



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2017

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

Cottage Grove, Minnesota

igniting a passion



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2017

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

**7362 E. Pt. Douglas Road S.
Cottage Grove, MN 55016
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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 7, 2017

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, 2017. The District's management assumes full responsibility for the completeness and accuracy of the information contained in this report. The report was prepared in accordance with accounting principles generally accepted in the United States of America. An independent firm of certified public accountants audits this report.

Malloy, Montague, Karnowski, Radosevich & Co., P.A., Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's basic financial statements for the year ended June 30, 2017. 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 2016–2017 school year, the District operated 25 buildings, including 3 high schools, 4 middle schools, 15 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 31 years. Enrollment has climbed steadily over the previous 10 years and the District served 18,164 students for the 2016–2017 school year. The District is projecting a similar enrollment for the 2017–2018 school year.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The District's population has grown from 77,263 in 2000 to 98,185 in 2017, a 27.1 percent increase. In that same time period, the District's enrollment has grown from 15,134 in 2000 to 18,164, a 20.0 percent increase. According to the Metropolitan Council, the District can expect continuous growth through the year 2035.

The District currently holds an A1 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 four 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 2016 in Washington County was \$87,795, as compared to \$70,218 for the state of Minnesota and \$59,039 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 2.7 percent, as compared to 3.3 percent for the state of Minnesota and 4.1 percent for the United States.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

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

The District currently receives \$1,876 per pupil through voter-approved operating referenda and local optional revenue. Of the current levy, \$771.27 per pupil was set to expire in 2017–2018, however voters approved to renew the amount for 10 more years in an election on November 7, 2017, \$155.88 per pupil expires in 2023–2024, and \$525 per pupil expires in 2026–2027. The local option allowance totaled \$424 per pupil. These operating levies generated approximately \$36 million for the District in the 2016–2017 school year. Voters also approved an additional \$325 per pupil in operating referenda which will begin in 2018–2019 and will generate an additional \$7.5 million annually for the General Fund.

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

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

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

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

FINANCIAL AND BUDGETARY CONTROL

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

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

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

RELEVANT FINANCIAL POLICIES

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

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

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

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

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

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

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

CERTIFICATE OF EXCELLENCE

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

In 2016–2017, 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 2016. It was the 11th consecutive year the District has received the award.

