2010B Taxable Alternative Facility Bonds	06/10/2010	5.50%	\$ 4,365,000	06/01/2026	4,220,000
2010C Taxable Alternative Facility Bonds	06/10/2010	5.00%	\$ 19,565,000	06/01/2024–06/01/2026	19,565,000
2012A Alternative Facility Bonds	04/19/2012	3.35%	\$ 6,150,000	02/01/2027	4,475,000
2014A Alternative Facility Bonds	05/20/2014	3.34%	\$ 14,840,000	02/01/2016–02/01/2028	14,640,000
2014B Capital Facilities Bonds	05/20/2014	1.97%	\$ 5,670,000	02/01/2016–02/01/2024	4,940,000
2015A Refunding Bonds	05/05/2015	1.28%	\$ 32,695,000	02/01/2016–02/01/2021	32,695,000
Total general obligation bonds					<u>\$ 292,440,000</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 2010B bonds 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 2010C bonds 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 May 2015, the District issued \$32,695,000 of General Obligation School Building Refunding Bonds, Series 2015A. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2016 through 2021 maturities of the District's 2005B General Obligation Refunding Bonds. The proceeds of the 2015A issue are held by the District pending the February 1, 2016 call date of the refunded issue. Until the call date, the District will continue to make all debt service payments on the 2005B issue. On February 1, 2016, proceeds will be used to call the remaining principal of the 2005B issue, and the District will assume all future principal and interest payments on the 2015A issue. This advance "crossover refunding" will reduce the District's total future debt service payments by \$4,049,354 and will result in present value savings of \$3,855,118.

### B. Capital Leases

The District currently has four capital lease agreements for equipment and facility space. The leases, which bear interest rates ranging from 0.5 percent to 2.99 percent, call for periodic principal and interest payments through April 15, 2027. The leases are being paid through the General Fund. The capitalized assets acquired through these leases totaled \$6,368,000 (the present value of the future minimum lease payments as of the inception date) and are presented in the capital assets as buildings (\$4,100,000) and construction in progress (\$2,268,000). Two of the leases were used to acquire equipment, which individually fell under the District's capitalization policy and, therefore, the equipment acquired is not included as part of capital assets.

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, severance benefits, pension benefits, and other post-employment benefits (OPEB). The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund or through the internal service funds.

### D. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2016	\$ 51,705,000	\$ 11,582,202	\$ 1,407,651	\$ 165,776
2017	16,275,000	10,498,530	476,738	151,391
2018	17,350,000	9,720,230	491,127	137,002
2019	18,485,000	8,891,480	505,951	122,179
2020	19,330,000	8,074,280	521,221	106,908
2021–2025	113,560,000	27,002,100	2,560,866	334,439
2026–2028	55,735,000	3,983,955	656,442	47,787
	<u>\$ 292,440,000</u>	<u>\$ 79,752,777</u>	<u>\$ 6,619,996</u>	<u>\$ 1,065,482</u>

### E. Changes in Long-Term Liabilities

	Balance – June 30, 2014	Change in Accounting Principle*	Additions	Retirements	Balance – June 30, 2015	Due Within One Year
General obligation bonds	\$ 276,850,000	\$ –	\$ 32,695,000	\$ 17,105,000	\$ 292,440,000	\$ 51,705,000
Unamortized premium/discount	5,941,951	–	4,001,004	703,584	9,239,371	–
Capital leases	6,769,454	–	2,268,000	2,417,458	6,619,996	1,407,651
Net pension liability – PERA	–	29,104,020	1,855,392	5,846,582	25,112,830	–
Net pension liability – TRA	–	113,011,493	5,490,724	26,403,560	92,098,657	–
Compensated absences	1,129,369	–	1,131,279	1,190,172	1,070,476	1,070,476
Severance benefits	1,883,527	–	126,298	287,336	1,722,489	212,475
Net OPEB obligation	1,163,832	–	1,966,105	1,519,712	1,610,225	–
	<u>\$ 293,738,133</u>	<u>\$ 142,115,513</u>	<u>\$ 49,533,802</u>	<u>\$ 55,473,404</u>	<u>\$ 429,914,044</u>	<u>\$ 54,395,602</u>

\*Adjustment is part of the change in accounting principle described earlier in these notes.

## NOTE 5 – FUND BALANCES

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

### A. Classifications

At June 30, 2015, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ 266,061	\$ –	\$ –	\$ 99,177	\$ 365,238
Prepaid items	2,683,253	–	14,150	198,064	2,895,467
Total nonspendable	2,949,314	–	14,150	297,241	3,260,705
<b>Restricted</b>					
Health and safety	468,969	–	–	–	468,969
Operating capital	1,574,365	–	–	–	1,574,365
State-approved alternative programs	319,861	–	–	–	319,861
Safe schools levy	856,503	–	–	–	856,503
Community arts center	30,683	–	–	–	30,683
Alternative facilities program	–	10,973,801	–	–	10,973,801
Building construction	–	54,699	–	–	54,699
Bond refunding	–	–	36,435,000	–	36,435,000
Debt service	–	–	3,908,223	–	3,908,223
Community education programs	–	–	–	1,388,464	1,388,464
Early childhood family education programs	–	–	–	426,451	426,451
Adult basic education	–	–	–	40,679	40,679
Total restricted	3,250,381	11,028,500	40,343,223	1,855,594	56,477,698
<b>Committed</b>					
Alternative Teacher Professional Pay System	140,027	–	–	–	140,027
Donations/gifts	588,851	–	–	–	588,851
School budget carryover	882,182	–	–	–	882,182
Total committed	1,611,060	–	–	–	1,611,060
<b>Assigned</b>					
Subsequent year budget deficit	2,506,731	–	–	–	2,506,731
<b>Unassigned</b>					
Food service restricted account deficit	–	–	–	(104,763)	(104,763)
School readiness restricted account deficit	–	–	–	(790,060)	(790,060)
Community service restricted account deficit	–	–	–	(431,577)	(431,577)
Total unassigned	–	–	–	(1,326,400)	(1,326,400)
	<u>\$ 10,317,486</u>	<u>\$ 11,028,500</u>	<u>\$ 40,357,373</u>	<u>\$ 826,435</u>	<u>\$ 62,529,794</u>

## **NOTE 5 – FUND BALANCES (CONTINUED)**

### **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 percent to 9 percent of the District's General Fund unrestricted operating expenditure budget.

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

### **A. Plan Descriptions**

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

**Teachers' Post-Employment Healthcare Savings Benefits** – Eligible teachers receive at retirement an amount equal to a calculated number of days paid multiplied by their daily rate of pay at retirement. This benefit is limited to 121 days or \$41,347, whichever is greater. This amount is used to extend insurance coverage for the retired teacher.

**Post-Employment Insurance Benefits** – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays 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, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

### **B. Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined periodically by the District. The District has established an Internal Service Fund to account for these obligations.

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

### C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 1,983,627
Interest on net OPEB obligation	52,372
Adjustment to ARC	(69,894)
Annual OPEB cost (expense)	<u>1,966,105</u>
Contributions made	<u>1,519,712</u>
Increase in net OPEB obligation	446,393
Net OPEB obligation – beginning of year	<u>1,163,832</u>
Net OPEB obligation – end of year	<u><u>\$ 1,610,225</u></u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 2,040,819	\$ 1,858,554	91.1%	\$ 771,641
2014	\$ 1,969,716	\$ 1,577,525	80.1%	\$ 1,163,832
2015	\$ 1,966,105	\$ 1,519,712	77.3%	\$ 1,610,225

### D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were both \$16,125,242, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$100,846,768, and the ratio of the UAAL to the covered payroll was 16.0 percent.

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



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

### **E. Actuarial Methods and Assumptions**

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; a 3.0 percent rate of projected salary increases; an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after five years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2013 for the various amortization layers ranged from 24 to 30 years.

## **NOTE 7 – PENSION BENEFITS PLAN**

### **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. Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined periodically by the District. The District has established internal service funds to account for these obligations.

## NOTE 7 – PENSION BENEFITS PLAN (CONTINUED)

### C. Annual Pension Cost and Net Pension Obligation

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

ARC	\$ 465,368
Interest on net pension obligation	(19)
Adjustment to ARC	26
Annual pension cost/expense	<u>465,375</u>
Contributions made	<u>521,859</u>
Increase (decrease) in net pension obligation	(56,484)
Net pension obligation (asset) – beginning of year	<u>(433)</u>
Net pension obligation (asset) – end of year	<u>\$ (56,917)</u>

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

Fiscal Year Ended June 30,	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2013	\$ 514,913	\$ 497,592	96.6%	\$ 131,918
2014	\$ 461,974	\$ 594,325	128.6%	\$ (433)
2015	\$ 465,375	\$ 521,859	112.1%	\$ (56,917)

### D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the UAAL were both \$4,062,740, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$74,171,503, and the ratio of the UAAL to the covered payroll was 5.5 percent.

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

## **NOTE 7 – PENSION BENEFITS PLAN (CONTINUED)**

### **E. Actuarial Methods and Assumptions**

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2013 for the various amortization layers ranged from 24 to 30 years.

## **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.

#### **1. General Employees Retirement Fund (GERF)**

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

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

#### **2. Teachers Retirement Association (TRA)**

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

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

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

### **B. Benefits Provided**

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

#### **1. GERS Benefits**

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

#### **2. TRA Benefits**

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

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

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

### Tier I Benefits

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

With these provisions:

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

### Tier II Benefits

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

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

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

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

### C. Contributions

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

#### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$2,167,373. The District's contributions were equal to the required contributions for each year as set by state statutes.

