



# **Comprehensive Annual Financial Report**

**For Fiscal Year Ended June 30, 2016**

**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, 2016**

**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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INDEPENDENT SCHOOL DISTRICT NO. 833

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## **Section I**

# **Introductory**

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## **South Washington County Schools**

**Keith Jacobus, Ph.D., Superintendent**

### **District Service Center**

7362 E. Point Douglas Rd. S.

Cottage Grove, MN 55016

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

December 20, 2016

To the School Board, citizens, and employees of South Washington County Schools:

### **INTRODUCTION**

The Comprehensive Annual Financial Report (CAFR) for Independent School District No. 833 (the District) is hereby submitted for the fiscal year ended June 30, 2016. 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, 2016. The independent auditor's report is located at the front of the financial section of this report.

### **REPORT FORMAT**

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

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

## **REPORTING ENTITY AND ITS SERVICES**

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

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

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

During the 2015–2016 school year, the District operated 24 buildings, including 3 high schools, 4 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 30 years. Enrollment has climbed steadily over the previous 10 years and the District served 17,783 students for the 2015–2016 school year. The District is projecting a similar enrollment for the 2016–2017 school year.

## **LOCAL ECONOMIC CONDITION AND OUTLOOK**

The District's population has grown from 77,263 in 2000 to 98,185 in 2016, a 27.0 percent increase. In that same time period, the District's enrollment has grown from 15,134 in 2000 to 17,783, a 17.5 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 three 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 2015 in Washington County was \$83,706, as compared to \$63,488 for the state of Minnesota and \$55,775 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 2015, the unemployment rate for Washington County was 2.9 percent, as compared to 3.7 percent for the state of Minnesota and 5.5 percent for the United States.

## **MISSION STATEMENT AND STRATEGIC PLANNING**

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

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

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

## **FINANCIAL AND BUDGETARY CONTROL**

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

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

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

## **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 \$36 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 2015–2016, 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 2015. It was the 10th 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**

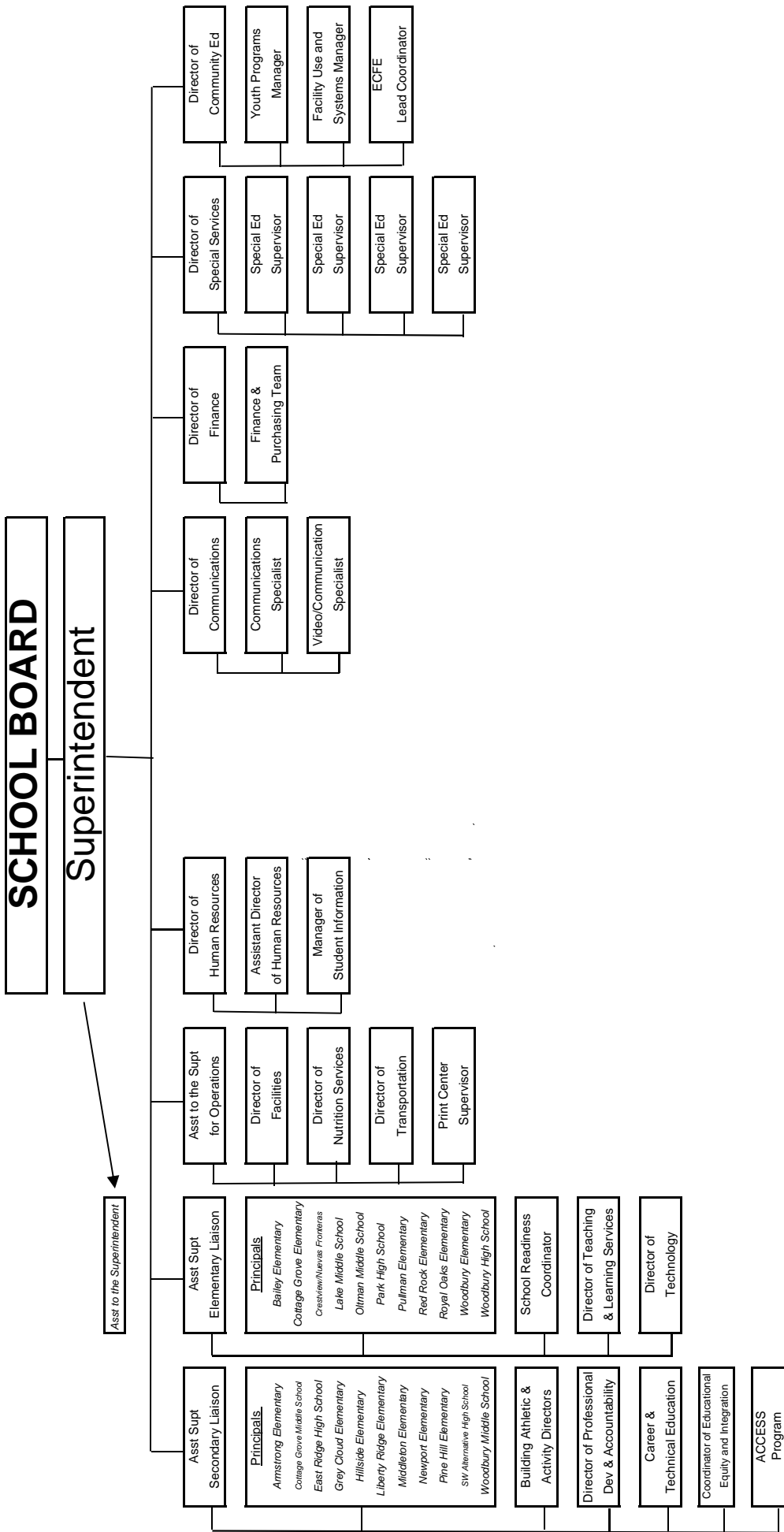
The preparation of a CAFR requires a significant amount of work on the part of a number of departments. Appreciation is extended to the many departments who contributed their time and expertise to this process.



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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, 2016

### SCHOOL BOARD

	<u>Position</u>
Ron Kath	Chairperson
Kathleen McElwee-Stevens	Vice Chairperson
Sharon Van Leer	Treasurer
Kathleen Schwartz	Clerk
Tracy Brunnette	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 and Accountability
Bob Lawrence	Director of Community Education
Dan Pyan	Director of Finance and Operations
Kevin Witherspoon	Director of Special Services
Wendy Tracy	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, 2015.**

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



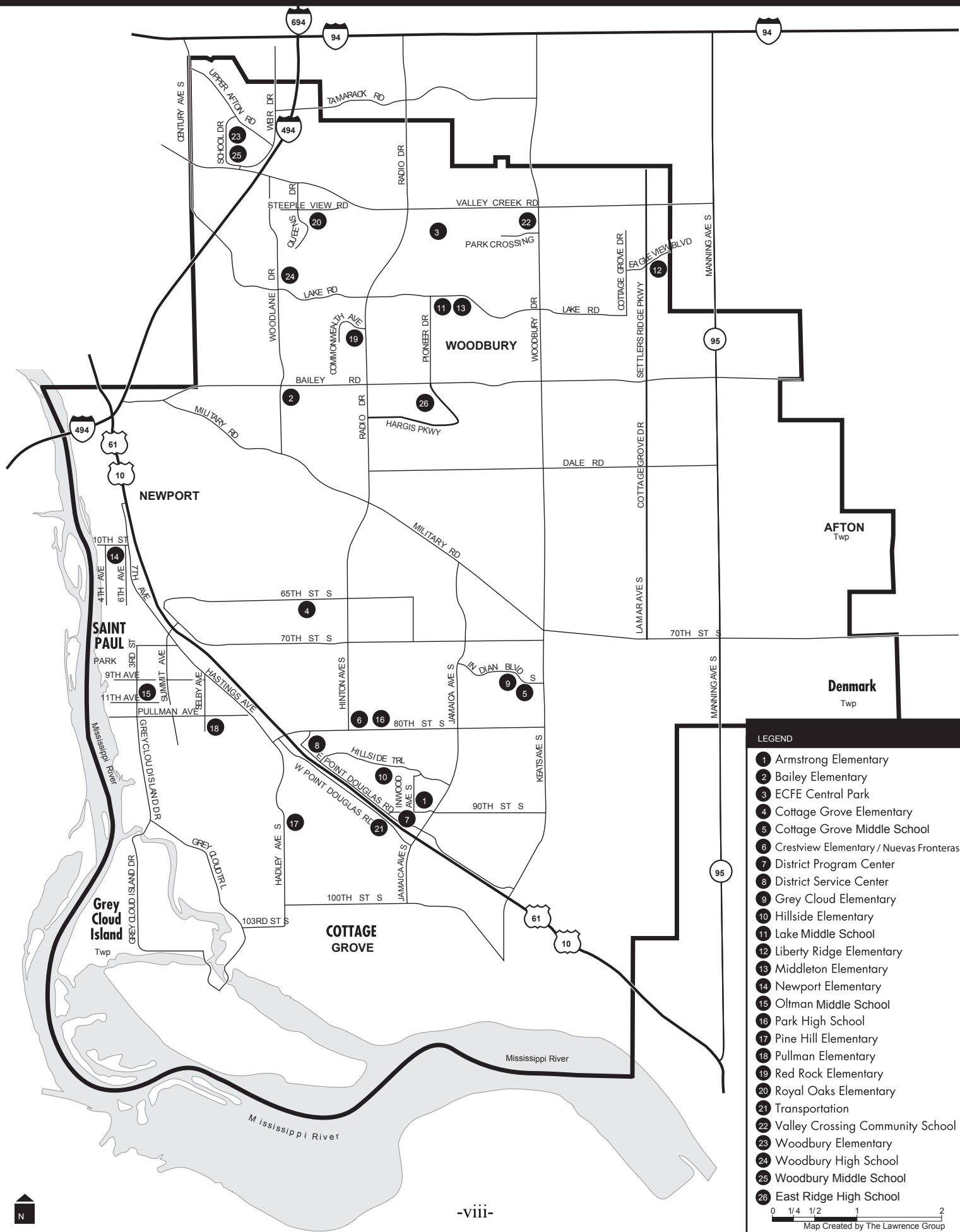
*Brenda Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*John D. Musso*

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 2015 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 7, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 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 December 20, 2016 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 20, 2016

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## INDEPENDENT SCHOOL DISTRICT NO. 833

### Management's Discussion and Analysis Year Ended June 30, 2016

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, 2016. 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, 2016 by \$30,291,034 (net position deficit). The District's total net position increased by \$13,855,605 during the fiscal year ended June 30, 2016.
- Government-wide revenues totaled \$248,010,951 and were \$4,500,955 more than expenses of \$243,509,996. The District also reported a special item, which increased net position by \$9,354,650. The special item represents the District's share of the sale of a joint school operated through a joint powers agreement.
- The General Fund's total fund balance (under the governmental fund presentation) decreased \$3,014,419 from the prior year, compared to a \$1,526,704 increase 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, 2016 and 2015</b>		
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current and other assets	\$ 323,185,560	\$ 159,929,033
Capital assets, net of depreciation	355,347,622	327,000,749
<b>Total assets</b>	<b>\$ 678,533,182</b>	<b>\$ 486,929,782</b>
<b>Deferred outflows of resources</b>		
Pension plan deferments – PERA and TRA	<b>\$ 27,247,260</b>	<b>\$ 21,349,911</b>
<b>Liabilities</b>		
Current and other liabilities	\$ 32,752,738	\$ 31,341,298
Long-term liabilities, including due within one year	614,564,986	429,914,044
<b>Total liabilities</b>	<b>\$ 647,317,724</b>	<b>\$ 461,255,342</b>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 69,814,848	\$ 55,430,639
Pension plan deferments – PERA and TRA	18,938,904	35,740,351
<b>Total deferred inflows of resources</b>	<b>\$ 88,753,752</b>	<b>\$ 91,170,990</b>
<b>Net position</b>		
Net investment in capital assets	\$ 85,486,603	\$ 67,105,680
Restricted	7,985,002	5,307,406
Unrestricted	(123,762,639)	(116,559,725)
<b>Total net position</b>	<b>\$ (30,291,034)</b>	<b>\$ (44,146,639)</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 increased by \$13,855,605, from current year operating results.

The District's increase in net investment in capital assets is due mostly to the District repaying debt at a faster rate than the assets being depreciated. The District's use of the special item proceeds for capital assets also contributed to the overall increase in the net investment in capital assets. An increase in net position restricted for capital asset acquisition, food service, community service, and other state funding purposes increased the restricted portion of net position. The decrease in unrestricted net position was primarily due to the operating results in the General Fund and internal service funds, discussed later in this report.

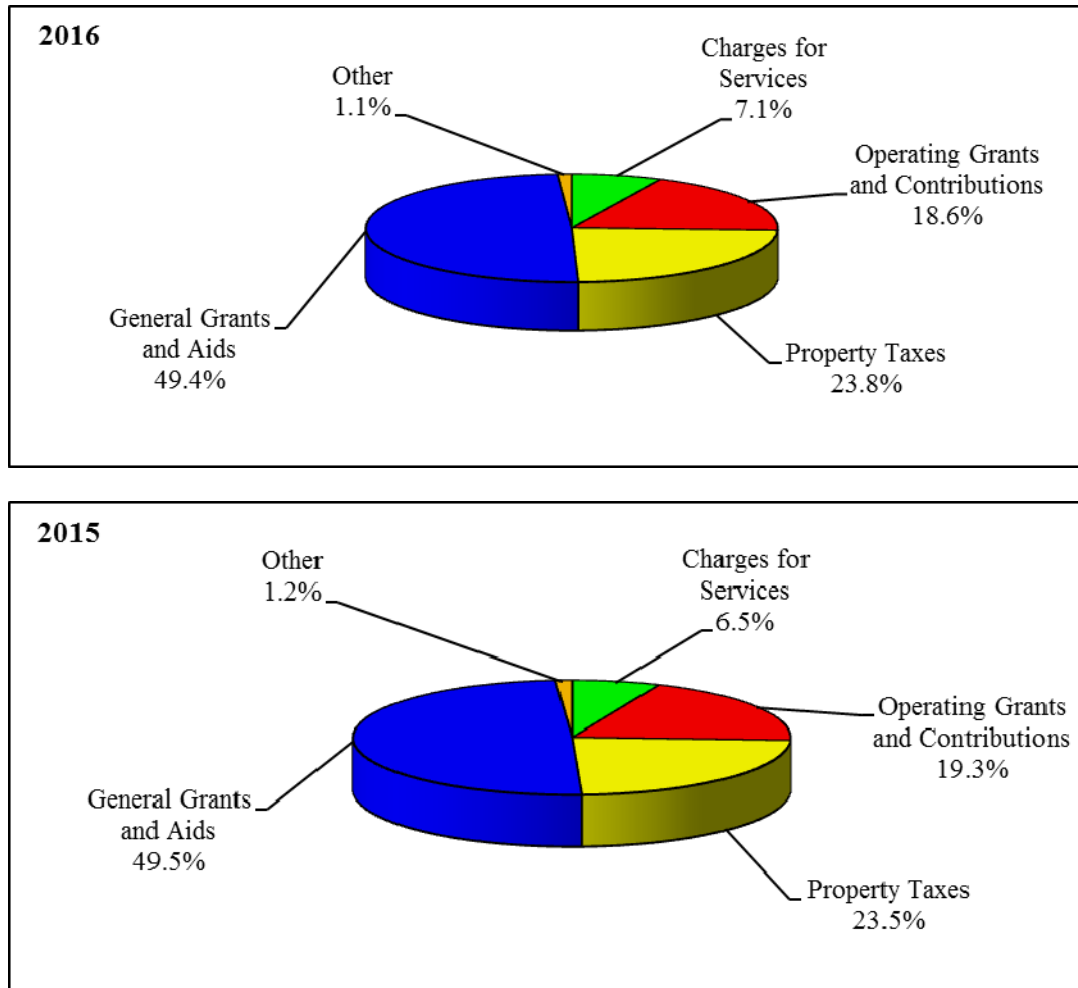
Table 2 presents a summarized version of the District's Statement of Activities:

<b>Table 2</b> <b>Summary Statement of Activities</b> <b>for the Years Ended June 30, 2016 and 2015</b>		
	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 17,550,652	\$ 15,538,821
Operating grants and contributions	46,131,521	46,117,949
General revenues		
Property taxes	58,917,343	56,307,154
General grants and aids	122,563,945	118,753,997
Other	2,847,490	2,779,766
<b>Total revenues</b>	<u>248,010,951</u>	<u>239,497,687</u>
<b>Expenses</b>		
Administration	8,060,524	7,532,409
District support services	6,414,735	5,376,819
Elementary and secondary regular instruction	100,748,199	98,375,195
Vocational education instruction	2,313,645	2,205,777
Special education instruction	34,696,192	31,977,796
Instructional support services	9,842,037	9,562,822
Pupil support services	19,090,739	20,109,824
Sites and buildings	20,099,373	22,005,923
Fiscal and other fixed cost programs	318,258	575,898
Food service	8,651,331	9,163,254
Community service	13,312,337	12,359,513
Unallocated depreciation	8,997,829	9,217,946
Interest and fiscal charges	10,964,797	11,615,626
<b>Total expenses</b>	<u>243,509,996</u>	<u>240,078,802</u>
<b>Change in net position before special item</b>	4,500,955	(581,115)
<b>Special item – joint school proceeds</b>	<u>9,354,650</u>	<u>–</u>
<b>Change in net position</b>	13,855,605	(581,115)
<b>Net position – beginning</b>	<u>(44,146,639)</u>	<u>(43,565,524)</u>
<b>Net position – ending</b>	<u><u>\$ (30,291,034)</u></u>	<u><u>\$ (44,146,639)</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 2016 and 2015**

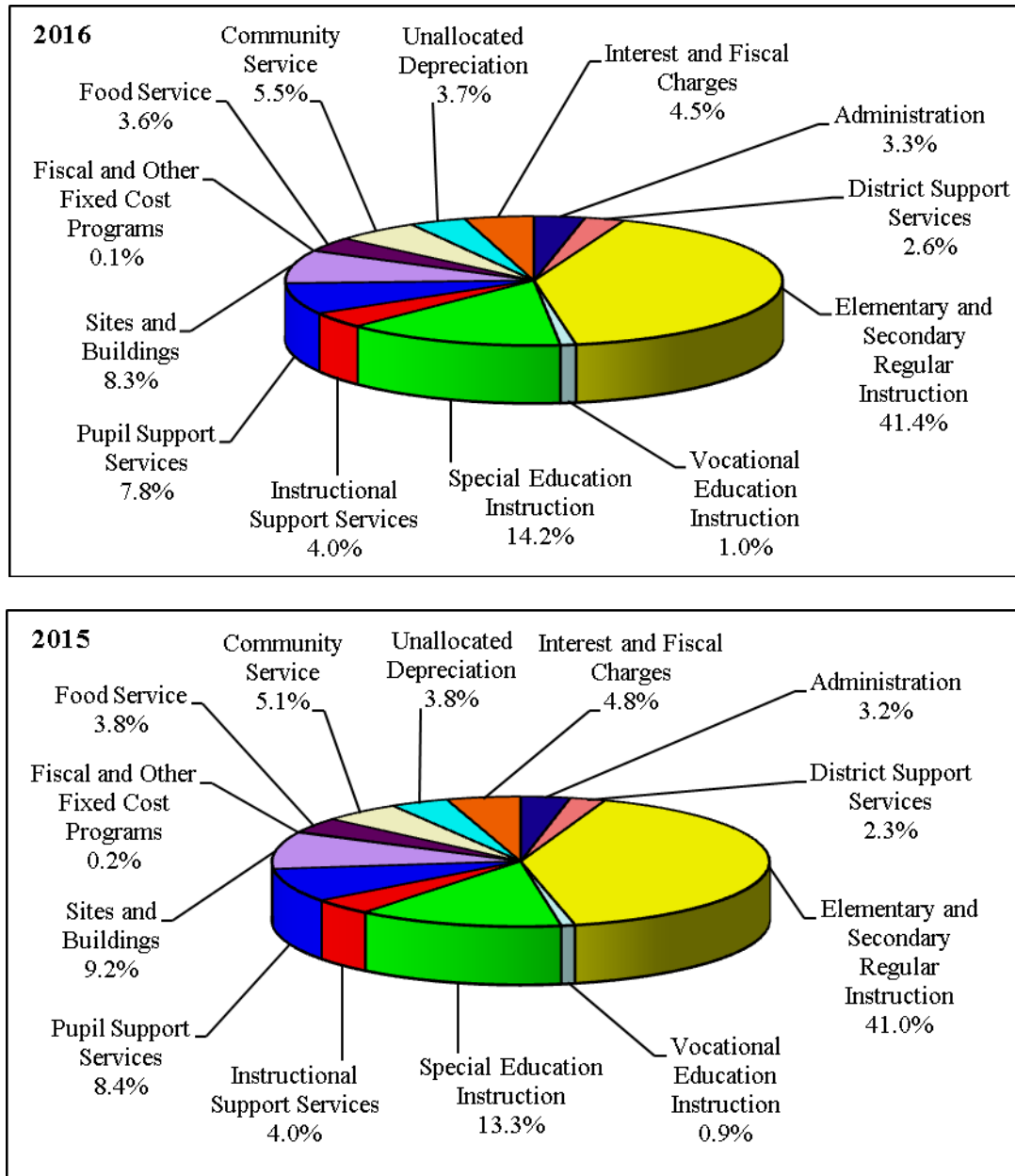


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts as a result of limited funding increases in recent years.

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

Figure B shows further analysis of these expense functions:

**Figure B – Expenses for Fiscal Years 2016 and 2015**



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, 2016 and 2015</b>			
	2016	2015	Increase (Decrease)
Major funds			
General	\$ 7,303,067	\$ 10,317,486	\$ (3,014,419)
Capital Projects –			
Building Construction	114,279,608	11,028,500	103,251,108
Debt Service	89,987,868	40,357,373	49,630,495
Nonmajor funds			
Food Service Special Revenue	609,048	78,680	530,368
Community Service Special Revenue	764,920	747,755	17,165
Total governmental funds	<u>\$ 212,944,511</u>	<u>\$ 62,529,794</u>	<u>\$ 150,414,717</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, 2016, the District's governmental funds reported combined fund balances of \$212,944,511, an increase of \$150,414,717 in comparison with the prior year. The District has an unassigned fund balance deficit of (\$5,557,353) as of June 30, 2016. The remainder of the fund balance is either nonspendable, restricted, or committed to indicate that it is: 1) not in spendable form (\$3,421,681), 2) restricted for particular purposes (\$212,232,120), or 3) committed for particular purposes (\$2,848,063).

## 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	<u>\$ 194,838,602</u>	<u>\$ 195,396,307</u>	<u>\$ 557,705</u>	<u>0.3%</u>
Expenditures	<u>\$ 198,194,950</u>	<u>\$ 193,869,603</u>	<u>\$ (4,325,347)</u>	<u>(2.2%)</u>

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

Table 5 summarizes the operating results of the General Fund:

<b>Table 5 General Fund Operating Results</b>					
	<u>2016 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	\$ 194,888,424	\$ (507,883)	(0.3%)	\$ 3,810,742	2.0%
Expenditures	<u>212,209,602</u>	<u>18,339,999</u>	9.5%	<u>15,640,854</u>	8.0%
Excess (deficiency) of revenue over expenditures	(17,321,178)	(18,847,882)		(11,830,112)	
Total other financing sources	4,952,109	4,952,109		(1,370,891)	
Special item – joint school proceeds	<u>9,354,650</u>	<u>9,354,650</u>		<u>9,354,650</u>	
Net change in fund balances	<u>\$ (3,014,419)</u>	<u>\$ (4,541,123)</u>		<u>\$ (3,846,353)</u>	

The fund balance of the General Fund decreased \$3,014,419, compared to an increase of \$1,526,704 approved in the budget.



General Fund revenues for 2016 increased \$3,810,742, or 2.0 percent, compared to the prior year. This was \$507,883, or 0.3 percent, below budget. Revenues were close to budget in total, but within state sources the District recognized less general education and special education aids than expected. This was due to serving fewer students than anticipated and adjusting special education revenues for an over accrual in the prior year. The District recognized approximately \$2.4 million in state sources that was passed through the District with an equal and offsetting expenditure for pension benefits to the Teachers Retirement Association (TRA) pension plan, which was not planned in the budget. This pension pass-through transaction offset a portion of the shortage in general education and special education sources. The increase from the prior year was mainly due to improvements in the general education funding formula and about \$2.4 million of state funding pass-through for pensions.

Total General Fund expenditures for 2016 increased \$15,640,854, or 8.0 percent, over the prior year. Current year expenditures of \$212,209,600 were \$18,339,999, or 9.5 percent, over budget. The expenditure variance was spread across several programs and object categories of the General Fund. Three factors contributed to the increase over the prior year and variance to the final budget. The first factor was the \$2.4 million TRA pass-through entry mentioned above with revenues. The second factor was for the increase in expenditures that were financed by capital leases in the current year. The third factor was an increase in capital spending of the resources received from the special item previously discussed. The additional difference in budget was primarily in salary and benefits as contractually approved, with an increase for retroactive salary payments that were not planned in the final budget.

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

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

The District's issuance of the 2016A Building Bonds, 2016C Facilities Maintenance Bonds, and 2016D Certificates of Participation, which are being used to finance construction and improvements at several district facilities, contributed to the overall increase in fund balance. The District has \$114,279,608 of resources remaining in this fund as of June 30, 2016 to finance various district projects.

### **Debt Service Fund**

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$49,630,495 in the current year. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The remaining fund balance of \$89,987,868 at June 30, 2016 is available for meeting future debt service obligations.

### **Other Governmental Funds**

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$530,368, compared to a planned fund balance increase of \$3,578.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$17,165, compared to a planned fund balance increase of \$107,660.

### **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.

The net position balance for all internal service funds as of June 30, 2016 was \$8,941,038, which represents a decrease of \$2,349,789 from the prior year.

## 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, 2016 and 2015.

<b>Table 6</b>			
<b>Capital Assets</b>			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$ 9,747,070	\$ 9,747,070	\$ –
Construction in progress	44,554,489	9,505,120	35,049,369
Land improvements	13,585,366	13,585,366	–
Buildings	392,812,533	391,257,247	1,555,286
Machinery and equipment	14,702,874	14,343,198	359,676
Licensed vehicles	11,181,327	9,742,593	1,438,734
Less accumulated depreciation	<u>(131,236,037)</u>	<u>(121,179,845)</u>	<u>(10,056,192)</u>
Total	<u>\$ 355,347,622</u>	<u>\$ 327,000,749</u>	<u>\$ 28,346,873</u>
Depreciation expense	<u>\$ 10,056,192</u>	<u>\$ 10,344,552</u>	<u>\$ (288,360)</u>

By the end of 2016, 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 2016, 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>			
	2016	2015	Change
General obligation bonds	\$ 415,810,000	\$ 292,440,000	\$ 123,370,000
Certificates of participation	13,200,000	–	13,200,000
Unamortized premium/discount	31,115,494	9,239,371	21,876,123
Capital leases	9,757,949	6,619,996	3,137,953
Net pension liability – PERA	25,928,143	25,112,830	815,313
Net pension liability – TRA	113,568,572	92,098,657	21,469,915
Compensated absences	1,199,853	1,070,476	129,377
Severance benefits	1,558,011	1,722,489	(164,478)
Net pension obligation	81,305	–	81,305
Net OPEB obligation	2,345,659	1,610,225	735,434
Total	<u>\$ 614,564,986</u>	<u>\$ 429,914,044</u>	<u>\$ 184,650,942</u>

The issuance of building and refunding bonds with premiums, offset by scheduled and refunding principal payments account for their changes above. The increase in certificates of participation payable is due to the current year issuance as previously mentioned in the Capital Projects – Building Construction Fund discussion. The District entered into two capital leases in the current year for space and buses that exceeded the current year principal payments scheduled. The differences in the Public Employees Retirement Association and the TRA net pension liabilities reflects the change in the District's proportionate share of these state-wide pension obligations.

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	\$ 9,372,785,100
Limit rate	<u>15.00%</u>
Legal debt limit	<u>\$ 1,405,917,765</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. For the 2017 fiscal year, the legislature added \$119, or 2.0 percent, per pupil to the basic general education funding formula. 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, 2016  
(With Partial Comparative Information as of June 30, 2015)

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	\$ 157,034,730	\$ 99,301,587
Receivables		
Current taxes	38,862,955	32,176,756
Delinquent taxes	389,061	632,177
Accounts and interest	313,977	69,323
Due from other governmental units	17,121,333	22,163,568
Inventory	266,738	365,238
Prepaid items	3,154,943	2,895,467
Net pension asset	—	56,917
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	20,567,627	2,268,000
Cash and investments for debt service	85,474,196	—
Capital assets		
Not depreciated	54,301,559	19,252,190
Depreciated, net of accumulated depreciation	301,046,063	307,748,559
Total capital assets, net of accumulated depreciation	<u>355,347,622</u>	<u>327,000,749</u>
Total assets	678,533,182	486,929,782
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	<u>27,247,260</u>	<u>21,349,911</u>
Total assets and deferred outflows of resources	<u>\$ 705,780,442</u>	<u>\$ 508,279,693</u>
Liabilities		
Salaries payable	\$ 14,167,160	\$ 11,168,069
Accounts and contracts payable	9,363,462	12,655,072
Accrued interest payable	5,543,485	4,368,147
Due to other governmental units	532,504	680,316
Unearned revenue	3,146,127	2,469,694
Long-term liabilities		
Due within one year	19,527,765	54,395,602
Due in more than one year	595,037,221	375,518,442
Total long-term liabilities	<u>614,564,986</u>	<u>429,914,044</u>
Total liabilities	647,317,724	461,255,342
Deferred inflows of resources		
Property taxes levied for subsequent year	69,814,848	55,430,639
Pension plan deferments – PERA and TRA	<u>18,938,904</u>	<u>35,740,351</u>
Total deferred inflows of resources	88,753,752	91,170,990
Net position		
Net investment in capital assets	85,486,603	67,105,680
Restricted for		
Capital asset acquisition	4,189,686	2,899,837
Food service	609,048	78,680
Community service	2,143,708	1,978,345
Other purposes (state and other funding restrictions)	1,042,560	350,544
Unrestricted	<u>(123,762,639)</u>	<u>(116,559,725)</u>
Total net position	<u>(30,291,034)</u>	<u>(44,146,639)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 705,780,442</u>	<u>\$ 508,279,693</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Activities  
Year Ended June 30, 2016  
(With Partial Comparative Information for the Year Ended June 30, 2015)