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

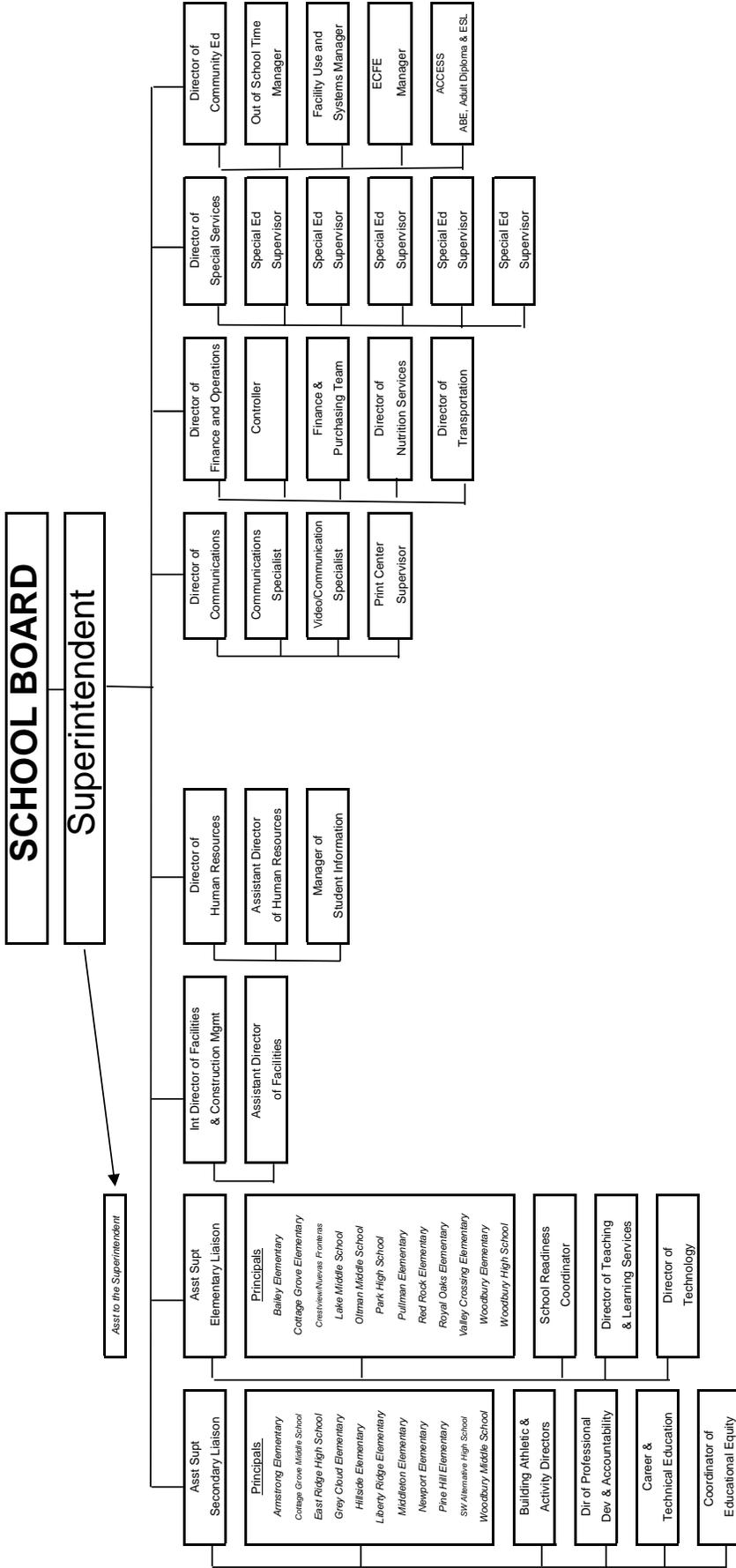
ACKNOWLEDGEMENTS

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



Dan Pyan, Director of Finance and Operations

DISTRICT 833 - CENTRAL OFFICE REPORTING RELATIONSHIPS



INDEPENDENT SCHOOL DISTRICT NO. 833

School Board and Administration
Year Ended June 30, 2017

SCHOOL BOARD

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

ADMINISTRATION

Keith Jacobus	Superintendent
Michael Johnson	Assistant Superintendent