#### 2. TRA Contributions

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

	Year Ended June 30,			
	2014		2015	
	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	10.5%	11.0%	11.0%	11.5%
<b>Coordinated Plan</b>	7.0%	7.0%	7.5%	7.5%

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2015, were \$6,988,441. The District's contributions were equal to the required contributions for each year as set by state statutes.

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2015, the District reported a liability of \$25,112,830 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013, through June 30, 2014, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2014, the District's proportion was 0.5346 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,855,392 for its proportionate share of the GERF's pension expense.

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

At June 30, 2015, the District reported its proportionate share of the GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 385,404	\$ –
Changes in actuarial assumptions	2,588,127	–
Differences between projected and actual investment earnings	–	6,785,464
District's contributions to the GERP subsequent to the measurement date	2,167,373	–
Total	<u>\$ 5,140,904</u>	<u>\$ 6,785,464</u>

A total of \$2,167,373 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERP pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	\$ (705,189)
2017	\$ (705,189)
2018	\$ (705,189)
2019	\$ (1,696,366)

**2. TRA Pension Costs**

At June 30, 2015, the District reported a liability of \$92,098,657 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2014, 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 1.9987 percent at the end of the measurement period and 1.9700 percent for the beginning of the period.

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

District's proportionate share of net pension liability	\$ 92,098,657
State's proportionate share of the net pension liability associated with the District	\$ 6,479,000

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

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2015, the District recognized pension expense of \$5,208,091. It also recognized \$282,633 as pension expense for the support provided by direct aid.

At June 30, 2015, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,858,509	\$ –
Difference between projected and actual investment earnings	–	28,954,887
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	1,362,057	–
District's contributions to the TRA subsequent to the measurement date	6,988,441	–
Total	<u>\$ 16,209,007</u>	<u>\$ 28,954,887</u>

A total of \$6,988,441 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	\$ (5,313,760)
2017	\$ (5,313,760)
2018	\$ (5,313,760)
2019	\$ (5,313,760)
2020	\$ 1,520,719

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active member payroll growth	3.50% per year	3.75% based on years of service
Investment rate of return	7.90%	8.25%



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

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

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

The following changes in actuarial assumptions for the GERS occurred in 2014: as of July 1, 2013, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2046. As of July 1, 2014, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2031.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERS and 8.25 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

### F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent for the GERS and 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on those assumptions, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

### G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 40,482,895	\$ 25,112,830	\$ 12,466,883
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	\$ 152,207,541	\$ 92,098,657	\$ 41,988,630

### 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](http://www.mnpera.org); by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

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

## NOTE 9 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the 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 dependant care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependant care activity is included in the financial statements in the General Fund and special revenue funds.

## NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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 dependant care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## NOTE 10 – INTERFUND TRANSACTIONS

The District made the following transfers during the year ended June 30, 2015:

	<u>Transfers in</u>	<u>Transfers (out)</u>
General Fund	\$ 4,000,000	\$ –
Internal service funds		
Severance Benefits Fund	126,298	–
Pension Benefits Fund	464,942	–
Other Post-Employment Benefits Fund	<u>–</u>	<u>4,591,240</u>
Total transfers	<u>\$ 4,591,240</u>	<u>\$ 4,591,240</u>

Transfers were made between funds to allocate resources for spending as approved in the budget. Interfund transactions are eliminated in the government-wide financial statements.

## NOTE 11 – JOINT VENTURES

### Valley Crossing Community School

The District participates in a joint venture to govern the administration, financing, and operation of a joint elementary school known as Valley Crossing Community School (the joint elementary school). The joint elementary school was established through a joint powers agreement entered into on October 18, 1994 and amended in July 1995 with the District, Independent School District No. 622, and Independent School District No. 834 (the independent districts) and Northeast Metropolitan Intermediate School District No. 916 (the intermediate district), pursuant to applicable Minnesota Statutes. The independent districts establish policies and take steps to ensure that a sufficient number of pupils from each of the independent districts and the intermediate district will be enrolled in the joint elementary school and will also provide advice and assistance to the intermediate district (which is responsible for the operations of the joint elementary school).

The participating districts pay tuition equal to aids paid by the state and all local tax levies received by the districts, based on their individual share of pupils attending the joint elementary school. The District does not hold an explicit measurable equity interest in the joint elementary school. If the joint elementary school or its contents were to be sold, the remaining net sale proceeds would be distributed among the participating districts based on the ratio of leasing levies, capital expenditure revenue/related tuition, and continuing capital costs paid by each district.

## NOTE 11 – JOINT VENTURES (CONTINUED)

Total operating revenues for the joint elementary school for fiscal 2014201420142014–2015 as reported by the intermediate district were as follows:

	ISD No. 622	ISD No. 834	ISD No. 833	Total
Total funding by district	\$ 591,438	\$ 2,541,318	\$ 2,004,635	\$ 5,137,391

The following information for the joint elementary school is from the audited financial statements of the intermediate district for the year ended June 30, 2014, the most recent financial statements available:

	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Capital Assets	Long-Term Debt
Assets	\$ 2,283,335	\$ –	\$ 181,424	\$ 17,490,874	\$ –
Liabilities	\$ 1,053,103	\$ –	\$ 63,713	\$ –	\$ 2,695,000
Fund balances	\$ 1,230,232	\$ 654	\$ 117,711	\$ –	\$ –
Revenue	\$ 6,125,757	\$ 446	\$ 1,435,813	\$ –	\$ –
Expenditures	\$ 6,229,405	\$ 311	\$ 1,435,813	\$ –	\$ –

As part of the joint powers agreement covering the construction and operation of the joint elementary school, the District is committed to levy its proportionate share of lease costs necessary to repay \$18,000,000 of bonds issued by the intermediate district during fiscal 1995–1996 to fund construction of the joint elementary school. A calculation is performed to determine each participating district's proportionate share of the required lease levy based on each district's number of pupils attending the joint elementary school. The District's share of the total debt service requirement on these bonds for fiscal 2014201420142014–2015 is \$576,538, out of a total commitment of \$1,437,425 for the three participating school districts. Further financial information can be obtained from the intermediate district.

## NOTE 12 – 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, 2015, the District had commitments totaling \$17,360,732 under various construction contracts for which the work was not yet completed.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### D. Operating Lease

During fiscal 2015, the District entered into a contract for the leasing of 24 school buses starting in September 2014 through fiscal year 2017. This lease calls for three annual payments of \$454,380. Total expenditures on this lease during the year ended June 30, 2015 totaled \$454,380. The future minimum payments on the lease are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 454,380
2017	<u>454,380</u>
	<u>\$ 908,760</u>

### E. Purchase of Property

In February 2015, the School Board authorized district administration and legal counsel to engage in negotiations to finalize the terms of the sale and transfer of the joint elementary school and property to the District. The joint elementary school is currently operating under a joint powers agreement with the independent districts and the intermediate district.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

Defined Benefit Pensions Plans  
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability  
GERF/TRA Retirement Funds  
June 30, 2015

**Public Employees Retirement Association**

	<u>2014</u>
District's proportion of the net pension liability (asset)	<u>0.5346%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 25,112,830</u>
District's covered-employee payroll	<u>\$ 28,092,359</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>89.39%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.70%</u>

**Teachers Retirement Association**

District's proportion of the net pension liability (asset)	<u>1.9987%</u>
District's proportionate share of the net pension liability (asset) (a)	\$ 92,098,657
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	<u>6,479,000</u>
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	<u>\$ 98,577,657</u>
District's covered-employee payroll	<u>\$ 91,237,229</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>100.94%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.50%</u>

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



INDEPENDENT SCHOOL DISTRICT NO. 833

Defined Benefit Pensions Plans  
Schedule of District Contributions  
GERF/TRA Retirement Funds  
June 30, 2015

**Public Employees Retirement Association**

	<u>2015</u>
Statutorily required contribution	\$ 2,167,373
Contributions in relation to the statutorily required contributions	<u>2,167,373</u>
Contribution deficiency (excess)	<u>\$ —</u>
District's covered-employee payroll	<u>\$ 29,415,673</u>
Contributions as a percentage of covered-employee payroll	<u>7.37%</u>

**Teachers Retirement Association**

Statutorily required contribution	\$ 6,988,441
Contributions in relation to the statutorily required contributions	<u>6,988,441</u>
Contribution deficiency (excess)	<u>\$ —</u>
District's covered-employee payroll	<u>\$ 92,802,751</u>
Contributions as a percentage of covered-employee payroll	<u>7.53%</u>

Note: The District implemented GASB Statement No. 68 in fiscal 2015. This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 833

Schedules of Funding Progress  
June 30, 2015

**Other Post-Employment Benefits Plan**

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2009	\$ 18,156,592	\$ —	\$ 18,156,592	— %	\$ 92,615,888	19.6 %
July 1, 2011	\$ 18,057,291	\$ —	\$ 18,057,291	— %	\$ 91,634,068	19.7 %
July 1, 2013	\$ 16,125,242	\$ —	\$ 16,125,242	— %	\$ 100,846,768	16.0 %

**Pension Benefits Plan**

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2009	\$ 5,917,530	\$ —	\$ 5,917,530	— %	\$ 67,853,360	8.7 %
July 1, 2011	\$ 4,821,107	\$ —	\$ 4,821,107	— %	\$ 67,113,959	7.2 %
July 1, 2013	\$ 4,062,740	\$ —	\$ 4,062,740	— %	\$ 74,171,503	5.5 %