Functions/Programs	Expenses	2016		2015
		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
				Governmental
				Activities
Governmental activities				
Administration	\$ 8,060,524	\$ —	\$ 52,163	\$ (8,008,361)
District support services	6,414,735	—	707	(6,414,028)
Elementary and secondary regular instruction	100,748,199	1,484,676	13,846,790	(85,416,733)
Vocational education instruction	2,313,645	—	823,355	(1,490,290)
Special education instruction	34,696,192	2,481	21,217,237	(13,476,474)
Instructional support services	9,842,037	—	2,314,914	(7,527,123)
Pupil support services	19,090,739	121,781	2,789,348	(16,179,610)
Sites and buildings	20,099,373	—	14	(20,099,359)
Fiscal and other fixed cost programs	318,258	—	—	(318,258)
Food service	8,651,331	5,929,451	3,160,893	439,013
Community service	13,312,337	10,012,263	1,926,100	(1,373,974)
Unallocated depreciation	8,997,829	—	—	(8,997,829)
Interest and fiscal charges	10,964,797	—	—	(10,964,797)
Total governmental activities	<u>\$ 243,509,996</u>	<u>\$ 17,550,652</u>	<u>\$ 46,131,521</u>	(179,827,823)
General revenues				
Taxes				
Property taxes levied for general purposes				28,665,427
Property taxes levied for community service				1,327,464
Property taxes levied for capital projects				2,089,950
Property taxes levied for debt service				26,834,502
General grants and aids				122,563,945
Other general revenues				2,267,072
Investment earnings				580,418
Special item – joint school proceeds				9,354,650
Total general revenues and special item				<u>193,683,428</u>
Change in net position				13,855,605
Net position – beginning				<u>(44,146,639)</u>
Net position – ending				<u>\$ (30,291,034)</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Balance Sheet  
Governmental Funds  
as of June 30, 2016  
(With Partial Comparative Information as of June 30, 2015)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 22,491,674	\$ 101,544,192	\$ 17,662,749
Cash and investments held by trustee	5,590,319	14,977,308	85,474,196
Receivables			
Current taxes	22,569,473	–	15,547,350
Delinquent taxes	202,826	–	177,021
Accounts and interest	81,570	221,239	1,147
Due from other governmental units	16,502,792	–	996
Inventory	176,919	–	–
Prepaid items	2,962,591	–	–
Total assets	<u>\$ 70,578,164</u>	<u>\$ 116,742,739</u>	<u>\$ 118,863,459</u>
Liabilities			
Salaries payable	\$ 13,837,267	\$ –	\$ –
Accounts and contracts payable	6,393,558	2,463,131	–
Due to other governmental units	529,465	–	–
Unearned revenue	2,670,804	–	–
Total liabilities	<u>23,431,094</u>	<u>2,463,131</u>	<u>–</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	151,090	–	133,038
Property taxes levied for subsequent year	39,692,913	–	28,742,553
Total deferred inflows of resources	<u>39,844,003</u>	<u>–</u>	<u>28,875,591</u>
Fund balances (deficit)			
Nonspendable	3,139,510	–	–
Restricted	5,232,246	114,548,228	89,987,868
Committed	2,848,063	–	–
Assigned	–	–	–
Unassigned	(3,916,752)	(268,620)	–
Total fund balances	<u>7,303,067</u>	<u>114,279,608</u>	<u>89,987,868</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 70,578,164</u>	<u>\$ 116,742,739</u>	<u>\$ 118,863,459</u>

See notes to basic financial statements



Nonmajor Funds	Total Governmental Funds	
	2016	2015
\$ 2,416,583	\$ 144,115,198	\$ 84,752,795
–	106,041,823	2,268,000
746,132	38,862,955	32,176,756
9,214	389,061	632,177
3,540	307,496	51,491
617,545	17,121,333	22,163,568
89,819	266,738	365,238
192,352	3,154,943	2,895,467
<u>\$ 4,075,185</u>	<u>\$ 310,259,547</u>	<u>\$ 145,305,492</u>
\$ 329,893	\$ 14,167,160	\$ 11,168,069
506,773	9,363,462	12,655,072
3,039	532,504	680,316
475,323	3,146,127	2,469,694
1,315,028	27,209,253	26,973,151
6,807	290,935	371,908
1,379,382	69,814,848	55,430,639
1,386,189	70,105,783	55,802,547
282,171	3,421,681	3,260,705
2,463,778	212,232,120	56,477,698
–	2,848,063	1,611,060
–	–	2,506,731
(1,371,981)	(5,557,353)	(1,326,400)
<u>1,373,968</u>	<u>212,944,511</u>	<u>62,529,794</u>
<u>\$ 4,075,185</u>	<u>\$ 310,259,547</u>	<u>\$ 145,305,492</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, 2016  
(With Partial Comparative Information as of June 30, 2015)

	2016	2015
Total fund balances – governmental funds	\$ 212,944,511	\$ 62,529,794
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	486,583,659	448,180,594
Accumulated depreciation	(131,236,037)	(121,179,845)
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	(415,810,000)	(292,440,000)
Certificates of participation	(13,200,000)	–
Unamortized premium/discount	(31,115,494)	(9,239,371)
Capital leases	(9,757,949)	(6,619,996)
Net pension liability – PERA	(25,928,143)	(25,112,830)
Net pension liability – TRA	(113,568,572)	(92,098,657)
Compensated absences	(1,199,853)	(1,070,476)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	8,941,038	11,290,827
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(5,543,485)	(4,368,147)
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	27,247,260	21,349,911
Deferred inflows – PERA and TRA pension plans	(18,938,904)	(35,740,351)
Deferred inflows – delinquent property taxes	290,935	371,908
Total net position – governmental activities	\$ (30,291,034)	\$ (44,146,639)

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, 2016  
(With Partial Comparative Information for the Year Ended June 30, 2015)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 28,704,114	\$ 2,089,950	\$ 26,874,642
Investment earnings	45,546	448,756	70,293
Other	3,657,510	30,125	–
State sources	158,400,311	–	9,949
Federal sources	4,080,943	–	1,117,270
Total revenue	<u>194,888,424</u>	<u>2,568,831</u>	<u>28,072,154</u>
Expenditures			
Current			
Administration	7,892,778	–	–
District support services	6,523,030	–	–
Elementary and secondary regular instruction	98,789,970	–	–
Vocational education instruction	2,317,450	–	–
Special education instruction	34,778,587	–	–
Instructional support services	9,845,835	–	–
Pupil support services	19,897,703	–	–
Sites and buildings	30,054,434	–	–
Fiscal and other fixed cost programs	318,258	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	26,008,614	573,208
Debt service			
Principal	1,625,781	–	15,270,000
Interest and fiscal charges	165,776	–	12,689,647
Total expenditures	<u>212,209,602</u>	<u>26,008,614</u>	<u>28,532,855</u>
Excess (deficiency) of revenue over expenditures	(17,321,178)	(23,439,783)	(460,701)
Other financing sources (uses)			
Bonds issued	–	101,615,000	–
Refunding bonds issued	–	–	73,460,000
Certificates of participation issued	–	13,200,000	–
Premium on debt issued	–	11,875,891	13,066,196
Capital leases issued	4,763,734	–	–
Payment on refunded bonds	–	–	(36,435,000)
Proceeds from sale of assets	188,375	–	–
Transfers in	–	–	–
Total other financing sources (uses)	<u>4,952,109</u>	<u>126,690,891</u>	<u>50,091,196</u>
Net change in fund balances before special item	(12,369,069)	103,251,108	49,630,495
Special item – joint school proceeds	<u>9,354,650</u>	<u>–</u>	<u>–</u>
Net change in fund balances	(3,014,419)	103,251,108	49,630,495
Fund balances			
Beginning of year	<u>10,317,486</u>	<u>11,028,500</u>	<u>40,357,373</u>
End of year	<u>\$ 7,303,067</u>	<u>\$ 114,279,608</u>	<u>\$ 89,987,868</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2016	2015
\$ 1,329,610	\$ 58,998,316	\$ 56,771,747
2,101	566,696	86,803
15,941,714	19,629,349	18,136,921
2,342,405	160,752,665	156,896,497
2,744,588	7,942,801	7,692,816
22,360,418	247,889,827	239,584,784
—	7,892,778	7,527,157
—	6,523,030	5,405,748
—	98,789,970	97,894,964
—	2,317,450	2,219,972
—	34,778,587	32,318,511
—	9,845,835	9,624,579
—	19,897,703	19,998,559
—	30,054,434	19,235,624
—	318,258	575,898
8,442,308	8,442,308	8,733,963
13,046,284	13,046,284	12,199,272
324,293	26,906,115	12,365,749
—	16,895,781	19,522,458
—	12,855,423	12,295,560
21,812,885	288,563,956	259,918,014
547,533	(40,674,129)	(20,333,230)
—	101,615,000	—
—	73,460,000	32,695,000
—	13,200,000	—
—	24,942,087	4,001,004
—	4,763,734	2,268,000
—	(36,435,000)	—
—	188,375	59,749
—	—	4,000,000
—	181,734,196	43,023,753
547,533	141,060,067	22,690,523
—	9,354,650	—
547,533	150,414,717	22,690,523
826,435	62,529,794	39,839,271
\$ 1,373,968	\$ 212,944,511	\$ 62,529,794

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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, 2016  
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016	2015
Total net change in fund balances – governmental funds	\$ 150,414,717	\$ 22,690,523
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	38,403,065	9,850,546
Depreciation expense	(10,056,192)	(10,344,552)
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.	(2,349,789)	(5,548,124)
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.	(193,038,734)	(34,963,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	51,705,000	17,105,000
Capital leases	1,625,781	2,417,458
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.	(1,175,338)	(23,650)
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	(815,313)	3,991,190
Net pension liability – TRA	(21,469,915)	20,912,836
Compensated absences	(129,377)	58,893
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.	(21,876,123)	(3,297,420)
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
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	5,897,349	12,928,656
Deferred inflows – PERA and TRA pension plans	16,801,447	(35,740,351)
Deferred inflows – delinquent property taxes	(80,973)	(464,593)
Change in net position – governmental activities	<u>\$ 13,855,605</u>	<u>\$ (581,115)</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, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 28,438,391	\$ 28,438,571	\$ 28,704,114	\$ 265,543
Investment earnings	35,000	35,000	45,546	10,546
Other	3,545,133	3,727,916	3,657,510	(70,406)
State sources	158,680,844	159,056,630	158,400,311	(656,319)
Federal sources	4,139,234	4,138,190	4,080,943	(57,247)
Total revenue	194,838,602	195,396,307	194,888,424	(507,883)
Expenditures				
Current				
Administration	7,242,452	7,535,634	7,892,778	357,144
District support services	5,365,699	6,978,829	6,523,030	(455,799)
Elementary and secondary regular instruction	95,383,245	96,580,190	98,789,970	2,209,780
Vocational education instruction	2,059,213	1,991,548	2,317,450	325,902
Special education instruction	35,690,866	30,886,594	34,778,587	3,891,993
Instructional support services	10,023,451	9,353,606	9,845,835	492,229
Pupil support services	20,461,073	20,130,350	19,897,703	(232,647)
Sites and buildings	18,906,978	17,670,362	30,054,434	12,384,072
Fiscal and other fixed cost programs	1,374,250	469,250	318,258	(150,992)
Debt service				
Principal	1,494,154	2,091,671	1,625,781	(465,890)
Interest and fiscal charges	193,569	181,569	165,776	(15,793)
Total expenditures	198,194,950	193,869,603	212,209,602	18,339,999
Excess (deficiency) of revenue over expenditures	(3,356,348)	1,526,704	(17,321,178)	(18,847,882)
Other financing sources				
Capital leases issued	—	—	4,763,734	4,763,734
Proceeds from sale of assets	—	—	188,375	188,375
Total other financing sources	—	—	4,952,109	4,952,109
Net change in fund balances before special item	(3,356,348)	1,526,704	(12,369,069)	(13,895,773)
Special item – joint school proceeds	—	—	9,354,650	9,354,650
Net change in fund balances	\$ (3,356,348)	\$ 1,526,704	(3,014,419)	\$ (4,541,123)
Fund balances				
Beginning of year			10,317,486	
End of year			\$ 7,303,067	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Net Position  
 Proprietary Funds  
 Internal Service Funds  
 as of June 30, 2016  
 (With Partial Comparative Information as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and temporary investments	\$ 12,919,532	\$ 14,548,792
Interest receivable	<u>6,481</u>	<u>17,832</u>
Total current assets	12,926,013	14,566,624
Long-term assets		
Net pension asset	<u>—</u>	<u>56,917</u>
Total assets	12,926,013	14,623,541
Liabilities		
Current liabilities		
Severance benefits	244,568	212,475
Long-term liabilities		
Severance benefits	1,313,443	1,510,014
Net pension obligation	81,305	—
Net other post-employment benefits obligation	<u>2,345,659</u>	<u>1,610,225</u>
Total long-term liabilities	<u>3,740,407</u>	<u>3,120,239</u>
Total liabilities	<u>3,984,975</u>	<u>3,332,714</u>
Net position		
Unrestricted	<u>\$ 8,941,038</u>	<u>\$ 11,290,827</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, 2016  
 (With Partial Comparative Information for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Operating revenue		
Contributions from governmental funds	\$ —	\$ 968,327
Operating expenses		
Severance benefits	138,090	126,298
Pension benefits	413,027	465,375
Other post-employment benefits	1,812,394	1,966,105
Total operating expenses	<u>2,363,511</u>	<u>2,557,778</u>
Operating income (loss)	(2,363,511)	(1,589,451)
Nonoperating revenue		
Investment earnings	<u>13,722</u>	<u>41,327</u>
Income (loss) before transfers	(2,349,789)	(1,548,124)
Transfers in	138,090	591,240
Transfers (out)	<u>(138,090)</u>	<u>(4,591,240)</u>
Change in net position	(2,349,789)	(5,548,124)
Net position		
Beginning of year	<u>11,290,827</u>	<u>16,838,951</u>
End of year	<u>\$ 8,941,038</u>	<u>\$ 11,290,827</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, 2016  
 (With Partial Comparative Information for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$       —	\$    968,327
Severance benefit payments	(302,568)	(287,336)
Pension benefit payments	(274,805)	(521,859)
Other post-employment benefit payments	<u>(1,076,960)</u>	<u>(1,519,712)</u>
Net cash flows from operating activities	(1,654,333)	(1,360,580)
Cash flows from noncapital financing activities		
Transfer in	138,090	591,240
Transfer (out)	<u>(138,090)</u>	<u>(4,591,240)</u>
Net cash flows from noncapital financing activities	—	(4,000,000)
Cash flows from investing activities		
Interest on investments	<u>25,073</u>	<u>41,749</u>
Net change in cash and cash equivalents	(1,629,260)	(5,318,831)
Cash and cash equivalents		
Beginning of year	<u>14,548,792</u>	<u>19,867,623</u>
End of year	<u><u>\$ 12,919,532</u></u>	<u><u>\$ 14,548,792</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (2,363,511)	\$ (1,589,451)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Net pension asset	56,917	(56,484)
Severance benefits	(164,478)	(161,038)
Net pension obligation	81,305	—
Net other post-employment benefits obligation	<u>735,434</u>	<u>446,393</u>
Net cash flows from operating activities	<u><u>\$ (1,654,333)</u></u>	<u><u>\$ (1,360,580)</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Fiduciary Net Position  
Fiduciary Fund  
as of June 30, 2016

	Scholarship Private-Purpose Trust Fund
Assets	
Cash and temporary investments	\$ 56,008
Net position	
Held in trust for scholarships	\$ 56,008

Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended June 30, 2016

	Scholarship Private-Purpose Trust Fund
Additions	
Contributions	\$ 40,500
Deductions	
Scholarships and other deductions	33,000
Change in net position	7,500
Net position	
Beginning of year	48,508
End of year	\$ 56,008

See notes to basic financial statements

## INDEPENDENT SCHOOL DISTRICT NO. 833

### Notes to Basic Financial Statements Year Ended June 30, 2016

#### **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 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. 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 OPEB 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, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and the Debt Service Fund exceeded budgeted appropriations by \$18,339,999, \$145,321, \$13,035,775, and \$347,408, respectively, during the fiscal year ended June 30, 2016. These variances were financed by revenues, other financing sources, and proceeds from the Valley Crossing Elementary School (the joint school) sale 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 and Capital Projects – Building Construction Fund, the escrow accounts held by the trustee can be used only for certain capital asset acquisition costs as required by terms of the debt issue. In the Debt Service Fund, the refunding bond escrow account held by trustee is used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the respective escrow account.