Julie Nielsen	Assistant Superintendent
Mike Vogel	Interim Director of Facilities and Construction Management
Robert Berkowitz	Director of Technology
Barbara Brown	Director of Communications
Matthew Dorschner	Director of Teaching and Learning Services
Vacant	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
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, 2016.**

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



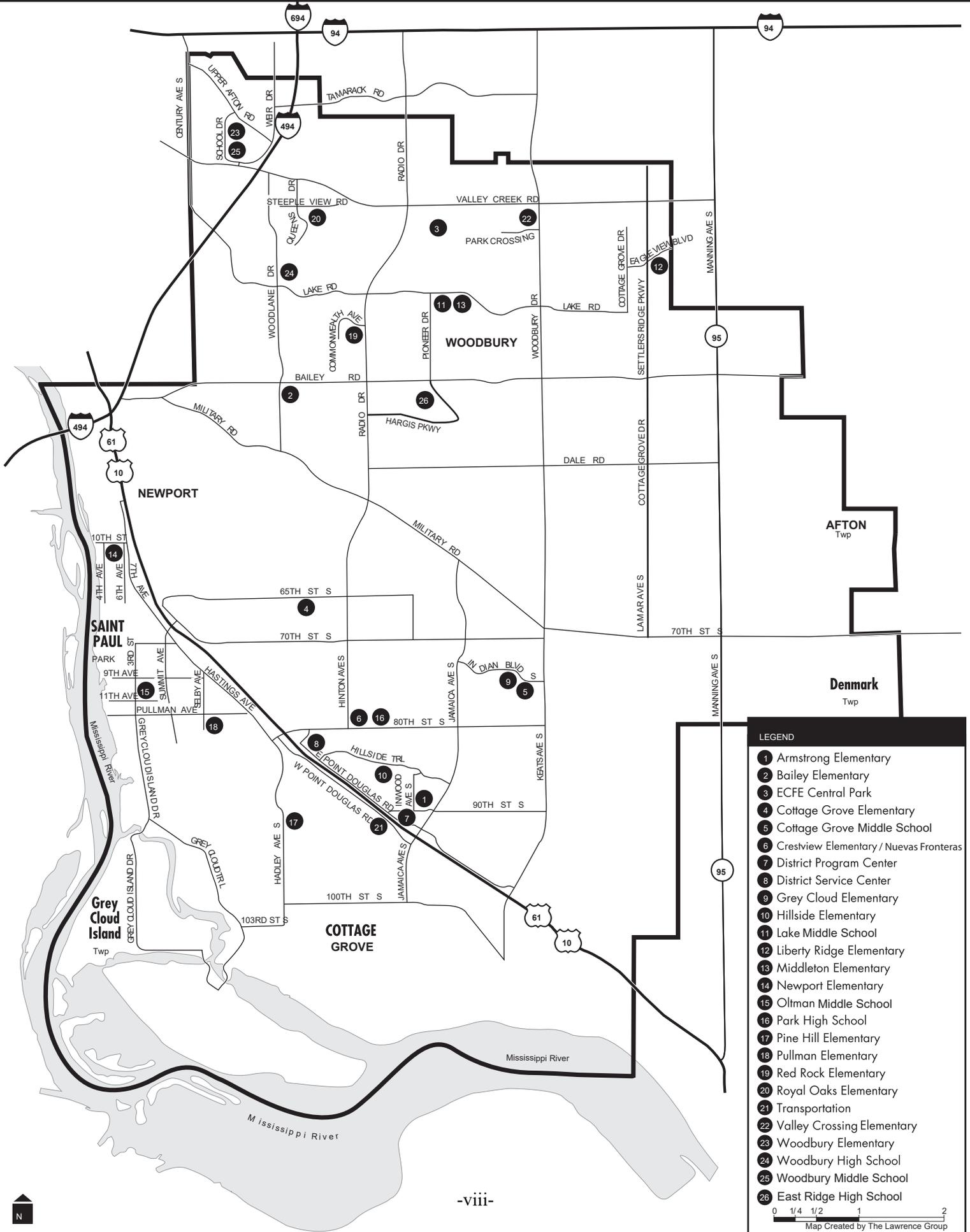
A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