## SUPPLEMENTAL INFORMATION

## INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds  
Combining Balance Sheet  
as of June 30, 2015

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 120,904	\$ 2,164,186	\$ 2,285,090
Receivables			
Current taxes	–	729,285	729,285
Delinquent taxes	–	15,437	15,437
Accounts and interest	5,049	2,478	7,527
Due from other governmental units	374,154	173,425	547,579
Inventory	99,177	–	99,177
Prepaid items	84,266	113,798	198,064
Total assets	<u>\$ 683,550</u>	<u>\$ 3,198,609</u>	<u>\$ 3,882,159</u>
Liabilities			
Salaries payable	\$ 146,839	\$ 527,415	\$ 674,254
Accounts and contracts payable	167,206	345,578	512,784
Due to other governmental units	–	14,414	14,414
Unearned revenue	290,825	223,386	514,211
Total liabilities	<u>604,870</u>	<u>1,110,793</u>	<u>1,715,663</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	8,953	8,953
Property taxes levied for subsequent year	–	1,331,108	1,331,108
Total deferred inflows of resources	<u>–</u>	<u>1,340,061</u>	<u>1,340,061</u>
Fund balances (deficit)			
Nonspendable for inventory	99,177	–	99,177
Nonspendable for prepaid items	84,266	113,798	198,064
Restricted	–	1,855,594	1,855,594
Unassigned	(104,763)	(1,221,637)	(1,326,400)
Total fund balances	<u>78,680</u>	<u>747,755</u>	<u>826,435</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 683,550</u>	<u>\$ 3,198,609</u>	<u>\$ 3,882,159</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2015

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 1,349,064	\$ 1,349,064
Investment earnings	1,776	2,027	3,803
Other	5,362,540	8,969,973	14,332,513
State sources	422,631	1,617,374	2,040,005
Federal sources	2,511,786	12,083	2,523,869
Total revenue	8,298,733	11,950,521	20,249,254
Expenditures			
Current			
Food service	8,733,963	—	8,733,963
Community service	—	12,199,272	12,199,272
Capital outlay	449,992	187,885	637,877
Total expenditures	9,183,955	12,387,157	21,571,112
Excess (deficiency) of revenue over expenditures	(885,222)	(436,636)	(1,321,858)
Other financing sources			
Proceeds from sale of assets	4,749	—	4,749
Net change in fund balances	(880,473)	(436,636)	(1,317,109)
Fund balances			
Beginning of year	959,153	1,184,391	2,143,544
End of year	\$ 78,680	\$ 747,755	\$ 826,435

## INDEPENDENT SCHOOL DISTRICT NO. 833

General Fund  
Comparative Balance Sheet  
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	\$ 14,495,679	\$ 17,115,825
Cash and investments held by trustee	2,268,000	—
Receivables		
Current taxes	16,708,224	15,780,036
Delinquent taxes	328,967	480,142
Accounts and interest	28,153	76,126
Due from other governmental units	20,998,728	18,265,765
Inventory	266,061	199,592
Prepaid items	2,683,253	936,325
	<u>2,683,253</u>	<u>936,325</u>
Total assets	<u>\$ 57,777,065</u>	<u>\$ 52,853,811</u>
Liabilities		
Salaries payable	\$ 10,493,815	\$ 9,593,470
Accounts and contracts payable	6,958,910	7,303,257
Due to other governmental units	664,438	645,834
Unearned revenue	1,955,483	58,562
Total liabilities	<u>20,072,646</u>	<u>17,601,123</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	189,777	441,142
Property taxes levied for subsequent year	27,197,156	25,325,994
Total deferred inflows of resources	<u>27,386,933</u>	<u>25,767,136</u>
Fund balances		
Nonspendable for inventory	266,061	199,592
Nonspendable for prepaid items	2,683,253	936,325
Restricted for health and safety	468,969	316,147
Restricted for operating capital	1,574,365	147,018
Restricted for learning and development	—	137,232
Restricted for state-approved alternative programs	319,861	149,297
Restricted for safe schools levy	856,503	374,759
Restricted for community arts center	30,683	30,683
Committed for ATPPS	140,027	250,870
Committed for donations/gifts	588,851	278,779
Committed for school budget carryover	882,182	123,248
Committed for tax shift	—	2,878,176
Assigned for subsequent year budget deficit	2,506,731	1,068,692
Unassigned	—	2,594,734
Total fund balances	<u>10,317,486</u>	<u>9,485,552</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 57,777,065</u>	<u>\$ 52,853,811</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2015  
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		2014	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 28,099,354	\$ 28,926,672	\$ 827,318	\$ 17,356,331
Investment earnings	—	60,561	60,561	35,163
Other	3,025,000	3,804,408	779,408	3,824,854
State sources	155,500,927	154,225,397	(1,275,530)	151,793,431
Federal sources	4,139,234	4,060,644	(78,590)	4,542,498
Total revenue	190,764,515	191,077,682	313,167	177,552,277
Expenditures				
Current				
Administration	7,413,290	7,527,157	113,867	7,279,625
District support services	5,097,959	5,405,748	307,789	3,723,231
Elementary and secondary regular instruction	97,507,328	97,894,964	387,636	92,903,232
Vocational education instruction	2,054,731	2,219,972	165,241	2,177,553
Special education instruction	30,814,220	32,318,511	1,504,291	29,648,664
Instructional support services	9,879,005	9,624,579	(254,426)	9,429,549
Pupil support services	20,952,873	19,998,559	(954,314)	18,964,817
Sites and buildings	18,133,192	19,235,624	1,102,432	21,214,467
Fiscal and other fixed cost programs	1,542,035	575,898	(966,137)	475,441
Debt service				
Principal	2,368,154	1,627,458	(740,696)	2,541,988
Interest and fiscal charges	193,569	140,278	(53,291)	197,818
Total expenditures	195,956,356	196,568,748	612,392	188,556,385
Excess (deficiency) of revenue over expenditures	(5,191,841)	(5,491,066)	(299,225)	(11,004,108)
Other financing sources				
Capital lease issued	—	2,268,000	2,268,000	2,606,382
Proceeds from sale of assets	—	55,000	55,000	—
Transfers in	4,000,000	4,000,000	—	4,000,000
Total other financing sources	4,000,000	6,323,000	2,323,000	6,606,382
Net change in fund balances	\$ (1,191,841)	831,934	\$ 2,023,775	(4,397,726)
Fund balances				
Beginning of year		9,485,552		13,883,278
End of year		\$ 10,317,486		\$ 9,485,552

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	\$ 120,904	\$ 1,210,485
Receivables		
Accounts and interest	5,049	995
Due from other governmental units	374,154	46,669
Inventory	99,177	224,641
Prepaid items	84,266	39,044
Total assets	<u>\$ 683,550</u>	<u>\$ 1,521,834</u>
Liabilities		
Salaries payable	\$ 146,839	\$ 114,632
Accounts and contracts payable	167,206	137,990
Due to other governmental units	—	502
Unearned revenue	290,825	309,557
Total liabilities	<u>604,870</u>	<u>562,681</u>
Fund balances		
Nonspendable for inventory	99,177	224,641
Nonspendable for prepaid items	84,266	39,044
Restricted for food service	—	695,468
Unassigned – food service restricted account deficit	(104,763)	—
Total fund balances	<u>78,680</u>	<u>959,153</u>
Total liabilities and fund balances	<u>\$ 683,550</u>	<u>\$ 1,521,834</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, 2015  
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (charges)	\$ 1,000	\$ 1,776	\$ 776	\$ (12,987)
Other – primarily meal sales	5,408,500	5,362,540	(45,960)	5,317,906
State sources	427,000	422,631	(4,369)	308,353
Federal sources	2,590,000	2,511,786	(78,214)	2,352,702
Total revenue	<u>8,426,500</u>	<u>8,298,733</u>	<u>(127,767)</u>	<u>7,965,974</u>
Expenditures				
Current				
Salaries	3,069,861	3,210,934	141,073	2,938,538
Employee benefits	1,065,800	1,114,330	48,530	920,580
Purchased services	598,520	526,651	(71,869)	575,303
Supplies and materials	3,817,750	3,867,449	49,699	3,457,281
Other expenditures	15,000	14,599	(401)	14,261
Capital outlay	410,000	449,992	39,992	425,436
Total expenditures	<u>8,976,931</u>	<u>9,183,955</u>	<u>207,024</u>	<u>8,331,399</u>
Excess (deficiency) of revenue over expenditures	(550,431)	(885,222)	(334,791)	(365,425)
Other financing sources				
Proceeds from sale of assets	<u>–</u>	<u>4,749</u>	<u>4,749</u>	<u>–</u>
Net change in fund balances	<u>\$ (550,431)</u>	<u>(880,473)</u>	<u>\$ (330,042)</u>	<u>(365,425)</u>
Fund balances				
Beginning of year		<u>959,153</u>		<u>1,324,578</u>
End of year		<u>\$ 78,680</u>		<u>\$ 959,153</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