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

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

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

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

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

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

### G. Receivables

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

At June 30, 2016, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 16,731,400
Due from other Minnesota school districts	242,687
Due from Washington County and other	<u>147,246</u>
Total	<u><u>\$ 17,121,333</u></u>

### H. Inventories

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

### I. Prepaid Items

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

### J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,217,635 of the property tax levy collectible in 2016 as revenue to the District in fiscal year 2015–2016. The remaining portion of the taxes collectible in 2016 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

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

### **K. Capital Assets**

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

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

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

### **L. Long-Term Obligations**

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

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

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

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

### O. Net Position

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

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

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

### 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. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association (DTRFA) in 2015.

### **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 2016.

### **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 and disclosures at the date of the financial statements and 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, 2015, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 9,766,620
Investments	253,353,961
Cash on hand	11,980
	<hr/>
Total	<u>\$ 263,132,561</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 157,034,730
Restricted assets – temporarily restricted	
Cash and investments for capital asset acquisition	20,567,627
Cash and investments for debt service	85,474,196
Statement of Fiduciary Net Position	
Cash and temporary investments	56,008
	<hr/>
Total	<u>\$ 263,132,561</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 bank balance and carrying amount of deposits of \$9,766,620. At June 30, 2016, 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		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
U.S. treasury time deposit	N/R	N/A	N/A	\$ 2,008,318	\$ 83,465,878	\$ 85,474,196
U.S. treasury securities	AA	S&P	Level 1	\$ –	\$ 27,039,106	27,039,106
U.S. agency securities	AA	S&P	Level 1	\$ –	\$ 34,500,397	34,500,397
Commercial paper	A-1	S&P	Level 1	\$ 4,146,072	\$ –	4,146,072
Negotiable certificates of deposit	N/R	N/A	Level 1	\$ 3,735,000	\$ 1,743,000	5,478,000
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	NAV	N/A	N/A	66,396,523
First American Government Obligations Fund	AAA	S&P	Level 2	N/A	N/A	14,977,309
RBC U.S. Government Fund	AAA	S&P	Level 1	N/A	N/A	12,874,665
Federated Prime Obligations Fund	AAA	S&P	Level 1	N/A	N/A	2,268,954
Wells Fargo Advantage Governmental Fund	AAA	S&P	Level 1	N/A	N/A	198,739
Total investments						<u>\$ 253,353,961</u>

NAV – Investments measured at the net asset value

N/A – Not Applicable

N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool which is not registered with the Securities Exchange Commission. The District's investment in the MSDLAF is measured at the net asset value (NAV) per share provided by the pool, which is based on an amortized cost method that approximates fair value.

For the MSDLAF investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

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

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

### NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 9,747,070	\$ –	\$ –	\$ –	\$ 9,747,070
Construction in progress	9,505,120	36,604,655	–	(1,555,286)	44,554,489
Total capital assets, not depreciated	19,252,190	36,604,655	–	(1,555,286)	54,301,559
Capital assets, depreciated					
Land improvements	13,585,366	–	–	–	13,585,366
Buildings	391,257,247	–	–	1,555,286	392,812,533
Machinery and equipment	14,343,198	359,676	–	–	14,702,874
Licensed vehicles	9,742,593	1,438,734	–	–	11,181,327
Total capital assets, depreciated	428,928,404	1,798,410	–	1,555,286	432,282,100
Less accumulated depreciation for					
Land improvements	(7,941,389)	(671,099)	–	–	(8,612,488)
Buildings	(95,818,208)	(7,928,915)	–	–	(103,747,123)
Machinery and equipment	(10,014,287)	(871,932)	–	–	(10,886,219)
Licensed vehicles	(7,405,961)	(584,246)	–	–	(7,990,207)
Total accumulated depreciation	(121,179,845)	(10,056,192)	–	–	(131,236,037)
Net capital assets, depreciated	307,748,559	(8,257,782)	–	1,555,286	301,046,063
Total capital assets, net	\$ 327,000,749	\$ 28,346,873	\$ –	\$ –	\$ 355,347,622

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

District support services	\$ 27,557
Elementary and secondary regular instruction	150,586
Instructional support services	372
Pupil support services	539,344
Sites and buildings	198,179
Food service	136,591
Community service	5,734
Unallocated depreciation	8,997,829
Total depreciation expense	\$ 10,056,192

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds					
2006A Building Bonds	11/28/2006	4.00–5.00%	\$ 110,000,000	02/01/2027	\$ 87,600,000
2008A Building Bonds	06/18/2008	3.25–4.75%	\$ 39,000,000	02/01/2027	31,600,000
2008B Alternative Facility Bonds	08/13/2008	3.50–5.00%	\$ 11,250,000	02/01/2025	10,550,000
2010A Refunding Bonds	04/21/2010	4.00–5.00%	\$ 41,445,000	02/01/2023	36,080,000
2010B Taxable Alternative Facility Bonds	06/10/2010	5.15%	\$ 4,365,000	06/01/2026	4,220,000
2010C Taxable Alternative Facility Bonds	06/10/2010	5.00%	\$ 19,565,000	06/01/2026	19,565,000
2012A Alternative Facility Bonds	04/19/2012	3.00–3.25%	\$ 6,150,000	02/01/2027	4,475,000
2014A Alternative Facility Bonds	05/20/2014	2.00–3.50%	\$ 14,840,000	02/01/2028	14,640,000
2014B Capital Facilities Bonds	05/20/2014	2.00–2.50%	\$ 5,670,000	02/01/2024	4,440,000
2015A Refunding Bonds	05/05/2015	2.00–5.00%	\$ 32,695,000	02/01/2021	27,565,000
2016A Building Bonds	03/01/2016	3.50–5.00%	\$ 87,145,000	02/01/2035	87,145,000
2016B Refunding Bonds	05/12/2016	3.00–5.00%	\$ 73,460,000	02/01/2027	73,460,000
2016C Facilities Maintenance Bonds	05/12/2016	3.00–4.00%	\$ 14,470,000	02/01/2031	14,470,000
Total general obligation bonds					<u>\$ 415,810,000</u>

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

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

In 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 were used to refund, in advance of their stated maturities, the 2016 through 2021 maturities of the District's General Obligation Refunding Bonds, Series 2005B. The proceeds of the 2015A issue were held by the District pending the February 1, 2016 call date of the refunded issue. Until the call date, the District continued to make all debt service payments on the 2005B issue. On February 1, 2016, proceeds were used to call the remaining principal of the 2005B issue, and the District assumed all future principal and interest payments on the 2015A issue. This advance "crossover refunding" reduced the District's total future debt service payments by \$4,049,354 and resulted in present value savings of \$3,855,118.

In May 2016, the District issued \$73,460,000 of General Obligation School Building Refunding Bonds, Series 2016B. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2018 through 2027 maturities of the District's General Obligation Building Bonds, Series 2006A. The proceeds of the 2016B issue have been placed in an escrow account pending the August 1, 2017 call date of the refunded issue. Until the call date, the District will continue to make all debt service payments on the 2006A issue. On August 1, 2017, proceeds will be used to call the remaining principal of the 2006A issue, and the District will assume all future principal and interest payments on the 2016B issue. This advance "crossover refunding" will reduce the District's total future debt service payments by \$10,484,306 and will result in present value savings of \$9,631,243.

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

### B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2016D Certificates of Participation	06/16/2016	4.00–5.00%	\$ 13,200,000	04/01/2031	<u>\$ 13,200,000</u>

In June 2016, the District sold \$13,200,000 of certificates of participation under Minnesota Statute § 123B.51 to finance the purchase of Valley Crossing Elementary School. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

### C. Capital Leases

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

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Liberty Ridge Site II	\$ 4,550,000	2.99%	04/12/2012	04/15/2027	\$ 3,171,162
Security equipment	2,268,000	2.90%	04/23/2015	04/01/2024	2,041,183
Elementary entrance projects	3,325,000	2.06%	05/12/2016	04/01/2024	3,325,000
Buses	<u>1,438,734</u>	2.03%	05/18/2016	05/18/2022	<u>1,220,604</u>
	<u>\$ 11,581,734</u>				<u>\$ 9,757,949</u>

Amortization of assets capitalized through these lease agreements is included in depreciation expense in the government-wide financial statements. The amount charged to depreciation for the year ended June 30, 2016 was \$120,974.

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

	Buildings	Licensed Vehicles	Construction in Progress
Assets	\$ 4,550,000	\$ 1,438,734	\$ 5,593,000
Less accumulated depreciation	<u>348,833</u>	<u>29,974</u>	<u>–</u>
	<u>\$ 4,201,167</u>	<u>\$ 1,408,760</u>	<u>\$ 5,593,000</u>

### D. 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.

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

### E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 16,275,000	\$ 12,522,939	\$ 745,000	\$ 447,885	\$ 1,063,344	\$ 234,809
2018	98,065,000	13,369,705	655,000	535,950	1,081,919	216,233
2019	17,070,000	12,605,205	685,000	509,750	1,108,895	189,257
2020	18,515,000	11,791,755	715,000	475,500	1,136,569	161,583
2021	19,740,000	10,913,355	755,000	439,750	1,164,959	133,193
2022–2026	120,660,000	39,412,488	4,335,000	1,621,700	3,869,153	267,758
2027–2031	79,700,000	16,048,788	5,310,000	653,800	333,110	6,248
2032–2035	45,785,000	4,027,624	–	–	–	–
	<u>\$ 415,810,000</u>	<u>\$ 120,691,859</u>	<u>\$ 13,200,000</u>	<u>\$ 4,684,335</u>	<u>\$ 9,757,949</u>	<u>\$ 1,209,081</u>

### F. Changes in Long-Term Liabilities

	Balance – June 30, 2015	Additions	Retirements	Balance – June 30, 2016	Due Within One Year
General obligation bonds	\$ 292,440,000	\$ 175,075,000	\$ 51,705,000	\$ 415,810,000	\$ 16,275,000
Certificates of participation	–	13,200,000	–	13,200,000	745,000
Unamortized premium/discount	9,239,371	24,942,087	3,065,964	31,115,494	–
Capital leases	6,619,996	4,763,734	1,625,781	9,757,949	1,063,344
Net pension liability – PERA	25,112,830	6,346,394	5,531,081	25,928,143	–
Net pension liability – TRA	92,098,657	32,804,434	11,334,519	113,568,572	–
Compensated absences	1,070,476	1,610,851	1,481,474	1,199,853	1,199,853
Severance benefits	1,722,489	138,090	302,568	1,558,011	244,568
Net pension obligation (see Note 7)*	–	356,110	274,805	81,305	–
Net OPEB obligation	1,610,225	1,812,394	1,076,960	2,345,659	–
	<u>\$ 429,914,044</u>	<u>\$ 261,049,094</u>	<u>\$ 76,398,152</u>	<u>\$ 614,564,986</u>	<u>\$ 19,527,765</u>

\* The additions for the net pension obligation will not tie to the contributions in Note 7. The District began the year with a net pension asset, which is not part of long-term liabilities. Additions were adjusted in this table to allow the ending balance to match Note 7, which presents the full change from a net pension asset to a net pension obligation.

## 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, 2016, 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	\$ 176,919	\$ –	\$ –	\$ 89,819	\$ 266,738
Prepaid items	2,962,591	–	–	192,352	3,154,943
Total nonspendable	3,139,510	–	–	282,171	3,421,681
<b>Restricted</b>					
Staff development	264,805	–	–	–	264,805
Health and safety	361,275	–	–	–	361,275
Operating capital	2,528,922	–	–	–	2,528,922
State-approved alternative programs	747,072	–	–	–	747,072
Safe schools levy	1,299,489	–	–	–	1,299,489
Community arts center	30,683	–	–	–	30,683
Projects funded by certificates of participation	–	2,756,719	–	–	2,756,719
Building construction	–	111,791,509	–	–	111,791,509
Bond refunding	–	–	85,474,196	–	85,474,196
Debt service	–	–	4,513,672	–	4,513,672
Food service	–	–	–	441,728	441,728
Community education programs	–	–	–	1,470,925	1,470,925
Early childhood family education programs	–	–	–	476,722	476,722
Adult basic education	–	–	–	74,403	74,403
Total restricted	5,232,246	114,548,228	89,987,868	2,463,778	212,232,120
<b>Committed</b>					
Alternative Teacher Professional Pay System	605,094	–	–	–	605,094
Donations/gifts	713,942	–	–	–	713,942
School budget carryover	1,529,027	–	–	–	1,529,027
Total committed	2,848,063	–	–	–	2,848,063
<b>Unassigned</b>					
Alternative facilities restricted account deficit	–	(268,620)	–	–	(268,620)
School readiness restricted account deficit	–	–	–	(993,075)	(993,075)
Community service restricted account deficit	–	–	–	(378,906)	(378,906)
Unassigned	(3,916,752)	–	–	–	(3,916,752)
Total unassigned	(3,916,752)	(268,620)	–	(1,371,981)	(5,557,353)
	<u>\$ 7,303,067</u>	<u>\$ 114,279,608</u>	<u>\$ 89,987,868</u>	<u>\$ 1,373,968</u>	<u>\$ 212,944,511</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 5–9 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	\$ 1,842,093
Interest on net OPEB obligation	56,358
Adjustment to ARC	(86,057)
Annual OPEB cost (expense)	<u>1,812,394</u>
Contributions made	<u>1,076,960</u>
Increase in net OPEB obligation	735,434
Net OPEB obligation – beginning of year	<u>1,610,225</u>
Net OPEB obligation – end of year	<u><u>\$ 2,345,659</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>
2014	\$ 1,969,716	\$ 1,577,525	80.1%	\$ 1,163,832
2015	\$ 1,966,105	\$ 1,519,712	77.3%	\$ 1,610,225
2016	\$ 1,812,394	\$ 1,076,960	59.4%	\$ 2,345,659

### D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were both \$14,019,575, as the plan is unfunded. The covered payroll (annual payroll of the 2,145 active employees covered by the plan) was \$108,738,382, and the ratio of the UAAL to the covered payroll was 12.9 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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.50 percent investment rate of return (net of administrative expenses) based on the District's own investments; a 3.00 percent rate of projected salary increases; and an annual healthcare cost trend rate of 7.25 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after nine years for medical insurance. All rates include a 2.50 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2015 for the various amortization layers ranged from 22 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	\$ 411,977
Interest on net pension obligation	(1,992)
Adjustment to ARC	3,042
Annual pension cost/expense	413,027
Contributions made	274,805
Increase (decrease) in net pension obligation	138,222
Net pension obligation (asset) – beginning of year	(56,917)
Net pension obligation – end of year	\$ 81,305

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)
2014	\$ 461,974	\$ 594,325	128.6%	\$ (433)
2015	\$ 465,375	\$ 521,859	112.1%	\$ (56,917)
2016	\$ 413,027	\$ 274,805	66.5%	\$ 81,305

### D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the UAAL were both \$3,612,695, as the plan is unfunded. The covered payroll (annual payroll of the 1,302 active employees covered by the plan) was \$80,784,938, and the ratio of the UAAL to the covered payroll was 4.5 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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.5 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, 2015 for the various amortization layers ranged from 22 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 (IRC).

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

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

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). The 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 of Trustees consists of four active members, one retired member, and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the City of St. Paul and the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by Minnesota State Colleges and Universities (MnSCU) may elect the TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement (DCR) Plan 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 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded status, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90.0 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. GERF Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated 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 age 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.

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.

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

### 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 9.10 percent and 6.50 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for the Coordinated Plan.

The District's contributions to the GERF for the year ended June 30, 2016 were \$2,296,584. The District's contributions were equal to the required contributions for each year as set by state statute.

#### 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,			
	2015		2016	
	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	11.0%	11.5%	11.0%	11.5%
<b>Coordinated Plan</b>	7.5%	7.5%	7.5%	7.5%

The District's contributions to the TRA for the year ended June 30, 2016 were \$6,961,699. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 340,207,590
Deduct employer contributions not related to future contribution efforts	(704,635)
Deduct the TRA's contributions not included in allocation	<u>(435,999)</u>
Total employer contributions	339,066,956
Total non-employer contributions	<u>41,587,410</u>
Total contributions reported in Schedule of Employer and Non-Employer Pension Allocations	<u>\$ 380,654,366</u>

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

**D. Merger of Duluth Teachers Retirement Fund Association (DTRFA)**

Legislation enacted in 2014 merged the DTRFA with the TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of the DTRFA.