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

John D. Musso, CAE
Executive Director

SOUTH WASHINGTON COUNTY SCHOOLS





Section II

Financial

Igniting a passion



PRINCIPALS

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

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to the basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*, during the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

(continued)

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

Prior Year Comparative Information

We have previously audited the District's 2016 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 20, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2016 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 7, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 7, 2017

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INDEPENDENT SCHOOL DISTRICT NO. 833

Management's Discussion and Analysis Year Ended June 30, 2017

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, 2017. 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, 2017 by \$84,425,621 (net position deficit). The District's total net position decreased by \$50,883,738 during the fiscal year ended June 30, 2017, excluding the change in accounting principle reported in the current year as discussed below.
- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*. The change reflects standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to pension plans not within the scope of GASB Statement No. 68. The implementation of this standard reduced beginning net position in the government-wide and internal service fund statements by \$3,250,849.
- Government-wide revenues totaled \$280,560,697 and were \$50,883,738 less than expenses of \$331,444,435.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$114,630 from the prior year, compared to a decrease of \$180,079 planned in the final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional 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 financial statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	2017	2016
Assets		
Current and other assets	\$ 332,923,793	\$ 323,185,560
Capital assets, net of depreciation	375,583,643	355,347,622
Total assets	\$ 708,507,436	\$ 678,533,182
Deferred outflows of resources		
Pension plan deferments	\$ 289,448,731	\$ 27,247,260
Liabilities		
Current and other liabilities	\$ 31,573,728	\$ 32,752,738
Long-term liabilities, including due within one year	971,659,125	614,564,986
Total liabilities	\$ 1,003,232,853	\$ 647,317,724
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 69,413,768	\$ 69,814,848
Pension plan deferments	9,735,167	18,938,904
Total deferred inflows of resources	\$ 79,148,935	\$ 88,753,752
Net position		
Net investment in capital assets	\$ 97,078,662	\$ 85,486,603
Restricted	8,559,909	7,985,002
Unrestricted	(190,064,192)	(123,762,639)
Total net position	\$ (84,425,621)	\$ (30,291,034)

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

The District's increase in net investment in capital assets is due mostly to the District repaying debt at a faster rate than the assets being depreciated. The District's increase in net position restricted for capital asset acquisition, food service, and other state funding purposes contributed to the growth in the restricted portion of net position. The decrease in unrestricted net position was partially due to the implementation of the GASB statement for pension liabilities discussed earlier in this report. A change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans also contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