Community Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	\$ 2,164,186	\$ 2,720,926
Receivables		
Current taxes	729,285	747,652
Delinquent taxes	15,437	22,508
Accounts and interest	2,478	3,722
Due from other governmental units	173,425	167,823
Prepaid items	<u>113,798</u>	<u>33,073</u>
Total assets	<u><u>\$ 3,198,609</u></u>	<u><u>\$ 3,695,704</u></u>
Liabilities		
Salaries payable	\$ 527,415	\$ 582,118
Accounts and contracts payable	345,578	382,353
Due to other governmental units	14,414	1,613
Unearned revenue	<u>223,386</u>	<u>176,636</u>
Total liabilities	<u>1,110,793</u>	<u>1,142,720</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	8,953	20,741
Property taxes levied for subsequent year	<u>1,331,108</u>	<u>1,347,852</u>
Total deferred inflows of resources	<u>1,340,061</u>	<u>1,368,593</u>
Fund balances (deficit)		
Nonspendable for prepaid items	113,798	33,073
Restricted for community education programs	1,388,464	1,663,588
Restricted for early childhood family education programs	426,451	336,714
Restricted for adult basic education	40,679	53,757
Unassigned – school readiness restricted account deficit	(790,060)	(626,918)
Unassigned – community service restricted account deficit	<u>(431,577)</u>	<u>(275,823)</u>
Total fund balances	<u>747,755</u>	<u>1,184,391</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,198,609</u></u>	<u><u>\$ 3,695,704</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, 2015  
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 1,363,643	\$ 1,349,064	\$ (14,579)	\$ 679,486
Investment earnings	3,544	2,027	(1,517)	7,826
Other – primarily tuition and fees	9,145,572	8,969,973	(175,599)	9,616,643
State sources	1,677,735	1,617,374	(60,361)	2,053,098
Federal sources	10,619	12,083	1,464	10,895
Total revenue	<u>12,201,113</u>	<u>11,950,521</u>	<u>(250,592)</u>	<u>12,367,948</u>
Expenditures				
Current				
Salaries	7,679,442	7,926,072	246,630	8,437,265
Employee benefits	2,209,638	2,175,812	(33,826)	2,336,706
Purchased services	1,506,019	1,339,992	(166,027)	1,225,410
Supplies and materials	678,190	750,445	72,255	694,416
Other expenditures	82,779	6,951	(75,828)	67,411
Capital outlay	211,919	187,885	(24,034)	190,478
Total expenditures	<u>12,367,987</u>	<u>12,387,157</u>	<u>19,170</u>	<u>12,951,686</u>
Net change in fund balances	<u>\$ (166,874)</u>	<u>(436,636)</u>	<u>\$ (269,762)</u>	<u>(583,738)</u>
Fund balances				
Beginning of year		<u>1,184,391</u>		<u>1,768,129</u>
End of year		<u>\$ 747,755</u>		<u>\$ 1,184,391</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Capital Projects – Building Construction Fund  
Comparative Balance Sheet  
as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	<u>\$ 16,213,342</u>	<u>\$ 22,171,978</u>
Liabilities		
Accounts and contracts payable	\$ 5,183,378	\$ 426,756
Due to other governmental units	<u>1,464</u>	<u>—</u>
Total liabilities	5,184,842	426,756
Fund balances		
Restricted for alternative facilities program	10,973,801	21,690,523
Restricted for building construction	<u>54,699</u>	<u>54,699</u>
Total fund balances	<u>11,028,500</u>	<u>21,745,222</u>
Total liabilities and fund balances	<u>\$ 16,213,342</u>	<u>\$ 22,171,978</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, 2015  
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 434,612	\$ 434,612	\$ –	\$ 1,063,625
Investment earnings	–	–	–	1,718
Total revenue	434,612	434,612	–	1,065,343
Expenditures				
Capital outlay				
Purchased services	–	5,200	5,200	–
Supplies and materials	–	–	–	74,991
Capital expenditures	5,869,612	11,146,134	5,276,522	2,370,040
Total expenditures	5,869,612	11,151,334	5,281,722	2,445,031
Excess (deficiency) of revenue over expenditures	(5,435,000)	(10,716,722)	(5,281,722)	(1,379,688)
Other financing sources (uses)				
Building bonds issued	–	–	–	20,244,226
Transfers (out)	–	–	–	(144,517)
Total other financing sources (uses)	–	–	–	20,099,709
Net change in fund balances	<u>\$ (5,435,000)</u>	(10,716,722)	<u>\$ (5,281,722)</u>	18,720,021
Fund balances				
Beginning of year		21,745,222		3,025,201
End of year		<u>\$ 11,028,500</u>		<u>\$ 21,745,222</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

Debt Service Fund  
Comparative Balance Sheet  
as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	\$ 51,758,684	\$ 17,155,880
Cash and investments held by trustee	—	833,388
Receivables		
Current taxes	14,739,247	14,448,578
Delinquent taxes	287,773	405,061
Accounts and interest	15,811	18,150
Due from other governmental units	617,261	526
Prepaid items	<u>14,150</u>	<u>25,599</u>
Total assets	<u><u>\$ 67,432,926</u></u>	<u><u>\$ 32,887,182</u></u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	\$ 173,178	\$ 374,618
Property taxes levied for subsequent year	<u>26,902,375</u>	<u>26,047,611</u>
Total deferred inflows of resources	27,075,553	26,422,229
Fund balances		
Nonspendable for prepaid items	14,150	25,599
Restricted for bond refunding	36,435,000	—
Restricted for debt service	<u>3,908,223</u>	<u>6,439,354</u>
Total fund balances	<u><u>40,357,373</u></u>	<u><u>6,464,953</u></u>
Total deferred inflows of resources and fund balances	<u><u>\$ 67,432,926</u></u>	<u><u>\$ 32,887,182</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, 2015  
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		2014	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 25,774,457	\$ 26,061,399	\$ 286,942	\$ 24,986,976
Investment earnings	25,000	22,439	(2,561)	44,300
State sources	—	631,095	631,095	5,262
Federal sources	1,109,498	1,108,303	(1,195)	1,115,118
Total revenue	<u>26,908,955</u>	<u>27,823,236</u>	<u>914,281</u>	<u>26,151,656</u>
Expenditures				
Capital outlay – joint elementary school	576,532	576,538	6	564,936
Debt service				
Principal	16,175,000	17,895,000	1,720,000	13,360,000
Interest	11,423,315	11,886,039	462,724	11,938,904
Fiscal charges and other	10,600	269,243	258,643	296,848
Total expenditures	<u>28,185,447</u>	<u>30,626,820</u>	<u>2,441,373</u>	<u>26,160,688</u>
Excess (deficiency) of revenue over expenditures	(1,276,492)	(2,803,584)	(1,527,092)	(9,032)
Other financing sources				
Building bonds issued	—	—	—	265,774
Refunding bonds issued	—	32,695,000	32,695,000	—
Premium on bonds issued	—	4,001,004	4,001,004	429,342
Transfers in	—	—	—	144,517
Total other financing sources	<u>—</u>	<u>36,696,004</u>	<u>36,696,004</u>	<u>839,633</u>
Net change in fund balances	<u>\$ (1,276,492)</u>	<u>33,892,420</u>	<u>\$ 35,168,912</u>	<u>830,601</u>
Fund balances				
Beginning of year		<u>6,464,953</u>		<u>5,634,352</u>
End of year		<u>\$ 40,357,373</u>		<u>\$ 6,464,953</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds  
Combining Statement of Net Position  
as of June 30, 2015  
(With Comparative Totals as of June 30, 2014)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets			
Current assets			
Cash and temporary investments	\$ 1,722,489	\$ 4,005,823	\$ 8,820,480
Interest receivable	<u>                    —</u>	<u>                    —</u>	<u>          17,832</u>
Total current assets	1,722,489	4,005,823	8,838,312
Long-term assets			
Net pension assets	<u>                    —</u>	<u>          56,917</u>	<u>                    —</u>
Total assets	1,722,489	4,062,740	8,838,312
Liabilities			
Current liabilities			
Severance benefits	212,475	—	—
Long-term liabilities			
Severance benefits	1,510,014	—	—
Net other post-employment benefits obligation	<u>                    —</u>	<u>                    —</u>	<u>         1,610,225</u>
Total long-term liabilities	1,510,014	—	1,610,225
Total liabilities	<u>1,722,489</u>	<u>                    —</u>	<u>1,610,225</u>
Net position			
Unrestricted	<u><u>                    —</u></u>	<u><u>         4,062,740</u></u>	<u><u>         7,228,087</u></u>



Totals	
2015	2014
\$ 14,548,792	\$ 19,867,623
17,832	18,254
<u>14,566,624</u>	<u>19,885,877</u>
<u>56,917</u>	<u>433</u>
14,623,541	19,886,310
212,475	261,873
1,510,014	1,621,654
1,610,225	1,163,832
<u>3,120,239</u>	<u>2,785,486</u>
<u>3,332,714</u>	<u>3,047,359</u>
<u>\$ 11,290,827</u>	<u>\$ 16,838,951</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
Year Ended June 30, 2015  
(With Comparative Totals for the Year Ended June 30, 2014)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Operating revenue			
Contributions from governmental funds	\$ —	\$ —	\$ 968,327
Operating expenses			
Severance benefits	126,298	—	—
Pension benefits	—	465,375	—
Other post-employment benefits	—	—	1,966,105
Total operating expenses	<u>126,298</u>	<u>465,375</u>	<u>1,966,105</u>
Operating income (loss)	(126,298)	(465,375)	(997,778)
Nonoperating revenue			
Investment earnings	<u>—</u>	<u>—</u>	<u>41,327</u>
Income (loss) before transfers	(126,298)	(465,375)	(956,451)
Transfers in	126,298	464,942	—
Transfers (out)	<u>—</u>	<u>—</u>	<u>(4,591,240)</u>
Change in net position	—	(433)	(5,547,691)
Net position			
Beginning of year	<u>—</u>	<u>4,063,173</u>	<u>12,775,778</u>
End of year	<u>\$ —</u>	<u>\$ 4,062,740</u>	<u>\$ 7,228,087</u>