	June 30, 2014 CAFR	Restated
Total pension liability (a)	\$ 24,901,612,000	\$ 25,299,564,000
Plan fiduciary net position (b)	<u>20,293,684,000</u>	<u>20,519,756,000</u>
Net pension liability (a-b)	<u>\$ 4,607,928,000</u>	<u>\$ 4,779,808,000</u>



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

### E. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$25,928,143 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the District's proportion was 0.5003 percent, which was a decrease of 0.0343 percent from its proportion measured as of June 30, 2014.

The GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into the GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9 percent. The Legislature has since set the discount rate in statute at 8.0 percent. Beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB Statement No. 68 accounting requirements will be increased to 8.0 percent to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the District recognized pension expense of \$2,322,752 for its proportionate share of the GERF's pension expense.

At June 30, 2016, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 240,451	\$ 1,307,219
Changes in actuarial assumptions	1,614,715	–
Differences between projected and actual investment earnings	–	2,308,084
Changes in proportion	–	1,391,862
District's contributions to the GERF subsequent to the measurement date	2,296,584	–
Total	<u>\$ 4,151,750</u>	<u>\$ 5,007,165</u>

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

A total of \$2,296,584 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to the GERP pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2017	\$ (946,014)
2018	\$ (946,014)
2019	\$ (1,873,595)
2020	\$ 613,624

### 2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$113,568,572 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, 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 1.8359 percent at the end of the measurement period and 1.9987 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	\$ 113,568,572
State's proportionate share of the net pension liability associated with the District	\$ 13,930,331

For the year ended June 30, 2016, the District recognized pension expense of \$6,521,957. It also recognized \$2,462,692 as an increase to pension expense for the support provided by direct aid.

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

At June 30, 2016, 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	\$ 6,325,706	\$ –
Changes in actuarial assumptions	8,730,402	–
Differences between projected and actual investment earnings	–	10,454,809
Changes in proportion	1,077,703	3,476,930
District’s contributions to the TRA subsequent to the measurement date	6,961,699	–
Total	<u>\$ 23,095,510</u>	<u>\$ 13,931,739</u>

A total of \$6,961,699 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	\$ (1,158,102)
2018	\$ (1,158,102)
2019	\$ (1,158,102)
2020	\$ 5,676,378

**F. Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.00%
Active member payroll growth	3.50% per year	3.50–12.00% based on years of service
Investment rate of return	7.90%	8.00%

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.

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

Actuarial assumptions used in the June 30, 2015, valuation for the GERF were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for the PERA's other plans, but assumptions are reviewed annually.

The actuarial assumptions used in the June 30, 2015, valuation for the TRA 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.

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 be 2.00 percent annually with no increase to 2.50 percent projected. The prior year valuation assumed a 2.50 percent increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.90 percent for the GERF and 8.00 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 %	

### G. Discount Rate

The discount rate used to measure the total pension liability was 7.90 percent for the GERF and 8.00 percent for the TRA. This is a decrease from the discount rate at the prior measurement date of 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 fiscal 2016 contribution rates, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, 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)

### H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 40,768,256	\$ 25,928,143	\$ 13,672,489
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	\$ 172,866,067	\$ 113,568,572	\$ 64,083,099

### I. 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 IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of 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.

## NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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

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

## NOTE 10 – JOINT VENTURES

### Valley Crossing Elementary School

The District participates in a joint venture to govern the administration, financing, and operation of a joint school known as Valley Crossing Elementary School (the joint school). The joint 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 (ISD) No. 622, and ISD No. 834 (the independent districts) and Northeast Metropolitan Intermediate School District No. 916 (the intermediate district), pursuant to applicable Minnesota Statutes. The independent districts established policies and took steps to ensure that a sufficient number of pupils from each of the independent districts and the intermediate district would be enrolled in the joint school and would also provide advice and assistance to the intermediate district (which is responsible for the operations of the joint school). The participating districts paid 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 school.

The District does not hold an explicit measurable equity interest in the joint school. If the joint 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. Following is selected summary information for the joint school obtained from the intermediate district. Additional detailed information may be obtained by contacting the intermediate district. See Note 11 for the special item reported in the current year.

Total operating revenues for the joint school for fiscal 2015–2016 as reported by the intermediate district were as follows:

	<u>ISD No. 834</u>	<u>ISD No. 833</u>	<u>ISD No. 622</u>	<u>Total</u>
Total funding by district	<u>\$ 2,039,096</u>	<u>\$ 1,704,433</u>	<u>\$ 499,292</u>	<u>\$ 4,242,821</u>

## NOTE 10 – JOINT VENTURES (CONTINUED)

The following information for the joint school is from the audited financial statements of the intermediate district for the year ended June 30, 2015, the most recent financial statements available:

	General Fund	Community Service – Special Revenue Fund	Debt Service Fund	Capital Assets	Long-Term Debt
Assets	\$ 2,141,542	\$ –	\$ 153,561	\$ 17,519,178	\$ –
Liabilities	\$ 1,000,640	\$ –	\$ 35,900	\$ –	\$ 1,385,000
Fund balances	\$ 1,140,902	\$ 899	\$ 117,661	\$ –	\$ –
Revenue	\$ 6,324,809	\$ 815	\$ 1,438,824	\$ –	\$ –
Expenditures	\$ 6,414,139	\$ 570	\$ 1,438,874	\$ –	\$ –

As part of the joint powers agreement covering the construction and operation of the joint school, the District is committed to levy its proportionate share of lease costs necessary to repay \$18,000,000 of bonds issued during fiscal 1995–1996 to fund construction of the joint school, with scheduled payments through 2016. A calculation is performed to determine each participating member district's proportionate share of the required lease levy based on each district's number of pupils attending the joint school. The District's share of the total debt service requirement on these bonds for fiscal 2015–2016 is \$573,208, out of a total commitment of \$1,456,800 for the three participating school districts.

## NOTE 11 – SPECIAL ITEM

During the year ended June 30, 2016, the District reported a special item related to the joint school discussed in Note 10. In agreement with the other member districts, an elementary school building of the joint school was sold to the District. The special item reported in these financial statements represents the District's share of the sale that was then used for the capital purchase by the District in order to reflect the full capitalized value of the building.

## 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.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### C. Construction Contracts

At June 30, 2016, the District had commitments totaling \$7,201,786 under various construction contracts for which the work was not yet completed.

### 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, 2016 totaled \$454,380. The future minimum payments on the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 454,380

## NOTE 13 – SUBSEQUENT EVENTS

On July 25, 2016, the District entered into a \$1,440,390 capital lease agreement to finance the acquisition of technology equipment. This lease has an effective interest rate of 0.9 percent and calls for annual principal and interest payments of \$364,951 through July 25, 2019. The lease will be paid through the General Fund.

On October 13, 2016, the District issued \$33,035,000 of General Obligation Refunding Bonds, Series 2016E. The bonds were issued to reduce future debt service payments and tax levies by financing an advance crossover refunding of the 2019 through 2027 maturities of the General Obligation School Building Bonds, Series 2008A and the 2019 through 2025 maturities of the General Obligation Alternative Facilities Bonds, Series 2008B. As a result of the lower rate, the refunding will reduce future debt service payments by \$4,998,374 with a present value savings of \$4,551,357.

On November 18, 2016, the District entered into a \$1,744,320 capital lease agreement to finance the acquisition of technology equipment. This lease has a promotional interest rate of 0.25 percent and calls for annual principal and interest payments of \$437,715 through January 2, 2020. The lease will be paid through the General Fund.



REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

Schedule of District's Proportionate Share of Net Pension Liability  
Public Employees Retirement Association Pension Benefits Plan  
Year Ended June 30, 2016

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5346%	\$ 25,112,830	\$ 28,092,359	89.39%	78.70%
06/30/2016	06/30/2015	0.5003%	\$ 25,928,143	\$ 29,415,673	88.14%	78.20%

Schedule of District Contributions  
Public Employees Retirement Association Pension Benefits Plan  
Year Ended June 30, 2016

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	06/30/2015	\$ 2,167,373	\$ 2,167,373	\$ —	\$ 29,415,673	7.37%
06/30/2016	06/30/2016	\$ 2,296,584	\$ 2,296,584	\$ —	\$ 30,782,743	7.46%

Note 1: **Changes of Benefit Terms.** (1) The Minneapolis Employees Retirement Fund was merged into the GERF on January 1, 2015. (2) Revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

Note 2: 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

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability  
Teachers Retirement Association Pension Benefits Plan  
Year Ended June 30, 2016

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.9987%	\$ 92,098,657	\$ 6,479,000	\$ 98,577,657	\$ 91,237,229	100.94%	81.50%
06/30/2016	06/30/2015	1.8359%	\$ 113,568,572	\$ 13,930,331	\$ 127,498,903	\$ 92,802,751	122.38%	76.80%

Schedule of District Contributions  
Teachers Retirement Association Pension Benefits Plan  
Year Ended June 30, 2016

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	06/30/2015	\$ 6,983,156	\$ 6,983,156	\$ —	\$ 92,802,751	7.52%
06/30/2016	06/30/2016	\$ 6,961,699	\$ 6,961,699	\$ —	\$ 92,469,962	7.53%

Note 1: **Changes of Benefit Terms.** The DTRFA was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions.** The annual cost of living adjustment for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

## INDEPENDENT SCHOOL DISTRICT NO. 833

Schedule of Funding Progress  
Other Post-Employment Benefits Plan  
Year Ended June 30, 2016

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, 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%
July 1, 2015	\$ 14,019,575	\$ —	\$ 14,019,575	— %	\$ 108,738,382	12.9%

Schedule of Funding Progress  
Pension Benefits Plan  
Year Ended June 30, 2016

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, 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%
July 1, 2015	\$ 3,612,695	\$ —	\$ 3,612,695	— %	\$ 80,784,938	4.5%

## SUPPLEMENTAL INFORMATION

## INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds  
Combining Balance Sheet  
as of June 30, 2016

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 578,844	\$ 1,837,739	\$ 2,416,583
Receivables			
Current taxes	–	746,132	746,132
Delinquent taxes	–	9,214	9,214
Accounts and interest	1,874	1,666	3,540
Due from other governmental units	426,190	191,355	617,545
Inventory	89,819	–	89,819
Prepaid items	77,501	114,851	192,352
Total assets	<u>\$ 1,174,228</u>	<u>\$ 2,900,957</u>	<u>\$ 4,075,185</u>
Liabilities			
Salaries payable	\$ 109,220	\$ 220,673	\$ 329,893
Accounts and contracts payable	194,484	312,289	506,773
Due to other governmental units	–	3,039	3,039
Unearned revenue	261,476	213,847	475,323
Total liabilities	<u>565,180</u>	<u>749,848</u>	<u>1,315,028</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	6,807	6,807
Property taxes levied for subsequent year	–	1,379,382	1,379,382
Total deferred inflows of resources	<u>–</u>	<u>1,386,189</u>	<u>1,386,189</u>
Fund balances (deficit)			
Nonspendable for inventory	89,819	–	89,819
Nonspendable for prepaid items	77,501	114,851	192,352
Restricted	441,728	2,022,050	2,463,778
Unassigned	–	(1,371,981)	(1,371,981)
Total fund balances	<u>609,048</u>	<u>764,920</u>	<u>1,373,968</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,174,228</u>	<u>\$ 2,900,957</u>	<u>\$ 4,075,185</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2016

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 1,329,610	\$ 1,329,610
Investment earnings	910	1,191	2,101
Other	5,929,451	10,012,263	15,941,714
State sources	428,167	1,914,238	2,342,405
Federal sources	2,732,726	11,862	2,744,588
Total revenue	<u>9,091,254</u>	<u>13,269,164</u>	<u>22,360,418</u>
Expenditures			
Current			
Food service	8,442,308	—	8,442,308
Community service	—	13,046,284	13,046,284
Capital outlay	118,578	205,715	324,293
Total expenditures	<u>8,560,886</u>	<u>13,251,999</u>	<u>21,812,885</u>
Net change in fund balances	530,368	17,165	547,533
Fund balances			
Beginning of year	<u>78,680</u>	<u>747,755</u>	<u>826,435</u>
End of year	<u>\$ 609,048</u>	<u>\$ 764,920</u>	<u>\$ 1,373,968</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

General Fund  
Comparative Balance Sheet  
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 22,491,674	\$ 14,495,679
Cash and investments held by trustee	5,590,319	2,268,000
Receivables		
Current taxes	22,569,473	16,708,224
Delinquent taxes	202,826	328,967
Accounts and interest	81,570	28,153
Due from other governmental units	16,502,792	20,998,728
Inventory	176,919	266,061
Prepaid items	<u>2,962,591</u>	<u>2,683,253</u>
Total assets	<u><u>\$ 70,578,164</u></u>	<u><u>\$ 57,777,065</u></u>
Liabilities		
Salaries payable	\$ 13,837,267	\$ 10,493,815
Accounts and contracts payable	6,393,558	6,958,910
Due to other governmental units	529,465	664,438
Unearned revenue	<u>2,670,804</u>	<u>1,955,483</u>
Total liabilities	23,431,094	20,072,646
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	151,090	189,777
Property taxes levied for subsequent year	<u>39,692,913</u>	<u>27,197,156</u>
Total deferred inflows of resources	39,844,003	27,386,933
Fund balances (deficit)		
Nonspendable for inventory	176,919	266,061
Nonspendable for prepaid items	2,962,591	2,683,253
Restricted for staff development	264,805	–
Restricted for health and safety	361,275	468,969
Restricted for operating capital	2,528,922	1,574,365
Restricted for state-approved alternative programs	747,072	319,861
Restricted for safe schools levy	1,299,489	856,503
Restricted for community arts center	30,683	30,683
Committed for ATPPS	605,094	140,027
Committed for donations/gifts	713,942	588,851
Committed for school budget carryover	1,529,027	882,182
Assigned for subsequent year budget deficit	–	2,506,731
Unassigned	<u>(3,916,752)</u>	<u>–</u>
Total fund balances	<u><u>7,303,067</u></u>	<u><u>10,317,486</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 70,578,164</u></u>	<u><u>\$ 57,777,065</u></u>



INDEPENDENT SCHOOL DISTRICT NO. 833

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 28,438,571	\$ 28,704,114	\$ 265,543	\$ 28,926,672
Investment earnings	35,000	45,546	10,546	60,561
Other	3,727,916	3,657,510	(70,406)	3,804,408
State sources	159,056,630	158,400,311	(656,319)	154,225,397
Federal sources	4,138,190	4,080,943	(57,247)	4,060,644
Total revenue	195,396,307	194,888,424	(507,883)	191,077,682
Expenditures				
Current				
Administration	7,535,634	7,892,778	357,144	7,527,157
District support services	6,978,829	6,523,030	(455,799)	5,405,748
Elementary and secondary regular instruction	96,580,190	98,789,970	2,209,780	97,894,964
Vocational education instruction	1,991,548	2,317,450	325,902	2,219,972
Special education instruction	30,886,594	34,778,587	3,891,993	32,318,511
Instructional support services	9,353,606	9,845,835	492,229	9,624,579
Pupil support services	20,130,350	19,897,703	(232,647)	19,998,559
Sites and buildings	17,670,362	30,054,434	12,384,072	19,235,624
Fiscal and other fixed cost programs	469,250	318,258	(150,992)	575,898
Debt service				
Principal	2,091,671	1,625,781	(465,890)	1,627,458
Interest and fiscal charges	181,569	165,776	(15,793)	140,278
Total expenditures	193,869,603	212,209,602	18,339,999	196,568,748
Excess (deficiency) of revenue over expenditures	1,526,704	(17,321,178)	(18,847,882)	(5,491,066)
Other financing sources				
Capital leases issued	—	4,763,734	4,763,734	2,268,000
Proceeds from sale of assets	—	188,375	188,375	55,000
Transfers in	—	—	—	4,000,000
Total other financing sources	—	4,952,109	4,952,109	6,323,000
Net change in fund balances before special item	1,526,704	(12,369,069)	(13,895,773)	831,934
Special item – joint school proceeds	—	9,354,650	9,354,650	—
Net change in fund balances	\$ 1,526,704	(3,014,419)	\$ (4,541,123)	831,934
Fund balances				
Beginning of year		10,317,486		9,485,552
End of year		\$ 7,303,067		\$ 10,317,486

## INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 578,844	\$ 120,904
Receivables		
Accounts and interest	1,874	5,049
Due from other governmental units	426,190	374,154
Inventory	89,819	99,177
Prepaid items	<u>77,501</u>	<u>84,266</u>
Total assets	<u><u>\$ 1,174,228</u></u>	<u><u>\$ 683,550</u></u>
Liabilities		
Salaries payable	\$ 109,220	\$ 146,839
Accounts and contracts payable	194,484	167,206
Unearned revenue	<u>261,476</u>	<u>290,825</u>
Total liabilities	565,180	604,870
Fund balances (deficit)		
Nonspendable for inventory	89,819	99,177
Nonspendable for prepaid items	77,501	84,266
Restricted for food service	441,728	—
Unassigned – food service restricted account deficit	<u>—</u>	<u>(104,763)</u>
Total fund balances	<u><u>609,048</u></u>	<u><u>78,680</u></u>
Total liabilities and fund balances	<u><u>\$ 1,174,228</u></u>	<u><u>\$ 683,550</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service Special Revenue Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,000	\$ 910	\$ (90)	\$ 1,776
Other – primarily meal sales	5,962,635	5,929,451	(33,184)	5,362,540
State sources	433,360	428,167	(5,193)	422,631
Federal sources	2,669,114	2,732,726	63,612	2,511,786
Total revenue	<u>9,066,109</u>	<u>9,091,254</u>	<u>25,145</u>	<u>8,298,733</u>
Expenditures				
Current				
Salaries	3,131,633	3,136,730	5,097	3,210,934
Employee benefits	1,125,300	1,060,751	(64,549)	1,114,330
Purchased services	592,860	508,948	(83,912)	526,651
Supplies and materials	4,072,738	3,721,868	(350,870)	3,867,449
Other expenditures	15,000	14,011	(989)	14,599
Capital outlay	125,000	118,578	(6,422)	449,992
Total expenditures	<u>9,062,531</u>	<u>8,560,886</u>	<u>(501,645)</u>	<u>9,183,955</u>
Excess (deficiency) of revenue over expenditures	3,578	530,368	526,790	(885,222)
Other financing sources				
Proceeds from sale of assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,749</u>
Net change in fund balances	<u>\$ 3,578</u>	<u>530,368</u>	<u>\$ 526,790</u>	<u>(880,473)</u>
Fund balances				
Beginning of year		<u>78,680</u>		<u>959,153</u>
End of year		<u>\$ 609,048</u>		<u>\$ 78,680</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

Community Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 1,837,739	\$ 2,164,186
Receivables		
Current taxes	746,132	729,285
Delinquent taxes	9,214	15,437
Accounts and interest	1,666	2,478
Due from other governmental units	191,355	173,425
Prepaid items	<u>114,851</u>	<u>113,798</u>
Total assets	<u><u>\$ 2,900,957</u></u>	<u><u>\$ 3,198,609</u></u>
Liabilities		
Salaries payable	\$ 220,673	\$ 527,415
Accounts and contracts payable	312,289	345,578
Due to other governmental units	3,039	14,414
Unearned revenue	<u>213,847</u>	<u>223,386</u>
Total liabilities	749,848	1,110,793
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	6,807	8,953
Property taxes levied for subsequent year	<u>1,379,382</u>	<u>1,331,108</u>
Total deferred inflows of resources	1,386,189	1,340,061
Fund balances (deficit)		
Nonspendable for prepaid items	114,851	113,798
Restricted for community education programs	1,470,925	1,388,464
Restricted for early childhood family education programs	476,722	426,451
Restricted for adult basic education	74,403	40,679
Unassigned – school readiness restricted account deficit	(993,075)	(790,060)
Unassigned – community service restricted account deficit	<u>(378,906)</u>	<u>(431,577)</u>
Total fund balances	<u>764,920</u>	<u>747,755</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,900,957</u></u>	<u><u>\$ 3,198,609</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, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,366,308	\$ 1,329,610	\$ (36,698)	\$ 1,349,064
Investment earnings	7,825	1,191	(6,634)	2,027
Other – primarily tuition and fees	9,887,053	10,012,263	125,210	8,969,973
State sources	1,941,849	1,914,238	(27,611)	1,617,374
Federal sources	11,303	11,862	559	12,083
Total revenue	<u>13,214,338</u>	<u>13,269,164</u>	<u>54,826</u>	<u>11,950,521</u>
Expenditures				
Current				
Salaries	8,507,172	8,376,556	(130,616)	7,926,072
Employee benefits	2,395,209	2,411,923	16,714	2,175,812
Purchased services	1,236,264	1,428,653	192,389	1,339,992
Supplies and materials	731,567	821,568	90,001	750,445
Other expenditures	83,240	7,584	(75,656)	6,951
Capital outlay	153,226	205,715	52,489	187,885
Total expenditures	<u>13,106,678</u>	<u>13,251,999</u>	<u>145,321</u>	<u>12,387,157</u>
Net change in fund balances	<u>\$ 107,660</u>	17,165	<u>\$ (90,495)</u>	(436,636)
Fund balances				
Beginning of year		<u>747,755</u>		<u>1,184,391</u>
End of year		<u>\$ 764,920</u>		<u>\$ 747,755</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

Capital Projects – Building Construction Fund  
Comparative Balance Sheet  
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 101,544,192	\$ 16,213,342
Cash and investments held by trustee	14,977,308	–
Receivables		
Accounts and interest	<u>221,239</u>	<u>–</u>
Total assets	<u><u>\$ 116,742,739</u></u>	<u><u>\$ 16,213,342</u></u>
Liabilities		
Accounts and contracts payable	\$ 2,463,131	\$ 5,183,378
Due to other governmental units	<u>–</u>	<u>1,464</u>
Total liabilities	2,463,131	5,184,842
Fund balances (deficit)		
Restricted for alternative facilities program	–	10,973,801
Restricted for projects funded by certificates of participation	2,756,719	–
Restricted for building construction	111,791,509	54,699
Unassigned – alternative facilities program account deficit	<u>(268,620)</u>	<u>–</u>
Total fund balances	<u><u>114,279,608</u></u>	<u><u>11,028,500</u></u>
Total liabilities and fund balances	<u><u>\$ 116,742,739</u></u>	<u><u>\$ 16,213,342</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Capital Projects – Building Construction Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 2,089,952	\$ 2,089,950	\$ (2)	\$ 434,612
Investment earnings	–	448,756	448,756	–
Other	–	30,125	30,125	–
Total revenue	<u>2,089,952</u>	<u>2,568,831</u>	<u>478,879</u>	<u>434,612</u>
Expenditures				
Capital outlay				
Purchased services	51,451	476,615	425,164	5,200
Capital expenditures	<u>12,921,388</u>	<u>25,531,999</u>	<u>12,610,611</u>	<u>11,146,134</u>
Total expenditures	<u>12,972,839</u>	<u>26,008,614</u>	<u>13,035,775</u>	<u>11,151,334</u>
Excess (deficiency) of revenue over expenditures	(10,882,887)	(23,439,783)	(12,556,896)	(10,716,722)
Other financing sources				
Bonds issued	87,145,000	101,615,000	14,470,000	–
Certificates of participation issued	–	13,200,000	13,200,000	–
Premium on debt issued	<u>8,630,210</u>	<u>11,875,891</u>	<u>3,245,681</u>	<u>–</u>
Total other financing sources	<u>95,775,210</u>	<u>126,690,891</u>	<u>30,915,681</u>	<u>–</u>
Net change in fund balances	<u>\$ 84,892,323</u>	<u>103,251,108</u>	<u>\$ 18,358,785</u>	<u>(10,716,722)</u>
Fund balances				
Beginning of year		<u>11,028,500</u>		<u>21,745,222</u>
End of year		<u>\$ 114,279,608</u>		<u>\$ 11,028,500</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

Debt Service Fund  
Comparative Balance Sheet  
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 17,662,749	\$ 51,758,684
Cash and investments held by trustee	85,474,196	–
Receivables		
Current taxes	15,547,350	14,739,247
Delinquent taxes	177,021	287,773
Accounts and interest	1,147	15,811
Due from other governmental units	996	617,261
Prepaid items	<u>–</u>	<u>14,150</u>
Total assets	<u>\$ 118,863,459</u>	<u>\$ 67,432,926</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	\$ 133,038	\$ 173,178
Property taxes levied for subsequent year	<u>28,742,553</u>	<u>26,902,375</u>
Total deferred inflows of resources	28,875,591	27,075,553
Fund balances		
Nonspendable for prepaid items	–	14,150
Restricted for bond refunding	85,474,196	36,435,000
Restricted for debt service	<u>4,513,672</u>	<u>3,908,223</u>
Total fund balances	<u>89,987,868</u>	<u>40,357,373</u>
Total deferred inflows of resources and fund balances	<u>\$ 118,863,459</u>	<u>\$ 67,432,926</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, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 26,891,237	\$ 26,874,642	\$ (16,595)	\$ 26,061,399
Investment earnings	35,000	70,293	35,293	22,439
State sources	42,989	9,949	(33,040)	631,095
Federal sources	1,109,498	1,117,270	7,772	1,108,303
Total revenue	28,078,724	28,072,154	(6,570)	27,823,236
Expenditures				
Capital outlay – joint elementary school	576,532	573,208	(3,324)	576,538
Debt service				
Principal	16,175,000	15,270,000	(905,000)	17,895,000
Interest	11,423,315	11,582,201	158,886	11,886,039
Fiscal charges and other	10,600	1,107,446	1,096,846	269,243
Total expenditures	28,185,447	28,532,855	347,408	30,626,820
Excess (deficiency) of revenue over expenditures	(106,723)	(460,701)	(353,978)	(2,803,584)
Other financing sources (uses)				
Refunding bonds issued	–	73,460,000	73,460,000	32,695,000
Premium on debt issued	–	13,066,196	13,066,196	4,001,004
Payment on refunded bonds	–	(36,435,000)	(36,435,000)	–
Total other financing sources (uses)	–	50,091,196	50,091,196	36,696,004
Net change in fund balances	\$ (106,723)	49,630,495	\$ 49,737,218	33,892,420
Fund balances				
Beginning of year		40,357,373		6,464,953
End of year		\$ 89,987,868		\$ 40,357,373

## INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds  
Combining Statement of Net Position  
as of June 30, 2016  
(With Comparative Totals as of June 30, 2015)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets			
Current assets			
Cash and temporary investments	\$ 1,558,011	\$ 3,694,000	\$ 7,667,521
Interest receivable	—	—	6,481
Total current assets	<u>1,558,011</u>	<u>3,694,000</u>	<u>7,674,002</u>
Long-term assets			
Net pension assets	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	1,558,011	3,694,000	7,674,002
Liabilities			
Current liabilities			
Severance benefits	244,568	—	—
Long-term liabilities			
Severance benefits	1,313,443	—	—
Net pension obligation	—	81,305	—
Net other post-employment benefits obligation	—	—	2,345,659
Total long-term liabilities	<u>1,313,443</u>	<u>81,305</u>	<u>2,345,659</u>
Total liabilities	<u>1,558,011</u>	<u>81,305</u>	<u>2,345,659</u>
Net position			
Unrestricted	<u>\$ —</u>	<u>\$ 3,612,695</u>	<u>\$ 5,328,343</u>

Totals			
2016		2015	
\$	12,919,532	\$	14,548,792
	6,481		17,832
	<u>12,926,013</u>		<u>14,566,624</u>
	<u>—</u>		<u>56,917</u>
	12,926,013		14,623,541
	244,568		212,475
	1,313,443		1,510,014
	81,305		—
	<u>2,345,659</u>		<u>1,610,225</u>
	<u>3,740,407</u>		<u>3,120,239</u>
	<u>3,984,975</u>		<u>3,332,714</u>
\$	<u>8,941,038</u>	\$	<u>11,290,827</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Operating revenue			
Contributions from governmental funds	\$ —	\$ —	\$ —
Operating expenses			
Severance benefits	138,090	—	—
Pension benefits	—	413,027	—
Other post-employment benefits	—	—	1,812,394
Total operating expenses	<u>138,090</u>	<u>413,027</u>	<u>1,812,394</u>
Operating income (loss)	(138,090)	(413,027)	(1,812,394)
Nonoperating revenue			
Investment earnings	<u>—</u>	<u>—</u>	<u>13,722</u>
Income (loss) before transfers	(138,090)	(413,027)	(1,798,672)
Transfers in	138,090	—	—
Transfers (out)	<u>—</u>	<u>(37,018)</u>	<u>(101,072)</u>
Change in net position	—	(450,045)	(1,899,744)
Net position			
Beginning of year	<u>—</u>	<u>4,062,740</u>	<u>7,228,087</u>
End of year	<u>\$ —</u>	<u>\$ 3,612,695</u>	<u>\$ 5,328,343</u>

Totals	
2016	2015
\$ —	\$ 968,327
138,090	126,298
413,027	465,375
1,812,394	1,966,105
<u>2,363,511</u>	<u>2,557,778</u>
(2,363,511)	(1,589,451)
<u>13,722</u>	<u>41,327</u>
(2,349,789)	(1,548,124)
138,090	591,240
<u>(138,090)</u>	<u>(4,591,240)</u>
(2,349,789)	(5,548,124)
<u>11,290,827</u>	<u>16,838,951</u>
<u>\$ 8,941,038</u>	<u>\$ 11,290,827</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Cash flows from operating activities			
Received from assessments made to other funds	\$ —	\$ —	\$ —
Severance benefit payments	(302,568)	—	—
Pension benefit payments	—	(274,805)	—
Other post-employment benefit payments	—	—	(1,076,960)
Net cash flows from operating activities	(302,568)	(274,805)	(1,076,960)
Cash flows from noncapital financial activities			
Transfer in	138,090	—	—
Transfer (out)	—	(37,018)	(101,072)
Net cash flows from noncapital financing activities	138,090	(37,018)	(101,072)
Cash flows from investing activities			
Interest on investments	—	—	25,073
Net change in cash and cash equivalents	(164,478)	(311,823)	(1,152,959)
Cash and cash equivalents			
Beginning of year	1,722,489	4,005,823	8,820,480
End of year	\$ 1,558,011	\$ 3,694,000	\$ 7,667,521
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (138,090)	\$ (413,027)	\$ (1,812,394)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets and liabilities			
Net pension asset	—	56,917	—
Severance benefits	(164,478)	—	—
Net pension obligation	—	81,305	—
Net other post-employment benefits obligation	—	—	735,434
Net cash flows from operating activities	\$ (302,568)	\$ (274,805)	\$ (1,076,960)

Totals	
2016	2015
\$ —	\$ 968,327
(302,568)	(287,336)
(274,805)	(521,859)
<u>(1,076,960)</u>	<u>(1,519,712)</u>
(1,654,333)	(1,360,580)
138,090	591,240
<u>(138,090)</u>	<u>(4,591,240)</u>
—	(4,000,000)
<u>25,073</u>	<u>41,749</u>
(1,629,260)	(5,318,831)
<u>14,548,792</u>	<u>19,867,623</u>
<u>\$ 12,919,532</u>	<u>\$ 14,548,792</u>
\$ (2,363,511)	\$ (1,589,451)
56,917	(56,484)
(164,478)	(161,038)
81,305	—
<u>735,434</u>	<u>446,393</u>
<u>\$ (1,654,333)</u>	<u>\$ (1,360,580)</u>

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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.