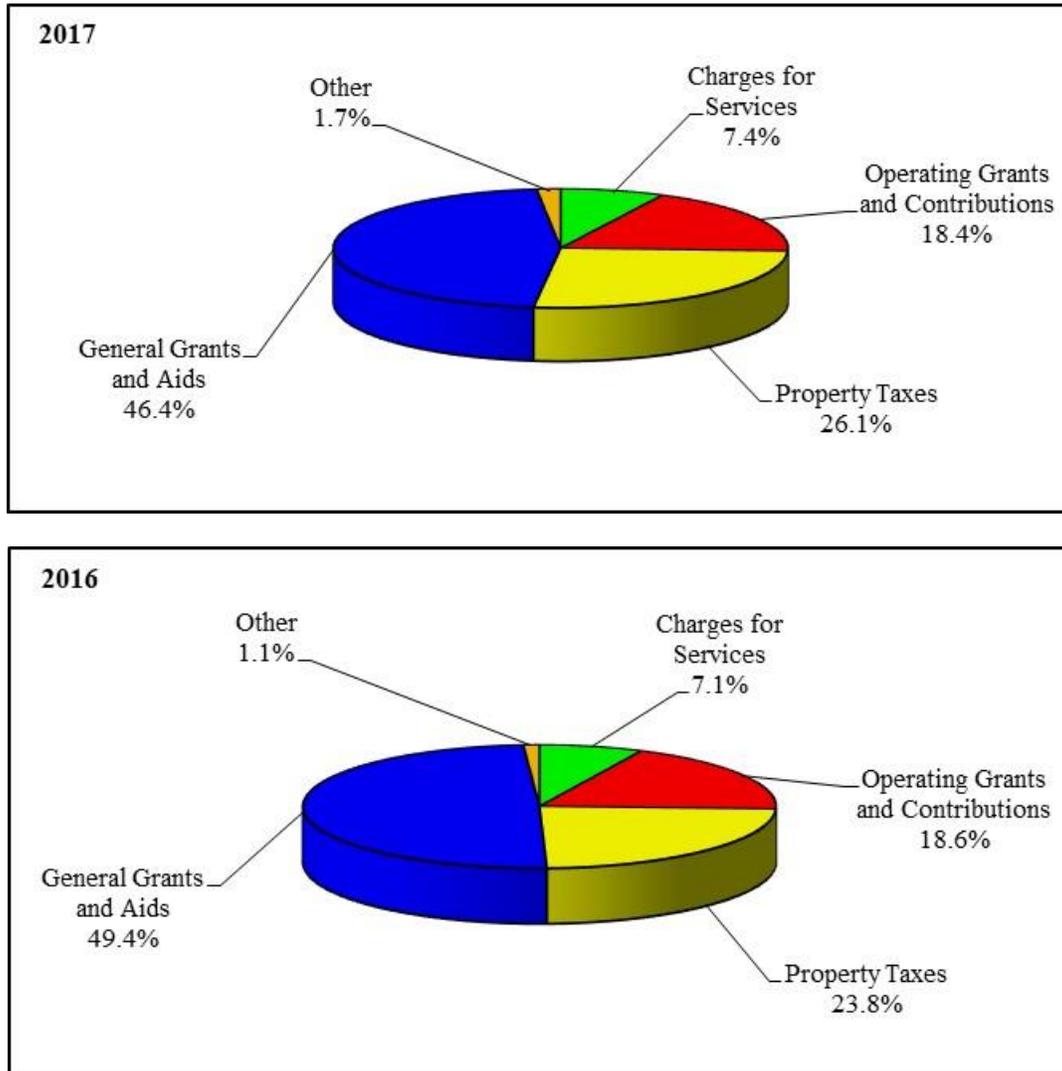
Table 2 presents a summarized version of the District's Statement of Activities:

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues		
Charges for services	\$ 20,693,905	\$ 17,550,652
Operating grants and contributions	51,670,670	46,131,521
General revenues		
Property taxes	73,183,043	58,917,343
General grants and aids	130,278,195	122,563,945
Other	4,734,884	2,847,490
Total revenues	<u>280,560,697</u>	<u>248,010,951</u>
Expenses		
Administration	10,381,871	8,060,524
District support services	6,596,898	6,414,735
Elementary and secondary regular instruction	148,539,553	100,748,199
Vocational education instruction	2,685,595	2,313,645
Special education instruction	50,522,278	34,696,192
Instructional support services	13,144,802	9,842,037
Pupil support services	24,295,235	19,090,739
Sites and buildings	23,711,287	20,099,373
Fiscal and other fixed cost programs	493,785	318,258
Food service	9,508,533	8,651,331
Community service	16,767,322	13,312,337
Unallocated depreciation	8,894,001	8,997,829
Interest and fiscal charges	15,903,275	10,964,797
Total expenses	<u>331,444,435</u>	<u>243,509,996</u>
Excess (deficiency) of revenue over expenses	(50,883,738)	4,500,955
Special item – joint school proceeds	<u>–</u>	<u>9,354,650</u>
Change in net position	(50,883,738)	13,855,605
Net position – beginning, as previously reported	(30,291,034)	(44,146,639)
Change in accounting principle	<u>(3,250,849)</u>	<u>–</u>
Net position – beginning, as restated	<u>(33,541,883)</u>	<u>(44,146,639)</u>
Net position – ending	<u>\$ (84,425,621)</u>	<u>\$ (30,291,034)</u>