Totals	
2015	2014
\$ 968,327	\$ —
126,298	122,619
465,375	461,974
1,966,105	1,969,716
<u>2,557,778</u>	<u>2,554,309</u>
(1,589,451)	(2,554,309)
<u>41,327</u>	<u>60,936</u>
(1,548,124)	(2,493,373)
591,240	4,664
<u>(4,591,240)</u>	<u>(4,004,664)</u>
(5,548,124)	(6,493,373)
<u>16,838,951</u>	<u>23,332,324</u>
<u>\$ 11,290,827</u>	<u>\$ 16,838,951</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2015  
(With Comparative Totals for the Year Ended June 30, 2014)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Cash flows from operating activities			
Received from assessments made to other funds	\$ —	\$ —	\$ 968,327
Severance benefit payments	(287,336)	—	—
Pension benefit payments	—	(521,859)	—
Other post-employment benefit payments	—	—	(1,519,712)
Net cash flows from operating activities	(287,336)	(521,859)	(551,385)
Cash flows from noncapital financial activities			
Transfer in	126,298	464,942	—
Transfer (out)	—	—	(4,591,240)
Net cash flows from noncapital financing activities	126,298	464,942	(4,591,240)
Cash flows from investing activities			
Interest on investments	1,552	3,359	36,838
Net change in cash and temporary investments	(159,486)	(53,558)	(5,105,787)
Cash and cash equivalents			
Beginning of year	1,881,975	4,059,381	13,926,267
End of year	<u>\$ 1,722,489</u>	<u>\$ 4,005,823</u>	<u>\$ 8,820,480</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (126,298)	\$ (465,375)	\$ (997,778)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets and liabilities			
Net pension asset	—	(56,484)	—
Severance benefits	(161,038)	—	—
Net other post-employment benefits obligation	—	—	446,393
Net cash flows from operating activities	<u>\$ (287,336)</u>	<u>\$ (521,859)</u>	<u>\$ (551,385)</u>

Totals	
2015	2014
\$ 968,327	\$ —
(287,336)	(281,104)
(521,859)	(594,325)
(1,519,712)	(1,577,525)
(1,360,580)	(2,452,954)
591,240	4,664
(4,591,240)	(4,004,664)
(4,000,000)	(4,000,000)
41,749	60,576
(5,318,831)	(6,392,378)
19,867,623	26,260,001
\$ 14,548,792	\$ 19,867,623
\$ (1,589,451)	\$ (2,554,309)
(56,484)	(132,351)
(161,038)	(158,485)
446,393	392,191
\$ (1,360,580)	\$ (2,452,954)

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## **Section III**

# **Statistical**

Igniting a passion





STATISTICAL SECTION

(UNAUDITED)

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## **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.

Sources: 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
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 16,864,766	\$ 25,835,739	\$ 36,944,822	\$ 45,824,725
Restricted	7,534,342	4,321,541	4,572,455	4,732,369
Unrestricted	19,959,177	19,581,794	51,659,277	54,122,656
Total governmental activities net position	<u>\$ 44,358,285</u>	<u>\$ 49,739,074</u>	<u>\$ 93,176,554</u>	<u>\$104,679,750</u>

Note 1: The District implemented GASB Statement No. 45 in fiscal 2008. The implementation of this standard caused the net position balance as of July 1, 2007 in the District's government-wide and proprietary fund statements to increase by \$28,341,339.

Note 2: 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.

2010	2011	2012	2013	2014	2015
\$ 51,600,287	\$ 52,070,800	\$ 50,633,665	\$ 55,788,399	\$ 62,066,067	\$ 67,105,680
5,078,562	4,568,751	7,224,679	7,969,499	6,717,236	5,307,406
50,012,108	40,897,389	41,564,392	33,224,612	21,345,431	(116,559,725)
<u>\$106,690,957</u>	<u>\$ 97,536,940</u>	<u>\$ 99,422,736</u>	<u>\$ 96,982,510</u>	<u>\$ 90,128,734</u>	<u>\$(44,146,639)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Expenses				
Administration	\$ 5,574,435	\$ 6,422,750	\$ 6,055,970	\$ 6,099,495
District support services	2,064,384	3,356,314	3,843,610	3,495,202
Elementary and secondary regular instruction	64,935,214	73,658,482	74,726,838	78,667,476
Vocational education instruction	2,385,479	2,427,399	2,607,651	2,486,278
Special education instruction	22,206,426	24,122,013	23,144,174	23,573,415
Instructional support services	7,685,721	10,155,121	8,551,355	8,015,593
Pupil support services	11,517,788	13,800,524	14,752,655	15,354,371
Sites and buildings	13,937,835	14,294,927	16,010,719	15,876,405
Fiscal and other fixed cost programs	475,489	446,164	442,154	269,333
Food service	5,835,480	6,070,077	6,430,201	6,631,553
Community service	8,403,545	9,259,049	9,480,317	9,965,857
Depreciation not included in other functions	4,725,014	4,716,412	4,904,146	5,123,789
Interest and fiscal charges	9,175,556	12,965,932	14,061,738	15,558,451
Total governmental activities expenses	158,922,366	181,695,164	185,011,528	191,117,218
Program revenues				
Charges for services				
Food service	4,555,370	4,669,659	4,979,997	5,103,675
Community service	5,794,533	6,291,549	7,023,282	7,432,061
All other	1,128,176	1,075,222	1,059,612	1,077,496
Operating grants and contributions	27,359,420	29,583,372	31,929,265	33,787,038
Total governmental activities program revenues	38,837,499	41,619,802	44,992,156	47,400,270
Net (expense) revenue	(120,084,867)	(140,075,362)	(140,019,372)	(143,716,948)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	10,526,279	23,303,107	25,927,022	26,972,635
Property taxes, levied for community service	553,044	1,171,219	1,239,434	1,146,358
Property taxes, levied for capital projects	3,643,000	4,881,000	3,687,977	3,184,665
Property taxes, levied for debt service	12,572,464	12,412,767	17,565,143	18,979,960
General grants and aids	98,009,867	94,094,127	96,090,673	97,061,395
Other general revenues	1,477,226	1,266,275	1,318,569	1,288,131
Investment earnings	4,103,095	9,488,027	9,286,695	6,587,000
Total general revenues and other changes in net position	130,884,975	146,616,522	155,115,513	155,220,144
Change in net position	\$ 10,800,108	\$ 6,541,160	\$ 15,096,141	\$ 11,503,196

2010	2011	2012	2013	2014	2015
\$ 6,432,684	\$ 6,726,526	\$ 6,804,171	\$ 7,050,311	\$ 7,360,847	\$ 7,532,409
4,488,058	4,155,337	3,911,630	4,018,082	3,740,490	5,376,819
83,495,190	88,083,313	88,058,900	92,521,117	95,372,479	98,375,195
2,261,115	1,909,055	1,717,365	1,740,819	2,177,553	2,205,777
24,300,238	24,304,069	23,604,017	25,962,043	29,637,200	31,977,796
8,720,902	8,762,391	8,523,989	9,113,915	9,413,500	9,562,822
16,113,029	17,177,994	17,762,412	18,413,745	19,096,318	20,109,824
15,855,796	21,394,450	19,307,770	19,778,272	22,213,724	22,005,923
477,434	320,340	397,742	431,469	475,441	575,898
6,573,724	7,086,114	7,520,073	7,806,312	8,490,573	9,163,254
10,032,694	10,520,754	11,558,180	12,430,058	12,999,994	12,359,513
5,734,973	8,563,123	8,945,019	9,231,034	9,329,886	9,217,946
14,692,589	14,757,583	13,100,740	11,796,212	11,590,377	11,615,626
199,178,426	213,761,049	211,212,008	220,293,389	231,898,382	240,078,802
5,095,535	5,057,023	4,945,351	5,140,646	5,317,906	5,362,540
7,540,926	8,002,134	8,817,171	9,547,111	9,616,643	8,969,973
1,201,243	1,157,250	1,180,515	1,119,080	1,242,491	1,206,308
33,907,129	35,709,293	34,410,790	39,448,027	39,081,056	46,117,949
47,744,833	49,925,700	49,353,827	55,254,864	55,258,096	61,656,770
(151,433,593)	(163,835,349)	(161,858,181)	(165,038,525)	(176,640,286)	(178,422,032)
28,329,696	39,366,853	27,927,885	27,046,036	17,273,471	28,675,307
1,283,820	1,997,132	1,277,741	1,312,685	675,875	1,337,276
2,217,915	2,069,000	–	1,306,697	1,063,625	434,612
21,113,789	20,075,991	23,546,002	24,174,245	24,935,744	25,859,959
96,811,892	88,826,346	106,110,510	106,799,031	123,100,301	118,753,997
1,570,069	1,685,748	3,543,466	1,956,699	2,582,363	2,598,100
2,117,619	660,262	1,338,373	2,906	155,131	181,666
153,444,800	154,681,332	163,743,977	162,598,299	169,786,510	177,840,917
\$ 2,011,207	\$ (9,154,017)	\$ 1,885,796	\$ (2,440,226)	\$ (6,853,776)	\$ (581,115)

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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				
	General Purposes	Community Service	Capital Projects	Debt Service	Total
2006	\$ 10,526,279	\$ 553,044	\$ 3,643,000	\$ 12,572,464	\$ 27,294,787
2007	23,303,107	1,171,219	4,881,000	12,412,767	41,768,093
2008	25,927,022	1,239,434	3,687,977	17,565,143	48,419,576
2009	26,972,635	1,146,358	3,184,665	18,979,960	50,283,618
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