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

				Fiscal Year
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 25,835,739	\$ 36,944,822	\$ 45,824,725	\$ 51,600,287
Restricted	4,321,541	4,572,455	4,732,369	5,078,562
Unrestricted	19,581,794	51,659,277	54,122,656	50,012,108
Total governmental activities net position	<u>\$ 49,739,074</u>	<u>\$ 93,176,554</u>	<u>\$ 104,679,750</u>	<u>\$ 106,690,957</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.

2011	2012	2013	2014	2015	2016
\$ 52,070,800	\$ 50,633,665	\$ 55,788,399	\$ 62,066,067	\$ 67,105,680	\$ 85,486,603
4,568,751	7,224,679	7,969,499	6,717,236	5,307,406	7,985,002
40,897,389	41,564,392	33,224,612	21,345,431	(116,559,725)	(123,762,639)
<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>	<u>\$ (30,291,034)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Expenses				
Administration	\$ 6,422,750	\$ 6,055,970	\$ 6,099,495	\$ 6,432,684
District support services	3,356,314	3,843,610	3,495,202	4,488,058
Elementary and secondary regular instruction	73,658,482	74,726,838	78,667,476	83,495,190
Vocational education instruction	2,427,399	2,607,651	2,486,278	2,261,115
Special education instruction	24,122,013	23,144,174	23,573,415	24,300,238
Instructional support services	10,155,121	8,551,355	8,015,593	8,720,902
Pupil support services	13,800,524	14,752,655	15,354,371	16,113,029
Sites and buildings	14,294,927	16,010,719	15,876,405	15,855,796
Fiscal and other fixed cost programs	446,164	442,154	269,333	477,434
Food service	6,070,077	6,430,201	6,631,553	6,573,724
Community service	9,259,049	9,480,317	9,965,857	10,032,694
Depreciation not included in other functions	4,716,412	4,904,146	5,123,789	5,734,973
Interest and fiscal charges	12,965,932	14,061,738	15,558,451	14,692,589
Total governmental activities expenses	181,695,164	185,011,528	191,117,218	199,178,426
Program revenues				
Charges for services				
Food service	4,669,659	4,979,997	5,103,675	5,095,535
Community service	6,291,549	7,023,282	7,432,061	7,540,926
All other	1,075,222	1,059,612	1,077,496	1,201,243
Operating grants and contributions	29,583,372	31,929,265	33,787,038	33,907,129
Total governmental activities program revenues	41,619,802	44,992,156	47,400,270	47,744,833
Net (expense) revenue	(140,075,362)	(140,019,372)	(143,716,948)	(151,433,593)
General revenues and other changes in net position				
Taxes				
Property taxes levied for general purposes	23,303,107	25,927,022	26,972,635	28,329,696
Property taxes levied for community service	1,171,219	1,239,434	1,146,358	1,283,820
Property taxes levied for capital projects	4,881,000	3,687,977	3,184,665	2,217,915
Property taxes levied for debt service	12,412,767	17,565,143	18,979,960	21,113,789
General grants and aids	94,094,127	96,090,673	97,061,395	96,811,892
Other general revenues	1,266,275	1,318,569	1,288,131	1,570,069
Investment earnings	9,488,027	9,286,695	6,587,000	2,117,619
Special item – joint school proceeds	–	–	–	–
Total general revenues and other changes in net position	146,616,522	155,115,513	155,220,144	153,444,800
Change in net position	\$ 6,541,160	\$ 15,096,141	\$ 11,503,196	\$ 2,011,207



2011	2012	2013	2014	2015	2016
\$ 6,726,526	\$ 6,804,171	\$ 7,050,311	\$ 7,360,847	\$ 7,532,409	\$ 8,060,524
4,155,337	3,911,630	4,018,082	3,740,490	5,376,819	6,414,735
88,083,313	88,058,900	92,521,117	95,372,479	98,375,195	100,748,199
1,909,055	1,717,365	1,740,819	2,177,553	2,205,777	2,313,645
24,304,069	23,604,017	25,962,043	29,637,200	31,977,796	34,696,192
8,762,391	8,523,989	9,113,915	9,413,500	9,562,822	9,842,037
17,177,994	17,762,412	18,413,745	19,096,318	20,109,824	19,090,739
21,394,450	19,307,770	19,778,272	22,213,724	22,005,923	20,099,373
320,340	397,742	431,469	475,441	575,898	318,258
7,086,114	7,520,073	7,806,312	8,490,573	9,163,254	8,651,331
10,520,754	11,558,180	12,430,058	12,999,994	12,359,513	13,312,337
8,563,123	8,945,019	9,231,034	9,329,886	9,217,946	8,997,829
14,757,583	13,100,740	11,796,212	11,590,377	11,615,626	10,964,797
213,761,049	211,212,008	220,293,389	231,898,382	240,078,802	243,509,996
5,057,023	4,945,351	5,140,646	5,317,906	5,362,540	5,929,451
8,002,134	8,817,171	9,547,111	9,616,643	8,969,973	10,012,263
1,157,250	1,180,515	1,119,080	1,242,491	1,206,308	1,608,938
35,709,293	34,410,790	39,448,027	39,081,056	46,117,949	46,131,521
49,925,700	49,353,827	55,254,864	55,258,096	61,656,770	63,682,173
(163,835,349)	(161,858,181)	(165,038,525)	(176,640,286)	(178,422,032)	(179,827,823)
39,366,853	27,927,885	27,046,036	17,273,471	28,675,307	28,665,427
1,997,132	1,277,741	1,312,685	675,875	1,337,276	1,327,464
2,069,000	—	1,306,697	1,063,625	434,612	2,089,950
20,075,991	23,546,002	24,174,245	24,935,744	25,859,959	26,834,502
88,826,346	106,110,510	106,799,031	123,100,301	118,753,997	122,563,945
1,685,748	3,543,466	1,956,699	2,582,363	2,598,100	2,267,072
660,262	1,338,373	2,906	155,131	181,666	580,418
—	—	—	—	—	9,354,650
154,681,332	163,743,977	162,598,299	169,786,510	177,840,917	193,683,428
\$ (9,154,017)	\$ 1,885,796	\$ (2,440,226)	\$ (6,853,776)	\$ (581,115)	\$ 13,855,605

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

Fiscal Year	Property Tax					Total
	General Purposes	Community Service	Capital Projects	Debt Service		
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	
2016	28,665,427	1,327,464	2,089,950	26,834,502	58,917,343	

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 2,383,457	\$ 2,171,001	\$ 2,583,462	\$ —
Unreserved	21,953,005	24,753,613	25,537,221	—
Nonspendable	—	—	—	725,419
Restricted	—	—	—	1,573,914
Committed	—	—	—	—
Assigned	—	—	—	11,379,950
Unassigned	—	—	—	11,292,132
Total General Fund	<u>\$ 24,336,462</u>	<u>\$ 26,924,614</u>	<u>\$ 28,120,683</u>	<u>\$ 24,971,415</u>
All other governmental funds				
Reserved	\$ 58,931,558	\$ 136,804,657	\$ 84,876,525	\$ —
Unreserved, reported in				
Special revenue funds	1,273,866	1,379,934	1,545,210	—
Capital Projects – Building Construction Fund	101,678,951	(1,064,466)	—	—
Debt Service Fund	5,848,080	3,535,831	2,946,674	—
Nonspendable	—	—	—	179,281
Restricted	—	—	—	82,712,351
Unassigned – special revenue funds and capital projects fund	—	—	—	(40,461)
Total all other governmental funds	<u>\$ 167,732,455</u>	<u>\$ 140,655,956</u>	<u>\$ 89,368,409</u>	<u>\$ 82,851,171</u>
Total all governmental funds	<u>\$ 192,068,917</u>	<u>\$ 167,580,570</u>	<u>\$ 117,489,092</u>	<u>\$ 107,822,586</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.

2011	2012	2013	2014	2015	2016
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
823,164	1,125,484	1,105,277	1,135,917	2,949,314	3,139,510
832,872	2,188,743	2,886,060	1,155,136	3,250,381	5,232,246
4,810,821	4,188,228	3,899,880	3,531,073	1,611,060	2,848,063
7,708,428	3,988,180	2,598,614	1,068,692	2,506,731	—
5,204,005	8,245,358	3,393,447	2,594,734	—	(3,916,752)
<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>	<u>\$ 7,303,067</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
187,327	187,405	319,142	322,357	311,391	282,171
65,501,210	16,691,364	11,824,838	30,934,103	53,227,317	206,999,874
<u>(115,104)</u>	<u>(175,737)</u>	<u>(391,720)</u>	<u>(902,741)</u>	<u>(1,326,400)</u>	<u>(1,640,601)</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>\$ 205,641,444</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>	<u>\$ 212,944,511</u>

## INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Local sources				
Property taxes	\$ 41,538,611	\$ 48,050,563	\$ 50,026,665	\$ 52,709,735
Investment earnings	8,138,540	8,562,925	6,075,712	1,587,535
Other	13,302,705	14,381,460	14,901,363	15,407,773
State sources	118,700,281	122,519,327	125,054,777	113,312,426
Federal sources	4,977,218	5,500,611	5,793,656	17,406,595
Total revenues	186,657,355	199,014,886	201,852,173	200,424,064
Expenditures				
Current				
Administration	6,240,802	6,068,728	6,132,975	6,259,025
District support services	3,342,924	3,834,051	3,479,438	4,012,025
Elementary and secondary regular instruction	72,333,804	75,024,779	79,073,331	81,946,206
Vocational education instruction	2,430,709	2,607,651	2,486,278	2,261,115
Special education instruction	23,917,942	23,196,140	23,604,573	24,284,928
Instructional support services	10,117,486	8,525,880	7,981,401	8,682,829
Pupil support services	14,557,827	15,151,565	14,819,938	15,985,035
Sites and buildings	13,614,584	15,011,450	16,413,934	15,310,726
Fiscal and other fixed cost programs	446,164	442,154	269,333	477,434
Food service	5,833,806	6,246,966	6,475,838	6,435,678
Community service	9,067,390	9,400,012	9,879,929	9,941,998
Capital outlay	22,383,893	67,773,544	68,508,505	27,550,445
Debt service				
Principal	6,962,567	9,698,357	8,848,152	9,702,244
Interest and fiscal charges	10,857,484	15,471,360	15,225,363	15,879,670
Total expenditures	202,107,382	258,452,637	263,198,988	228,729,358
Excess (deficiency) of revenues over expenditures	(15,450,027)	(59,437,751)	(61,346,815)	(28,305,294)
Other financing sources (uses)				
Bonds issued	110,000,000	39,000,000	11,250,000	23,930,000
Refunding bonds issued	—	—	—	41,445,000
Certificates of participation issued	—	—	—	—
Premium on debt issued	2,081,133	439,404	5,337	3,773,788
Capital leases issued	—	—	—	—
Payment on refunded bonds	—	(4,490,000)	—	(50,510,000)
Proceeds from sale of assets	—	—	—	—
Transfers in	297,814	285,815	444,689	284,327
Transfers out	(297,814)	(285,815)	(444,689)	(284,327)
Total other financing sources (uses)	112,081,133	34,949,404	11,255,337	18,638,788
Net change in fund balances before special item	96,631,106	(24,488,347)	(50,091,478)	(9,666,506)
Special item – joint school proceeds	—	—	—	—
Net change in fund balances	\$ 96,631,106	\$ (24,488,347)	\$ (50,091,478)	\$ (9,666,506)
Debt service as a percentage of noncapital expenditures	9.9%	13.2%	12.4%	12.7%

2011	2012	2013	2014	2015	2016
\$ 63,259,902	\$ 53,398,487	\$ 54,114,344	\$ 44,086,418	\$ 56,771,747	\$ 58,998,316
522,878	271,107	33,466	76,020	86,803	566,696
15,902,155	18,486,503	17,763,536	18,759,403	18,136,921	19,629,349
115,110,779	130,985,867	138,316,987	154,160,144	156,896,497	160,752,665
9,424,860	9,535,433	7,930,071	8,021,213	7,692,816	7,942,801
204,220,574	212,677,397	218,158,404	225,103,198	239,584,784	247,889,827
6,630,915	6,834,030	6,885,574	7,279,625	7,527,157	7,892,778
3,922,033	3,932,209	4,126,221	3,723,231	5,405,748	6,523,030
85,964,779	87,351,693	91,084,361	92,903,232	97,894,964	98,789,970
1,992,798	1,717,365	1,740,819	2,177,553	2,219,972	2,317,450
24,153,866	23,732,334	25,956,261	29,648,664	32,318,511	34,778,587
8,735,134	8,573,910	9,121,267	9,429,549	9,624,579	9,845,835
17,177,277	17,473,201	18,382,511	18,964,817	19,998,559	19,897,703
16,793,160	19,728,887	18,770,018	21,214,467	19,235,624	30,054,434
320,340	397,742	431,469	475,441	575,898	318,258
6,899,039	7,323,687	7,534,746	7,905,963	8,733,963	8,442,308
10,289,794	11,378,251	12,204,906	12,761,208	12,199,272	13,046,284
19,130,882	14,170,324	7,168,443	3,625,881	12,365,749	26,906,115
9,976,286	11,141,959	14,187,625	15,901,988	19,522,458	16,895,781
15,104,134	15,214,160	12,632,458	12,433,570	12,295,560	12,855,423
227,090,437	228,969,752	230,226,679	238,445,189	259,918,014	288,563,956
(22,869,863)	(16,292,355)	(12,068,275)	(13,341,991)	(20,333,230)	(40,674,129)
—	6,150,000	—	20,510,000	—	101,615,000
—	8,440,000	—	—	32,695,000	73,460,000
—	—	—	—	—	13,200,000
—	93,657	—	429,342	4,001,004	24,942,087
—	4,100,000	1,264,788	2,606,382	2,268,000	4,763,734
—	(51,005,000)	—	—	—	(36,435,000)
—	—	—	—	59,749	188,375
295,369	139,164	—	4,144,517	4,000,000	—
(295,369)	(139,164)	—	(144,517)	—	—
—	(32,221,343)	1,264,788	27,545,724	43,023,753	181,734,196
(22,869,863)	(48,513,698)	(10,803,487)	14,203,733	22,690,523	141,060,067
—	—	—	—	—	9,354,650
\$ (22,869,863)	\$ (48,513,698)	\$ (10,803,487)	\$ 14,203,733	\$ 22,690,523	\$ 150,414,717
11.9%	12.3%	12.0%	12.0%	12.7%	11.9%

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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		
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	
2016	28,704,114	1,329,610	2,089,950	26,874,642	58,998,316	

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

## INDEPENDENT SCHOOL DISTRICT NO. 833

Tax Capacities and Market Values  
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation				
	Agricultural	Non-Agricultural	Fiscal Disparities		Tax Increment
			Contribution	Distribution	
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)
2016	1,525,489	99,519,527	(6,241,320)	11,611,979	(807,459)

Source: State of Minnesota School Tax Report

Total Taxable		Total Direct Tax Rate	Taxable Market Value	Tax Capacity as a Percentage of Market Value
\$	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
	105,608,216	36.812	9,372,785,100	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	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%	–	–
Tax capacity rate	2016	36.812%	43.140%	35.287%	61.660%	45.560%
Market value rate	2016	0.33988%	–	0.01216%	–	–

(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)
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%
11.236%	23.481%	29.373%	30.564%	11.831%	122.347%
—	—	—	0.00390%	—	0.34378%

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INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Taxpayers  
Prior Year and Nine Years Ago

Taxpayer	Type of Property	2015			2007		
		Tax Capacity	Rank	Percent of Total Tax Capacity	Tax Capacity	Rank	Percent of Total Tax Capacity
Xcel Energy	Utility	\$ 2,076,240	1	2.02 %	\$ 1,655,193	1	1.65 %
Woodbury Village Shopping	Industrial	735,731	2	0.72	730,118	2	0.73
3M Company	Commercial	680,298	3	0.66	609,884	3	0.61
Grand Reserve Apartments Corp.	Residential	624,788	4	0.61	535,185	4	0.53
TMF I Valley, LLC	Residential	411,404	5	0.40	—	—	—
VRS/CAP Classic at Preserve	Residential	409,343	6	0.40	—	—	—
Allina Health System	Commercial	363,308	7	0.35	376,144	6	0.38
Target	Commercial	359,388	8	0.35	—	—	—
St. Paul Park Refining Co., LLC (1)	Industrial	350,972	9	0.34	234,874	10	0.23
Health Investors Business Trust	Commercial	279,250	10	0.27	282,976	7	0.28
I & G St. Paul, LLC	Residential	—	—	—	428,467	5	0.43
West-Biel 68, LLC	Commercial	—	—	—	263,468	8	0.26
Bellwood, LLC	Commercial	—	—	—	237,262	9	0.24
Total		<u>\$ 6,290,722</u>		<u>6.12 %</u>	<u>\$ 5,353,571</u>		<u>5.34 %</u>

(1) Listed as Marathon Ashland Petroleum, LLC in 2007.