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. Revenues increased with funding improvements in general and special education funding formulas along with an increase in the approved tax levy. The significant increase in expenses reflects natural inflationary increases along with the change in the PERA and the TRA multi-employer defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2017 and 2016

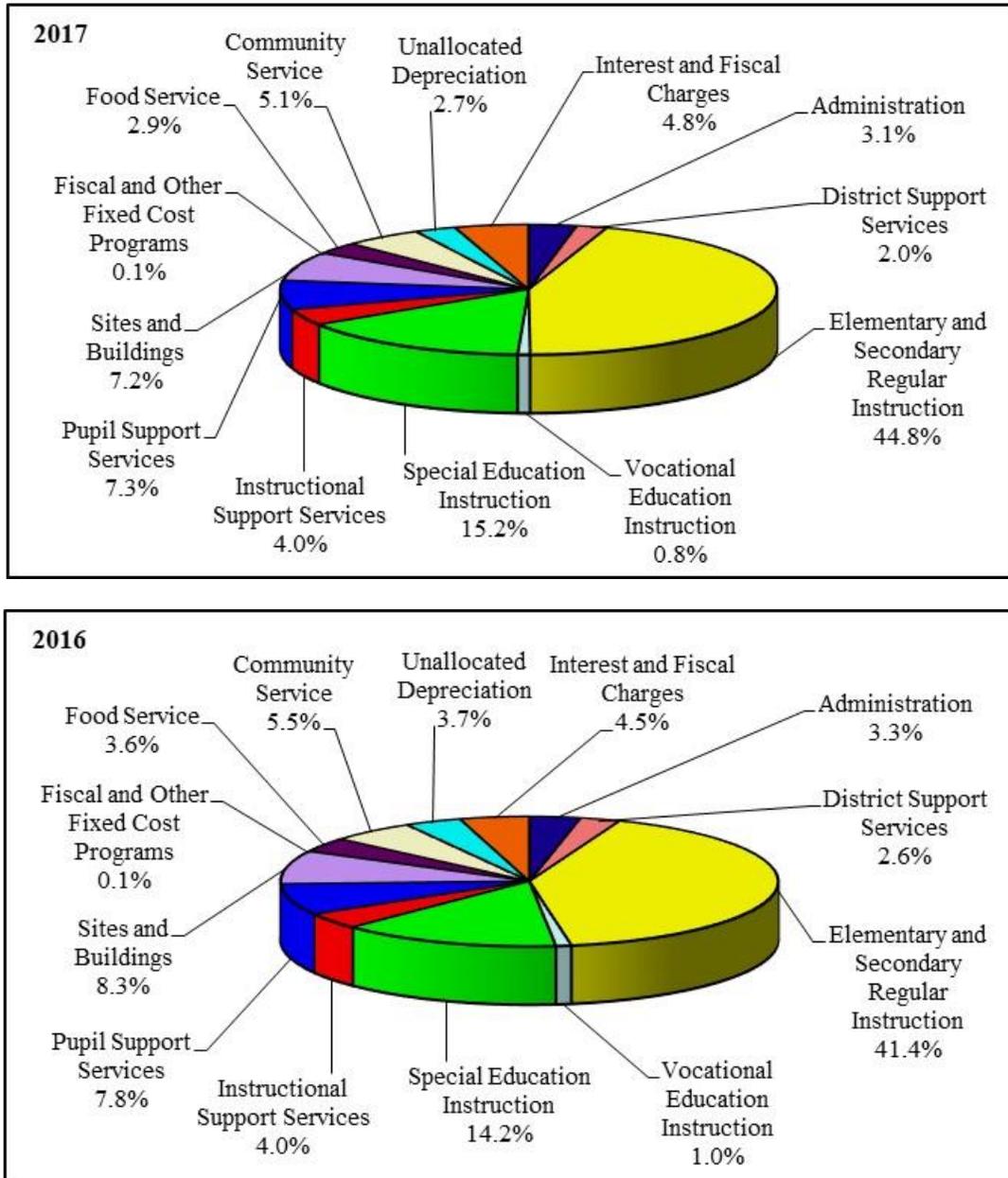


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2017 and 2016



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:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Major funds			
General	\$ 7,417,697	\$ 7,303,067	\$ 114,630
Capital Projects –			
Building Construction	92,801,646	114,279,608	(21,477,962)
Debt Service	126,746,536	89,987,868	36,758,668
Nonmajor funds			
Food Service Special Revenue	834,629	609,048	225,581
Community Service Special Revenue	<u>17,428</u>	<u>764,920</u>	<u>(747,492)</u>
Total governmental funds	<u>\$ 227,817,936</u>	<u>\$ 212,944,511</u>	<u>\$ 14,873,425</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, 2017, the District's governmental funds reported combined fund balances of \$227,817,936, an increase of \$14,873,425 in comparison with the prior year. The District has an unassigned fund balance deficit of (\$5,891,988) as of June 30, 2017. The remainder of the fund balance is either nonspendable, restricted, or committed to indicate that it is: 1) not in spendable form (\$3,600,021), 2) restricted for particular purposes (\$227,760,763), or 3) committed for particular purposes (\$2,349,140).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues	<u>\$ 211,579,522</u>	<u>\$ 217,631,305</u>	<u>\$ 6,051,783</u>	<u>2.9%</u>
Expenditures	<u>\$ 215,873,703</u>	<u>\$ 218,963,761</u>	<u>\$ 3,090,058</u>	<u>1.4%</u>
Other financing sources	<u>\$ —</u>	<u>\$ 1,152,377</u>	<u>\$ 1,152,377</u>	<u>100.0%</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:

	<u>2017 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	\$ 219,236,371	\$ 1,605,066	0.7%	\$ 24,347,947	12.5%
Expenditures	<u>222,742,711</u>	<u>3,778,950</u>	1.7%	<u>10,533,109</u>	5.0%
Excess (deficiency) of revenue over expenditures	(3,506,340)	(2,173,884)		13,814,838	
Total other financing sources	3,620,970	2,468,593		(1,331,139)	
Special item – joint school proceeds	<u>—</u>	<u>—</u>		<u>(9,354,650)</u>	
Net change in fund balances	<u>\$ 114,630</u>	<u>\$ 294,709</u>		<u>\$ 3,129,049</u>	

The fund balance of the General Fund increased \$114,630, compared to a decrease of \$180,079 approved in the final budget.

The largest revenue variances to the budget occurred in other local sources and federal sources, which were \$1,328,614 and \$357,599 more than projected in the budget, respectively. The increase from the prior year was mainly due to additional property taxes, with an increase in the approved levy and state sources with improvements in the special education and general education funding formulas. The District served more students in the current year, also contributing to the revenue increase. The District received more in Medical Assistance billings, donations, and sales of materials contributing to the increase over prior year. The District also budgets conservatively for these items, causing a favorable variance in other local sources.

General Fund expenditures were 1.7 percent over budget, which was spread across several programs and object categories. Expenditures increased from the prior year with an increase in salaries and benefits as anticipated with scheduled contract improvements and for serving more students. Purchased services expenditures were also over prior year levels and over budget for sites and buildings in the current year.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The District's spend down of current year and prior year bond issuances contributed to the overall decrease in fund balance of \$21,477,962. These debt resources are being used to finance construction and improvements at several district facilities. The District has \$92,801,646 of resources remaining in this fund as of June 30, 2017 to finance various district projects.

Debt Service Fund

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$36,758,668 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 \$126,746,536 at June 30, 2017 is available for meeting future debt service obligations.

The District has issued refunding bonds in recent years to reduce future debt levies to District taxpayers.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$225,581, compared to a planned fund balance increase of \$314,525.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by \$747,492, compared to a planned fund balance increase of \$51,795. This variance was largely due to salaries and purchased services exceeding budget.

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, 2017 was \$3,549,169, which represents a decrease of \$2,141,020 from current year operating results, and a decrease of \$3,250,849 with the change in accounting principle for pension accounting in the current 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, 2017 and 2016.