Note: The change in “tax shift” as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2006, 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			
	2006	2007	2008	2009
General Fund				
Reserved	\$ 4,098,105	\$ 2,383,457	\$ 2,171,001	\$ 2,583,462
Unreserved	21,151,839	21,953,005	24,753,613	25,537,221
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	<u>\$ 25,249,944</u>	<u>\$ 24,336,462</u>	<u>\$ 26,924,614</u>	<u>\$ 28,120,683</u>
All other governmental funds				
Reserved	\$ 61,400,383	\$ 58,931,558	\$ 136,804,657	\$ 84,876,525
Unreserved, reported in				
Special revenue funds	1,201,128	1,273,866	1,379,934	1,545,210
Capital Projects – Building Construction Fund	4,155,647	101,678,951	(1,064,466)	—
Debt Service Fund	3,430,709	5,848,080	3,535,831	2,946,674
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Unassigned – special revenue funds	—	—	—	—
Total all other governmental funds	<u>\$ 70,187,867</u>	<u>\$ 167,732,455</u>	<u>\$ 140,655,956</u>	<u>\$ 89,368,409</u>
Total all governmental funds	<u>\$ 95,437,811</u>	<u>\$ 192,068,917</u>	<u>\$ 167,580,570</u>	<u>\$ 117,489,092</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011. The new fund balance classifications under GASB Statement No. 54 are not available for years prior to fiscal 2010.

2010	2011	2012	2013	2014	2015
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
725,419	823,164	1,125,484	1,105,277	1,135,917	2,949,314
1,573,914	832,872	2,188,743	2,886,060	1,155,136	3,250,381
—	4,810,821	4,188,228	3,899,880	3,531,073	1,611,060
11,379,950	7,708,428	3,988,180	2,598,614	1,068,692	2,506,731
11,292,132	5,204,005	8,245,358	3,393,447	2,594,734	—
<u>\$ 24,971,415</u>	<u>\$ 19,379,290</u>	<u>\$ 19,735,993</u>	<u>\$ 13,883,278</u>	<u>\$ 9,485,552</u>	<u>\$ 10,317,486</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
179,281	187,327	187,405	319,142	322,357	311,391
82,712,351	65,501,210	16,691,364	11,824,838	30,934,103	53,227,317
(40,461)	(115,104)	(175,737)	(391,720)	(902,741)	(1,326,400)
<u>\$ 82,851,171</u>	<u>\$ 65,573,433</u>	<u>\$ 16,703,032</u>	<u>\$ 11,752,260</u>	<u>\$ 30,353,719</u>	<u>\$ 52,212,308</u>
<u>\$ 107,822,586</u>	<u>\$ 84,952,723</u>	<u>\$ 36,439,025</u>	<u>\$ 25,635,538</u>	<u>\$ 39,839,271</u>	<u>\$ 62,529,794</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Local sources				
Property taxes	\$ 27,362,164	\$ 41,538,611	\$ 48,050,563	\$ 50,026,665
Investment earnings	3,185,001	8,138,540	8,562,925	6,075,712
Other	12,955,305	13,302,705	14,381,460	14,901,363
State sources	120,322,913	118,700,281	122,519,327	125,054,777
Federal sources	5,046,374	4,977,218	5,500,611	5,793,656
Total revenues	<u>168,871,757</u>	<u>186,657,355</u>	<u>199,014,886</u>	<u>201,852,173</u>
Expenditures				
Current				
Administration	5,741,966	6,240,802	6,068,728	6,132,975
District support services	3,706,438	3,342,924	3,834,051	3,479,438
Elementary and secondary regular instruction	66,438,712	72,333,804	75,024,779	79,073,331
Vocational education instruction	2,393,335	2,430,709	2,607,651	2,486,278
Special education instruction	22,217,768	23,917,942	23,196,140	23,604,573
Instructional support services	7,561,060	10,117,486	8,525,880	7,981,401
Pupil support services	11,418,699	14,557,827	15,151,565	14,819,938
Sites and buildings	12,570,741	13,614,584	15,011,450	16,413,934
Fiscal and other fixed cost programs	475,489	446,164	442,154	269,333
Food service	5,557,903	5,833,806	6,246,966	6,475,838
Community service	8,129,415	9,067,390	9,400,012	9,879,929
Capital outlay	7,701,685	22,383,893	67,773,544	68,508,505
Debt service				
Principal	6,953,735	6,962,567	9,698,357	8,848,152
Interest and fiscal charges	7,720,612	10,857,484	15,471,360	15,225,363
Total expenditures	<u>168,587,558</u>	<u>202,107,382</u>	<u>258,452,637</u>	<u>263,198,988</u>
Excess (deficiency) of revenues over expenditures	284,199	(15,450,027)	(59,437,751)	(61,346,815)
Other financing sources (uses)				
Building bonds issued	52,500,000	110,000,000	39,000,000	11,250,000
Refunding bonds issued	—	—	—	—
Premium on bonds issued	4,486,173	2,081,133	439,404	5,337
Payments to refunded bond escrow agent	—	—	(4,490,000)	—
Capital leases issued	469,781	—	—	—
Proceeds from sale of assets	—	—	—	—
Transfers in	289,148	297,814	285,815	444,689
Transfers out	(289,148)	(297,814)	(285,815)	(444,689)
Total other financing sources (uses)	<u>57,455,954</u>	<u>112,081,133</u>	<u>34,949,404</u>	<u>11,255,337</u>
Net change in fund balances	<u>\$ 57,740,153</u>	<u>\$ 96,631,106</u>	<u>\$(24,488,347)</u>	<u>\$(50,091,478)</u>
Debt service as a percentage of noncapital expenditures	<u>9.1%</u>	<u>9.9%</u>	<u>13.2%</u>	<u>12.4%</u>

2010	2011	2012	2013	2014	2015
\$ 52,709,735	\$ 63,259,902	\$ 53,398,487	\$ 54,114,344	\$ 44,086,418	\$ 56,771,747
1,587,535	522,878	271,107	33,466	76,020	86,803
15,407,773	15,902,155	18,486,503	17,763,536	18,759,403	18,136,921
113,312,426	115,110,779	130,985,867	138,316,987	154,160,144	156,896,497
17,406,595	9,424,860	9,535,433	7,930,071	8,021,213	7,692,816
200,424,064	204,220,574	212,677,397	218,158,404	225,103,198	239,584,784
6,259,025	6,630,915	6,834,030	6,885,574	7,279,625	7,527,157
4,012,025	3,922,033	3,932,209	4,126,221	3,723,231	5,405,748
81,946,206	85,964,779	87,351,693	91,084,361	92,903,232	97,894,964
2,261,115	1,992,798	1,717,365	1,740,819	2,177,553	2,219,972
24,284,928	24,153,866	23,732,334	25,956,261	29,648,664	32,318,511
8,682,829	8,735,134	8,573,910	9,121,267	9,429,549	9,624,579
15,985,035	17,177,277	17,473,201	18,382,511	18,964,817	19,998,559
15,310,726	16,793,160	19,728,887	18,770,018	21,214,467	19,235,624
477,434	320,340	397,742	431,469	475,441	575,898
6,435,678	6,899,039	7,323,687	7,534,746	7,905,963	8,733,963
9,941,998	10,289,794	11,378,251	12,204,906	12,761,208	12,199,272
27,550,445	19,130,882	14,170,324	7,168,443	3,625,881	12,365,749
9,702,244	9,976,286	11,141,959	14,187,625	15,901,988	19,522,458
15,879,670	15,104,134	15,214,160	12,632,458	12,433,570	12,295,560
228,729,358	227,090,437	228,969,752	230,226,679	238,445,189	259,918,014
(28,305,294)	(22,869,863)	(16,292,355)	(12,068,275)	(13,341,991)	(20,333,230)
23,930,000	—	6,150,000	—	20,510,000	—
41,445,000	—	8,440,000	—	—	32,695,000
3,773,788	—	93,657	—	429,342	4,001,004
(50,510,000)	—	(51,005,000)	—	—	—
—	—	4,100,000	1,264,788	2,606,382	2,268,000
—	—	—	—	—	59,749
284,327	295,369	139,164	—	4,144,517	4,000,000
(284,327)	(295,369)	(139,164)	—	(144,517)	—
18,638,788	—	(32,221,343)	1,264,788	27,545,724	43,023,753
\$ (9,666,506)	\$ (22,869,863)	\$ (48,513,698)	\$ (10,803,487)	\$ 14,203,733	\$ 22,690,523
12.7%	11.9%	12.3%	12.0%	12.0%	12.7%

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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				Total
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	
2006	\$ 10,552,580	\$ 556,231	\$ 3,643,000	\$ 12,610,353	\$ 27,362,164
2007	23,167,822	1,167,002	4,881,000	12,322,787	41,538,611
2008	25,696,111	1,229,814	3,687,977	17,436,661	48,050,563
2009	26,835,663	1,143,075	3,184,665	18,863,262	50,026,665
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

Note: The change in “tax shift” as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2006, 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	Non-Agricultural	Fiscal Disparities		Tax Increment
			Contribution	Distribution	
2006	\$ 951,696	\$ 87,278,069	\$ (4,745,954)	\$ 7,846,695	\$ (1,661,814)
2007	1,065,741	96,238,721	(4,414,207)	9,228,771	(1,994,330)
2008	1,214,492	100,728,035	(5,280,413)	10,771,320	(2,032,706)
2009	1,332,450	103,487,889	(5,945,701)	12,349,668	(2,409,347)
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)