Note: The most recent data available is from 2015.

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
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	58,588,601	99.7
2016	66,435,278	6,578,305	18,900	73,032,483	34,169,528	46.8

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, 2016			
Received in Subsequent Years	Total to Date			Delinquent		Current	
	Amount	Percentage of Levy		Amount	Percent	Amount	Percent
\$ 49,202,626	\$ 49,202,626	100.0 %		\$ —	— %	\$ —	— %
50,979,209	50,979,209	100.0		—	—	—	—
1,168,321	53,560,650	100.0		—	—	—	—
1,075,265	53,805,839	100.0		22,632	—	—	—
577,712	53,700,488	99.9		32,041	0.1	—	—
434,012	53,431,567	99.9		42,670	0.1	—	—
349,771	54,084,961	99.9		39,236	0.1	—	—
277,574	55,907,005	99.9		61,913	0.1	—	—
—	58,588,601	99.7		190,569	0.3	—	—
—	34,169,528	46.8		—	—	38,862,955	53.2
				<u>\$ 389,061</u>		<u>\$ 38,862,955</u>	

## INDEPENDENT SCHOOL DISTRICT NO. 833

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Capital Leases	Energy Conservation Loans	Total Primary Government		
2007	\$302,195,000	\$ 5,493,207	\$ —	\$ 8,121,239	\$ 68,656	\$315,878,102	2.94 %	\$ 3,292
2008	328,020,000	5,484,596	—	7,139,224	37,314	340,681,134	3.04	3,535
2009	331,405,000	5,084,798	—	6,187,414	5,972	342,683,184	3.14	3,523
2010	337,570,000	8,577,535	—	5,191,142	—	351,338,677	3.10	3,607
2011	328,635,000	7,893,326	—	4,149,856	—	340,678,182	2.79	3,663
2012	282,165,000	6,911,442	—	7,162,897	—	296,239,339	2.34	3,152
2013	269,700,000	6,214,757	—	6,705,060	—	282,619,817	2.20	2,994
2014	276,850,000	5,941,951	—	6,769,454	—	289,561,405	2.22	3,030
2015	292,440,000	9,239,371	—	6,619,996	—	308,299,367	2.19	3,140
2016	415,810,000	31,115,494	13,200,000	9,757,949	—	469,883,443	N/A	4,786

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
2007	\$ 307,688,207	\$ 63,850,319	\$ 243,837,888	\$ 8,798,601,650	2.77 %	95,957	2,541
2008	333,504,596	56,537,683	276,966,913	9,187,642,000	3.01	96,369	2,874
2009	336,489,798	55,517,184	280,972,614	9,369,148,400	3.00	97,257	2,889
2010	346,147,535	48,867,209	297,280,326	8,902,560,100	3.34	97,406	3,052
2011	336,528,326	47,211,175	289,317,151	8,208,261,700	3.52	92,998	3,111
2012	289,076,442	5,606,302	283,470,140	8,109,596,500	3.50	93,972	3,017
2013	275,914,757	5,634,352	270,280,405	7,626,898,000	3.54	94,399	2,863
2014	282,791,951	6,464,953	276,326,998	7,978,967,600	3.46	95,556	2,892
2015	301,679,371	40,357,373	261,321,998	9,098,596,000	2.87	98,185	2,662
2016	446,925,494	89,987,868	356,937,626	9,372,785,100	3.81	98,185	3,635

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, 2016

Governmental Unit	Bonded Debt	Percent Allocable to ISD No. 833	Portion Allocable to ISD No. 833
Independent School District No. 833	\$ 446,925,494	100.00 %	\$ 446,925,494
Overlapping debt			
Washington County	\$ 118,065,000	39.28 %	46,375,460
City of Afton	\$ 6,705,000	5.72 %	383,338
City of Cottage Grove	\$ 15,845,000	98.31 %	15,577,695
City of Newport	\$ 4,430,000	100.00 %	4,430,000
City of St. Paul Park	\$ 2,940,000	100.00 %	2,940,000
City of Woodbury	\$ 47,224,670	74.50 %	35,181,482
Metropolitan Council	\$ 153,680,000	3.52 %	5,408,460
Ramsey-Washington Metro Watershed District	\$ 1,169,079	58.51 %	683,988
South Washington Watershed District	\$ 3,975,000	76.10 %	3,025,114
Total overlapping debt			<u>114,005,537</u>
Total direct and overlapping debt			<u>\$ 560,931,031</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			
	2007	2008	2009	2010
Debt limit	\$ 1,319,790,248	\$ 1,378,146,300	\$ 1,405,372,260	\$ 1,335,384,015
Total net debt applicable to limit	238,344,681	271,482,317	275,887,816	288,702,791
Legal debt margin	<u>\$ 1,081,445,567</u>	<u>\$ 1,106,663,983</u>	<u>\$ 1,129,484,444</u>	<u>\$ 1,046,681,224</u>
Total net debt applicable to the limit as a percentage of debt limit	18.06%	19.70%	19.63%	21.62%

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.

2011	2012	2013	2014	2015	2016
\$ 1,231,239,255	\$ 1,216,439,475	\$ 1,144,034,700	\$ 1,196,845,140	\$ 1,364,789,400	\$ 1,405,917,765
281,423,825	276,558,698	264,065,648	270,385,047	252,082,627	325,822,132
<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>	<u>\$ 1,080,095,633</u>
22.86%	22.74%	23.08%	22.59%	18.47%	23.18%

Legal Debt Margin Calculation for Fiscal Year 2016

Market value	\$ 9,372,785,100
Debt limit (15% of market value)	1,405,917,765
Debt applicable to limit	
General obligation bonds	415,810,000
Less amount set aside for repayment of general obligation debt	<u>(89,987,868)</u>
Total net debt applicable to limit	<u>325,822,132</u>
Legal debt margin	<u>\$ 1,080,095,633</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Washington County			Total ISD No. 833 Population (2)	School Enrollment (3)	Unemployment Rate (3)
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)			
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	250,123	14,056,242,000	56,197	98,185	17,773	3.2
2016	N/A	N/A	N/A	98,185	17,783	2.9

N/A – Not Available

Sources:

- (1) 2015 Comprehensive Annual Financial Report of Washington County, Minnesota
- (2) Annual school district census and U.S. census
- (3) ISD No. 833 and the Bureau of Economic Analysis



INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Employers  
Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percent of Employment	Employees	Rank	Percent of Employment
Independent School District No. 833	2,513	1	34.38 %	2,630	1	35.58 %
HealthEast Woodwinds Hospital	925	2	12.65	787	3	10.65
Bailey Nurseries, Inc.	800	3	10.94	950	2	12.85
3M Company – Cottage Grove	700	4	9.58	733	4	9.92
Renewal by Anderson	450	5	6.16	515	5	6.97
Woodbury Senior Living (1)	450	6	6.16	425	6	5.75
Ecowater Systems	440	7	6.02	341	8	4.61
Target	430	8	5.88	345	7	4.67
Northern Tier Energy	302	9	4.13	–	–	–
Up North Plastics	300	10	4.10	–	–	–
Assurant	–	–	–	340	9	4.60
Supermom's	–	–	–	325	10	4.40
Total	<u>7,310</u>		<u>100.00 %</u>	<u>7,391</u>		<u>100.00 %</u>

(1) Listed as Woodbury HealthCare Center in 2007

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

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Employees by Classification  
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2007	2008	2009	2010
District directors/superintendent	17	16	15	14
Principals	32	38	40	40
Teachers, nurses, and counselors	1,095	1,183	1,205	1,209
Coordinators, supervisors, specialists, and technical support	205	242	238	234
Paraprofessionals	273	304	321	327
Food service	129	122	115	139
Custodians	94	104	106	115
Bus drivers and mechanics	184	186	200	206
Community education leads and assistants	22	22	22	22
Total	2,051	2,217	2,262	2,306

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

2011	2012	2013	2014	2015	2016
15	15	14	14	14	13
41	41	41	43	43	43
1,250	1,267	1,280	1,350	1,373	1,373
237	235	240	237	244	247
324	337	348	374	396	422
145	140	148	142	129	134
116	117	121	116	113	119
199	203	206	194	178	175
22	22	20	23	23	23
2,349	2,377	2,418	2,493	2,513	2,549

## INDEPENDENT SCHOOL DISTRICT NO. 833

Operating Indicators by Function  
Standardized Testing Rates  
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
<b>Standardized tests</b>				
<b>MCA Reading (1)</b>				
Grade 3	85 %	83 %	84 %	84 %
Grade 4	75	78	79	80
Grade 5	79	78	80	82
Grade 6	75	76	81	77
Grade 7	74	71	76	75
Grade 8	77	73	73	75
Grade 10	70	78	84	81
<b>MCA Math (1)</b>				
Grade 3	84	85	88	91
Grade 4	77	78	82	86
Grade 5	58	71	74	78
Grade 6	69	74	71	73
Grade 7	66	65	74	71
Grade 8	67	65	65	70
Grade 11	38	39	49	56
<b>ACT</b>				
Average composite score	23.8	22.9	23.0	23.0

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

2011	2012	2013	2014	2015	2016
87 %	85 %	65 %	65 %	67 %	67 %
83	86	60	64	67	71
87	86	71	72	79	79
81	82	65	67	68	73
78	81	64	64	66	65
82	83	68	69	69	73
86	87	74	71	71	71
80	79	81	82	81	79
75	81	83	77	77	78
61	65	72	67	68	67
57	68	65	69	64	65
60	65	68	68	67	64
65	69	73	72	69	73
65	56	68	60	58	58
23.4	23.6	23.5	24.1	24.1	24.1

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INDEPENDENT SCHOOL DISTRICT NO. 833

School Facilities  
as of June 30, 2016

Facility	Use	Constructed	Acres	Classrooms	Square Footage	Capacity*	Enrollment (1)
Armstrong Elementary	School	1969/1987/2001	12.00	31	76,211	484	323
Cottage Grove Elementary	School	2002	35.00	36	98,635	648	527
Crestview Elementary	School	1963/1970/1990/ 1999/2001	35.00	36	81,840	648	636
Gordon Bailey Elementary	School	1991/1992/2000	30.00	45	107,243	820	782
Grey Cloud Elementary	School	1991/1992/2001	41.00	45	110,954	756	686
Hillside Elementary	School	1963/1970/1990/ 2001	16.00	32	75,864	616	435
Liberty Ridge Elementary	School	2003/2013	25.00	56	135,123	993	1,014
Middleton Elementary	School	1991/1992/1999	30.00	45	107,614	780	730
Newport Elementary	School	1955/1970/1990	9.00	21	79,286	352	284
Pine Hill Elementary	School	1960/1967/1970/ 2001	12.00	28	73,631	510	405
Pullman Elementary	School	1960/1970/2002	16.00	29	70,842	510	408
Red Rock Elementary	School	2002	31.00	36	98,556	648	552
Royal Oaks Elementary	School	1966/1970/1990/ 2001	7.00	32	75,859	616	503
Woodbury Elementary	School	1960/1963/1970/ 1989/1990/1999/ 2002	10.00	40	95,567	648	485
Cottage Grove Middle School	School	1995/2004/2007	72.00	56	196,641	1,342	1,184
Lake Middle School	School	1995/2000	67.00	54	188,996	1,320	1,280
Oltman Middle School	School	1951/1960/1965/ 1973/1974/1995/ 2002	20.00	37	184,721	936	647
Woodbury Middle School	School	1969/1989/2002	16.00	44	181,496	1,080	942
East Ridge High School	School	2009	58.00	70	382,264	1,802	1,813
Park Senior High School	School	1964/1971/1973/ 1994/2002/2003	51.00	86	403,981	2,167	1,784
Woodbury Senior High School	School	1974/2002/2003	45.00	80	366,599	2,026	1,911
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	109
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, 2015.

\* 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
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	16,707	1,798,346	174	10,335	61.86
2016	16,716	1,814,033	174	10,425	62.37

(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
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
337,475	18.60	113,467	6.25

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2007	2008	2009	2010
Administration	\$ 376	\$ 362	\$ 367	\$ 371
District support services	201	229	208	238
Elementary and secondary regular instruction	4,353	4,475	4,727	4,859
Vocational education instruction	146	156	149	134
Special education instruction	1,439	1,383	1,411	1,440
Instructional support services	609	508	477	515
Pupil support services	876	904	886	948
Sites and buildings	819	895	981	908
Fiscal and other fixed cost programs	27	26	16	28
Food service	351	373	387	382
Community service	546	561	591	590
Capital outlay	1,347	4,042	4,096	1,634
Debt service	1,072	1,501	1,439	1,517
Total expenditures	<u>\$ 12,162</u>	<u>\$ 15,414</u>	<u>\$ 15,735</u>	<u>\$ 13,563</u>
Average daily membership	<u>16,618</u>	<u>16,767</u>	<u>16,727</u>	<u>16,864</u>

Note: Includes all governmental fund expenditures.

2011	2012	2013	2014	2015	2016
\$ 387	\$ 391	\$ 390	\$ 411	\$ 424	\$ 444
229	225	234	210	304	367
5,013	4,998	5,161	5,243	5,508	5,555
116	98	99	123	125	130
1,408	1,358	1,471	1,673	1,818	1,956
509	491	517	532	542	554
1,002	1,000	1,042	1,070	1,125	1,119
979	1,129	1,064	1,197	1,082	1,690
19	23	24	27	32	18
402	419	427	446	491	475
600	651	692	720	686	734
1,116	811	406	205	696	1,513
1,462	1,508	1,520	1,599	1,790	1,673
<u>\$ 13,241</u>	<u>\$ 13,101</u>	<u>\$ 13,045</u>	<u>\$ 13,457</u>	<u>\$ 14,624</u>	<u>\$ 16,227</u>
<u>17,150</u>	<u>17,477</u>	<u>17,649</u>	<u>17,719</u>	<u>17,773</u>	<u>17,783</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2007	133	1,109	7,877	7,499	16,618	19,085
2008	141	1,108	7,896	7,622	16,767	19,345
2009	147	1,101	7,788	7,691	16,727	19,313
2010	155	1,149	7,853	7,707	16,864	19,443
2011	169	1,107	7,940	7,934	17,150	19,828
2012	218	1,165	8,034	8,060	17,477	20,189
2013	259	1,042	8,156	8,192	17,649	20,465
2014	267	1,059	8,155	8,238	17,719	20,542
2015	354	1,111	8,159	8,149	17,773	19,397
2016	393	1,084	8,107	8,199	17,783	19,421

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 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 through 2016	1.000	1.000	0.550	1.000	1.000	1.000	1.200