	Table 6 Capital Assets		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 14,846,429	\$ 9,747,070	\$ 5,099,359
Construction in progress	44,632,541	44,554,489	78,052
Land improvements	13,585,366	13,585,366	—
Buildings	417,274,779	392,812,533	24,462,246
Machinery and equipment	15,125,075	14,702,874	422,201
Licensed vehicles	11,356,134	11,181,327	174,807
Less accumulated depreciation	<u>(141,236,681)</u>	<u>(131,236,037)</u>	<u>(10,000,644)</u>
Total	<u>\$ 375,583,643</u>	<u>\$ 355,347,622</u>	<u>\$ 20,236,021</u>
Depreciation expense	<u>\$ 10,000,644</u>	<u>\$ 10,056,192</u>	<u>\$ (55,548)</u>

By the end of 2017, 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 2017, 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:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
General obligation bonds	\$ 432,570,000	\$ 415,810,000	\$ 16,760,000
Certificates of participation	19,450,000	13,200,000	6,250,000
Unamortized premium/discount	33,222,354	31,115,494	2,106,860
Capital leases	11,076,649	9,757,949	1,318,700
Net pension liability	469,350,712	139,578,020	329,772,692
Compensated absences	1,275,631	1,199,853	75,778
Severance benefits	1,547,851	1,558,011	(10,160)
Net OPEB obligation	<u>3,165,928</u>	<u>2,345,659</u>	<u>820,269</u>
Total	<u><u>\$ 971,659,125</u></u>	<u><u>\$ 614,564,986</u></u>	<u><u>\$ 357,094,139</u></u>

The issuance of refunding bonds with premiums, offset by scheduled principal payments account for their changes above. The increase in certificates of participation payable is due to the current year issuance to finance an addition to the Woodbury Middle School. The District entered into two capital leases in the current year for iPads and MacBooks that exceeded the current year principal payments scheduled. The difference in the net pension liability reflects the changes in the District's proportionate share of the state-wide PERA and TRA pension plans, along with the implementation of a new pension standard in the current year.

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).

District's market value	\$ 9,652,063,700
Limit rate	<u>15.00%</u>
Legal debt limit	<u><u>\$ 1,447,809,555</u></u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$121, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2018 and an additional \$124, or 2 percent, per pupil to the formula for fiscal year 2019.

In November 2017, District voters approved referendum questions 1, 2, and 3 on the ballot for the District. The approval of Question 1 means the District will continue to receive a \$15.3 million operating levy annually over the next 10 years. Question 1 has been a part of the budget for two decades. The approval of Question 2 means the District will receive an additional \$7.5 million operating levy annually over the next 10 years. The approval shows the community recognizes the need as planned for by the School Board in 2015. The approval of Question 3 provides the district with \$2 million a year for 10 years in capital project funding that will be dedicated to technology expenses.

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, 2017
(With Partial Comparative Information as of June 30, 2016)

	Governmental Activities	
	2017	2016
Assets		
Cash and temporary investments	\$ 123,835,878	\$ 157,034,730
Receivables		
Current taxes	39,587,867	38,862,955
Delinquent taxes	550,022	389,061
Accounts and interest	294,703	313,977
Due from other governmental units	20,226,057	17,121,333
Inventory	280,873	266,738
Prepaid items	3,319,148	3,154,943
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	22,963,424	20,567,627
Cash and investments for debt service	121,529,707	85,474,196
Interest receivable for debt service	336,114	–
Capital assets		
Not depreciated	59,478,970	54,301,559
Depreciated, net of accumulated depreciation	316,104,673	301,046,063
Total capital assets, net of accumulated depreciation	<u>375,583,643</u>	<u>355,347,622</u>
Total assets	708,507,436	678,533,182
Deferred outflows of resources		
Pension plan deferments	<u>289,448,731</u>	<u>27,247,260</u>
Total assets and deferred outflows of resources	<u>\$ 997,956,167</u>	<u>\$ 705,780,442</u>
Liabilities		
Salaries payable	\$ 12,194,224	\$ 14,167,160
Accounts and contracts payable	10,147,499	9,363,462
Accrued interest payable	7,593,398	5,543,485
Due to other governmental units	577,489	532,504
Unearned revenue	1,061,118	3,146,127
Long-term liabilities		
Due within one year	139,483,088	19,527,765
Due in more than one year	832,176,037	595,037,221
Total long-term liabilities	<u>971,659,125</u>	<u>614,564,986</u>
Total liabilities	1,003,232,853	647,317,724
Deferred inflows of resources		
Property taxes levied for subsequent year	69,413,768	69,814,848
Pension plan deferments	<u>9,735,167</u>	<u>18,938,904</u>
Total deferred inflows of resources	79,148,935	88,753,752
Net position		
Net investment in capital assets	97,078,662	85,486,603
Restricted for		
Capital asset acquisition	4,344,979	4,189,686
Food service	834,629	609,048
Community service	2,078,231	2,143,708
Other purposes (state and other funding restrictions)	1,302,070	1,042,560
Unrestricted	<u>(190,064,192)</u>	<u>(123,762,639)</u>
Total net position	<u>(84,425,621)</u>	<u>(30,291,034)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 997,956,167</u>	<u>\$ 705,780,442</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Activities
 Year Ended June 30, 2017
 (With Partial Comparative Information for the Year Ended June 30, 2016)