Source: State of Minnesota School Tax Report



<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ 89,668,692	27.460	\$ 7,993,924,250	1.12 %
100,124,696	31.101	8,798,601,650	1.14
105,400,728	29.841	9,187,642,000	1.15
108,814,959	30.708	9,369,148,400	1.16
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

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	2006	27.460%	37.924%	29.018%	48.896%	31.534%
Market value rate	2006	0.20180%	–	0.01696%	–	–
Tax capacity rate	2007	31.101%	35.813%	28.122%	45.944%	31.516%
Market value rate	2007	0.18811%	–	0.02450%	–	–
Tax capacity rate	2008	29.841%	35.189%	28.169%	47.213%	32.734%
Market value rate	2008	0.18952%	–	0.02318%	–	–
Tax capacity rate	2009	30.708%	34.632%	28.474%	44.046%	32.831%
Market value rate	2009	0.19232%	–	0.02249%	–	–
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%	–	–

(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, Transit District, Transit Area, Washington County HRA, Woodbury EDA, Woodbury HRA, 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

Denmark	Grey Cloud Island	Afton	Washington County	Miscellaneous Other (2)	Total ISD No. 833 Resident (3)
13.477%	28.045%	26.571%	26.968%	9.287%	101.639%
—	—	—	—	—	0.20180%
12.726%	24.592%	22.349%	25.673%	7.616%	100.203%
—	—	—	—	—	0.18811%
14.318%	23.657%	22.510%	25.936%	7.906%	98.872%
—	—	—	—	—	0.18952%
13.851%	23.017%	24.037%	26.371%	7.941%	99.652%
—	—	—	—	—	0.19232%
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%

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INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Taxpayers  
Prior Year and Nine Years Ago

Taxpayer	Type of Property	2014			2006		
		Tax Capacity	Rank	Percent of Total Tax Capacity	Tax Capacity	Rank	Percent of Total Tax Capacity
Xcel Energy	Utility	\$ 1,991,030	1	2.21 %	\$ 1,571,967	1	1.75 %
3M Company	Industrial	673,130	2	0.75	550,823	3	0.61
Woodbury Village Shopping	Commercial	669,792	3	0.74	684,144	2	0.76
Grand Reserve Apartments Corp.	Residential	563,088	4	0.62	535,185	4	0.60
TMF I Valley, LLC	Residential	411,404	5	0.46	–	–	–
St. Paul Park Refining Co., LLC (1)	Industrial	367,386	6	0.41	195,889	9	0.22
Target	Commercial	365,654	7	0.41	–	–	–
VRS/CAP Classic at Preserve	Residential	363,860	8	0.40	–	–	–
Allina Health System	Commercial	363,308	9	0.40	370,200	6	0.41
Health Investors Business Trust	Commercial	302,748	10	0.34	199,086	8	0.22
I & G St. Paul, LLC	Residential	–	–	–	428,467	5	0.48
Bellwood, LLC	Commercial	–	–	–	226,896	7	0.25
West-Biel 68, LLC	Commercial	–	–	–	188,600	10	0.21
Total		<u>\$ 6,071,400</u>		<u>6.74 %</u>	<u>\$ 4,951,257</u>		<u>5.51 %</u>

(1) Listed as Marathon Ashland Petroleum, LLC in 2006.

Note: The most recent data available is from 2014.

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
2006	\$ 37,425,187	\$ 3,693,361	\$ 1,170,109	\$ 42,288,657	N/A	N/A
2007	43,570,682	4,359,764	1,272,180	49,202,626	N/A	N/A
2008	44,446,083	5,311,229	1,221,897	50,979,209	N/A	N/A
2009	46,375,776	5,957,603	1,227,271	53,560,650	\$ 52,392,329	97.8 %
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	26,602,414	45.3

N/A – Not Available (first year collections were not readily available for years collectible prior to 2009).

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, 2015			
		Total to Date		Delinquent		Current	
Received in Subsequent Years		Amount	Percentage of Levy	Amount	Percent	Amount	Percent
\$ 42,288,657		\$ 42,288,657	100.0 %	\$ —	— %	\$ —	— %
49,202,626		49,202,626	100.0	—	—	—	—
50,979,209		50,979,209	100.0	—	—	—	—
1,136,127		53,528,456	99.9	32,194	0.1	—	—
1,059,126		53,789,700	99.9	38,771	0.1	—	—
577,667		53,700,443	99.9	32,086	0.1	—	—
392,999		53,390,554	99.8	83,683	0.2	—	—
283,051		54,018,241	99.8	105,956	0.2	—	—
—		55,629,431	99.4	339,487	0.6	—	—
—		26,602,414	45.3	—	—	32,176,756	54.7
				<u>\$ 632,177</u>		<u>\$ 32,176,756</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	Capital Leases	Energy Conservation Loans	Total Primary Government		
2006	\$ 198,160,000	\$ 9,085,291	\$ 102,171	\$ 207,347,462	2.06 %	\$ 2,200
2007	302,195,000	8,121,239	68,656	310,384,895	2.89	3,235
2008	328,020,000	7,139,224	37,314	335,196,538	2.99	3,478
2009	331,405,000	6,187,414	5,972	337,598,386	3.10	3,471
2010	337,570,000	5,191,142	—	342,761,142	3.03	3,519
2011	328,635,000	4,149,856	—	332,784,856	2.72	3,578
2012	282,165,000	7,162,897	—	289,327,897	2.29	3,079
2013	269,700,000	6,705,060	—	276,405,060	2.15	2,928
2014	276,850,000	6,769,454	—	283,619,454	2.18	2,968
2015	292,440,000	6,619,996	—	299,059,996	N/A	3,046

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
2006	\$ 198,160,000	\$ 62,485,622	\$ 135,674,378	\$ 7,993,924,250	1.70 %	94,245	\$ 1,440
2007	302,195,000	63,850,319	238,344,681	8,798,601,650	2.71	95,957	2,484
2008	328,020,000	56,537,683	271,482,317	9,187,642,000	2.95	96,369	2,817
2009	331,405,000	55,517,184	275,887,816	9,369,148,400	2.94	97,257	2,837
2010	337,570,000	48,867,209	288,702,791	8,902,560,100	3.24	97,406	2,964
2011	328,635,000	47,211,175	281,423,825	8,208,261,700	3.43	92,998	3,026
2012	282,165,000	5,606,302	276,558,698	8,109,596,500	3.41	93,972	2,943
2013	269,700,000	5,634,352	264,065,648	7,626,898,000	3.46	94,399	2,797
2014	276,850,000	6,464,953	270,385,047	7,978,967,600	3.39	95,556	2,830
2015	292,440,000	40,357,373	252,082,627	9,098,596,000	2.77	98,185	2,567

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, 2015

Governmental Unit	Bonded Debt	Percent Allocable to ISD No. 833	Portion Allocable to ISD No. 833
Independent School District No. 833	\$ 292,440,000	100.00 %	\$ 292,440,000
Overlapping debt			
Washington County	133,610	33.95	45,361
City of Afton	3,290,000	5.72	188,188
City of Cottage Grove	15,555,000	98.23	15,279,677
City of Newport	2,205,000	100.00	2,205,000
City of St. Paul Park	2,870,000	100.00	2,870,000
City of Woodbury	50,464,663	73.99	37,338,804
Metropolitan Council	196,680,000	3.01	5,920,068
Ramsey-Washington Metro Watershed District	1,474,532	57.33	845,349
South Washington Watershed District	5,210,000	75.69	3,943,449
Total overlapping debt			<u>68,635,896</u>
Total direct and overlapping debt			<u>\$ 361,075,896</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			
	2006	2007	2008	2009
Debt limit	\$1,199,088,638	\$1,319,790,248	\$ 1,378,146,300	\$ 1,405,372,260
Total net debt applicable to limit	135,674,378	238,344,681	271,482,317	275,887,816
Legal debt margin	<u>\$1,063,414,260</u>	<u>\$1,081,445,567</u>	<u>\$ 1,106,663,983</u>	<u>\$ 1,129,484,444</u>
Total net debt applicable to the limit as a percentage of debt limit	11.31%	18.06%	19.70%	19.63%

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.

2010	2011	2012	2013	2014	2015
\$ 1,335,384,015	\$ 1,231,239,255	\$ 1,216,439,475	\$ 1,144,034,700	\$ 1,196,845,140	\$ 1,364,789,400
288,702,791	281,423,825	276,558,698	264,065,648	270,385,047	252,082,627
<u>\$ 1,046,681,224</u>	<u>\$ 949,815,430</u>	<u>\$ 939,880,777</u>	<u>\$ 879,969,052</u>	<u>\$ 926,460,093</u>	<u>\$ 1,112,706,773</u>
21.62%	22.86%	22.74%	23.08%	22.59%	18.47%

Legal Debt Margin Calculation for Fiscal Year 2015

Market value	\$ 9,098,596,000
Debt limit (15% of market value)	1,364,789,400
Debt applicable to limit	
General obligation bonds	292,440,000
Less amount set aside for repayment of general obligation debt	<u>(40,357,373)</u>
Total net debt applicable to limit	<u>252,082,627</u>
Legal debt margin	<u>\$ 1,112,706,773</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 (1)
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)			
2006	228,103	\$ 10,082,316,000	\$ 44,201	94,245	16,472	3.5 %
2007	233,104	10,736,049,000	46,057	95,957	16,618	4.1
2008	234,311	11,200,728,000	47,803	96,369	16,767	5.4
2009	236,917	10,907,061,000	46,037	97,257	16,727	7.2
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	N/A	N/A	N/A	98,185	17,768	3.5

N/A – Not Available

Sources:

- (1) 2014 Comprehensive Annual Financial Report of Washington County, Minnesota
- (2) Annual school district census and U.S. census
- (3) The District

INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Employers  
Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percent of Employment	Employees	Rank	Percent of Employment
Independent School District No. 833	2,232	1	33.97 %	2,448	1	34.76 %
HealthEast Woodwinds Hospital	850	2	12.94	766	3	10.88
Bailey Nurseries, Inc.	800	3	12.18	950	2	13.49
3M Company – Cottage Grove	700	4	10.65	745	4	10.58
Renewal by Anderson	450	5	6.85	400	5	5.68
Ecowater Systems	440	6	6.70	341	8	4.84
Target	330	7	5.02	377	6	5.35
Woodbury Health Care Center	300	8	4.57	370	7	5.25
Northern Tier Energy	268	9	4.08	306	10	4.34
YMCA	200	10	3.04	–	–	–
Assurant	–	–	–	340	9	4.83
Total	6,570		100.00 %	7,043		100.00 %

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 (April 2014), 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			
	2006	2007	2008	2009
District directors/superintendent	16	17	16	15
Principals	32	32	38	40
Teachers, nurses, and counselors	1,026	1,095	1,183	1,205
Coordinators, supervisors, specialists, and technical support	201	205	242	238
Paraprofessionals	271	273	304	321
Food service	128	129	122	115
Custodians	94	94	104	106
Bus drivers and mechanics	161	184	186	200
Community education leads and assistants	22	22	22	22
Total	1,951	2,051	2,217	2,262

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



2010	2011	2012	2013	2014	2015
14	15	15	14	14	14
40	41	41	41	43	43
1,209	1,250	1,267	1,280	1,350	1,373
234	237	235	240	237	244
327	324	337	348	374	396
139	145	140	148	142	129
115	116	117	121	116	113
206	199	203	206	194	178
22	22	22	20	23	23
2,306	2,349	2,377	2,418	2,493	2,513

## INDEPENDENT SCHOOL DISTRICT NO. 833

Operating Indicators by Function  
Standardized Testing and Graduation Rates  
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
<b>Standardized tests</b>				
<b>MCA Reading (1)</b>				
Grade 3	87 %	85 %	83 %	84 %
Grade 4 (2)	N/A	75	78	79
Grade 5	83	79	78	80
Grade 6 (2)	N/A	75	76	81
Grade 7	78	74	71	76
Grade 8 (2)	N/A	77	73	73
Grade 10	73	70	78	84
<b>MCA Math (1)</b>				
Grade 3	84	84	85	88
Grade 4 (2)	N/A	77	78	82
Grade 5	59	58	71	74
Grade 6 (2)	N/A	69	74	71
Grade 7	72	66	65	74
Grade 8 (2)	N/A	67	65	65
Grade 11	38	38	39	49
<b>ACT</b>				
Average composite score	22.8	23.8	22.9	23.0

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test.
- (2) Test first administered in fiscal year 2006–2007.

2010	2011	2012	2013	2014	2015
84 %	87 %	85 %	65 %	65 %	67 %
80	83	86	60	64	67
82	87	86	71	72	79
77	81	82	65	67	68
75	78	81	64	64	66
75	82	83	68	69	69
81	86	87	74	71	71
91	80	79	81	82	81
86	75	81	83	77	77
78	61	65	72	67	68
73	57	68	65	69	64
71	60	65	68	68	67
70	65	69	73	72	69
56	65	56	68	60	58
23.0	23.4	23.6	23.5	24.1	24.1

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INDEPENDENT SCHOOL DISTRICT NO. 833

School Facilities  
as of June 30, 2015

Facility	Use	Constructed	Acres	Classrooms	Square Footage	Capacity*	Enrollment (1)
Armstrong Elementary	School	1969/1987/2001	12.00	31	76,211	484	342
Cottage Grove Elementary	School	2002	35.00	36	98,635	648	538
Crestview Elementary	School	1963/1970/1990/ 1999/2001	35.00	36	81,840	648	631
Gordon Bailey Elementary	School	1991/1992/2000	30.00	45	107,243	820	708
Grey Cloud Elementary	School	1991/1992/2001	41.00	45	110,954	756	682
Hillside Elementary	School	1963/1970/1990/ 2001	16.00	32	75,864	616	456
Liberty Ridge Elementary	School	2003/2013	25.00	56	135,123	993	1,034
Middleton Elementary	School	1991/1992/1999	30.00	45	107,614	780	776
Newport Elementary	School	1955/1970/1990	9.00	21	79,286	352	269
Pine Hill Elementary	School	1960/1967/1970/ 2001	12.00	28	73,631	510	383
Pullman Elementary	School	1960/1970/2002	16.00	29	70,842	510	375
Red Rock Elementary	School	2002	31.00	36	98,556	648	584
Royal Oaks Elementary	School	1966/1970/1990/ 2001	7.00	32	75,859	616	471
Woodbury Elementary	School	1960/1963/1970/ 1989/1990/1999/ 2002	10.00	40	95,567	648	507
Cottage Grove Middle School	School	1995/2004/2007	72.00	56	196,641	1,342	1,168
Lake Middle School	School	1995/2000	67.00	54	188,996	1,320	1,256
Oltman Middle School	School	1951/1960/1965/ 1973/1974/1995/ 2002	20.00	37	184,721	936	693
Woodbury Middle School	School	1969/1989/2002	16.00	44	181,496	1,080	956
East Ridge High School	School	2009	58.00	70	382,264	1,802	1,774
Park Senior High School	School	1964/1971/1973/ 1994/2002/2003	51.00	86	403,981	2,167	1,793
Woodbury Senior High School	School	1974/2002/2003	45.00	80	366,599	2,026	1,848
District Service Center	Office/ warehouse	1975	7.00	N/A	51,312	N/A	–
District Program Center	School/ office	1975	7.00	9	56,045	N/A	100
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, 2014.

\* 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
2006	15,484	1,357,036	172	7,890	50.95
2007	15,621	1,364,665	172	7,934	50.79
2008	15,761	1,427,835	173	8,253	52.37
2009	15,723	1,453,001	171	8,497	54.04
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	16,702	1,798,346	174	10,335	61.88

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

Free Lunch		Reduced Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
206,599	15.22	68,230	5.03
201,439	14.76	83,524	6.12
207,137	14.51	92,794	6.50
218,340	15.03	98,004	6.74
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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2006	2007	2008	2009
Administration	\$ 349	\$ 376	\$ 362	\$ 367
District support services	225	201	229	208
Elementary and secondary regular instruction	4,033	4,353	4,475	4,727
Vocational education instruction	145	146	156	149
Special education instruction	1,349	1,439	1,383	1,411
Instructional support services	459	609	508	477
Pupil support services	693	876	904	886
Sites and buildings	763	819	895	981
Fiscal and other fixed cost programs	29	27	26	16
Food service	337	351	373	387
Community service	494	546	561	591
Capital outlay	468	1,347	4,042	4,096
Debt service	891	1,072	1,501	1,439
Total expenditures	<u>\$ 10,235</u>	<u>\$ 12,162</u>	<u>\$ 15,414</u>	<u>\$ 15,735</u>
Average daily membership	<u>16,472.25</u>	<u>16,617.96</u>	<u>16,766.94</u>	<u>16,727.03</u>

Note: Includes all governmental fund expenditures.



2010	2011	2012	2013	2014	2015
\$ 371	\$ 387	\$ 391	\$ 390	\$ 411	\$ 424
238	229	225	234	210	304
4,859	5,012	4,998	5,161	5,243	5,510
134	116	98	99	123	125
1,440	1,408	1,358	1,471	1,673	1,819
515	509	491	517	532	542
948	1,002	1,000	1,042	1,070	1,126
908	979	1,129	1,063	1,197	1,083
28	19	23	24	27	32
382	402	419	427	446	492
590	600	651	692	720	687
1,634	1,115	811	406	205	696
1,517	1,462	1,508	1,520	1,599	1,791
\$ 13,563	\$ 13,241	\$ 13,102	\$ 13,044	\$ 13,457	\$ 14,628
16,864.10	17,150.17	17,476.57	17,649.40	17,719.30	17,768.31

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	
2006	106.47	1,102.00	7,804.01	7,459.77	16,472.25	18,922.60
2007	132.71	1,108.62	7,876.94	7,499.69	16,617.96	19,085.41
2008	140.67	1,108.31	7,895.99	7,621.97	16,766.94	19,344.52
2009	146.66	1,101.05	7,787.71	7,691.61	16,727.03	19,312.60
2010	154.53	1,148.96	7,852.79	7,707.82	16,864.10	19,443.29
2011	169.09	1,106.78	7,939.92	7,934.38	17,150.17	19,827.54
2012	218.11	1,164.59	8,034.05	8,059.82	17,476.57	20,188.71
2013	258.89	1,041.81	8,155.97	8,192.73	17,649.40	20,465.32
2014	267.29	1,058.51	8,155.43	8,238.07	17,719.30	20,542.38
2015	331.31	1,110.34	8,162.20	8,164.46	17,768.31	19,395.09

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

Note 2: Beginning in fiscal 2015, changes in ADM weightings as noted below reduced the calculated pupil units.

Note 3: 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 2006 through 2007	1.250	1.000	0.557	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015	1.000	1.000	0.550	1.000	1.000	1.000	1.200