Functions/Programs	Expenses	2017		2016	
		Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
			Governmental Activities	Governmental Activities	
Governmental activities					
Administration	\$ 10,381,871	\$ -	\$ 99,969	\$ (10,281,902)	\$ (8,008,361)
District support services	6,596,898	316	-	(6,596,582)	(6,414,028)
Elementary and secondary regular instruction	148,539,553	3,688,602	14,081,551	(130,769,400)	(85,416,733)
Vocational education instruction	2,685,595	-	689,621	(1,995,974)	(1,490,290)
Special education instruction	50,522,278	1,800	26,128,616	(24,391,862)	(13,476,474)
Instructional support services	13,144,802	19,910	2,433,472	(10,691,420)	(7,527,123)
Pupil support services	24,295,235	130,270	2,750,137	(21,414,828)	(16,179,610)
Sites and buildings	23,711,287	-	-	(23,711,287)	(20,099,359)
Fiscal and other fixed cost programs	493,785	-	-	(493,785)	(318,258)
Food service	9,508,533	6,265,612	3,283,654	40,733	439,013
Community service	16,767,322	10,587,395	2,203,650	(3,976,277)	(1,373,974)
Unallocated depreciation	8,894,001	-	-	(8,894,001)	(8,997,829)
Interest and fiscal charges	15,903,275	-	-	(15,903,275)	(10,964,797)
Total governmental activities	<u>\$ 331,444,435</u>	<u>\$ 20,693,905</u>	<u>\$ 51,670,670</u>	(259,079,860)	(179,827,823)
General revenues					
Taxes					
Property taxes levied for general purposes				43,123,208	28,665,427
Property taxes levied for community service				1,376,364	1,327,464
Property taxes levied for capital projects				-	2,089,950
Property taxes levied for debt service				28,683,471	26,834,502
General grants and aids				130,278,195	122,563,945
Other general revenues				3,365,486	2,267,072
Investment earnings				1,369,398	580,418
Special item – joint school proceeds				-	9,354,650
Total general revenues and special item				<u>208,196,122</u>	<u>193,683,428</u>
Change in net position				(50,883,738)	13,855,605
Net position – beginning, as previously reported				(30,291,034)	(44,146,639)
Change in accounting principle				<u>(3,250,849)</u>	-
Net position – beginning, as restated				<u>(33,541,883)</u>	<u>(44,146,639)</u>
Net position – ending				<u>\$ (84,425,621)</u>	<u>\$ (30,291,034)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Balance Sheet
Governmental Funds
as of June 30, 2017

(With Partial Comparative Information as of June 30, 2016)

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Assets			
Cash and temporary investments	\$ 18,614,337	\$ 73,972,484	\$ 17,474,254
Cash and investments held by trustee	983,065	21,980,359	121,529,707
Receivables			
Current taxes	23,475,506	–	15,325,641
Delinquent taxes	312,526	–	226,280
Accounts and interest	87,624	199,153	337,308
Due from other governmental units	19,835,416	–	66,135
Inventory	168,416	–	–
Prepaid items	3,089,381	–	–
	<u>\$ 66,566,271</u>	<u>\$ 96,151,996</u>	<u>\$ 154,959,325</u>
Liabilities			
Salaries payable	\$ 11,617,659	\$ –	\$ –
Accounts and contracts payable	6,236,430	3,350,350	–
Due to other governmental units	574,837	–	–
Unearned revenue	678,723	–	–
Total liabilities	<u>19,107,649</u>	<u>3,350,350</u>	<u>–</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	173,747	–	108,873
Property taxes levied for subsequent year	39,867,178	–	28,103,916
Total deferred inflows of resources	<u>40,040,925</u>	<u>–</u>	<u>28,212,789</u>
Fund balances (deficit)			
Nonspendable	3,257,797	–	–
Restricted	5,647,049	92,801,646	126,746,536
Committed	2,349,140	–	–
Unassigned	(3,836,289)	–	–
Total fund balances	<u>7,417,697</u>	<u>92,801,646</u>	<u>126,746,536</u>
	<u>\$ 66,566,271</u>	<u>\$ 96,151,996</u>	<u>\$ 154,959,325</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 66,566,271</u>	<u>\$ 96,151,996</u>	<u>\$ 154,959,325</u>

Nonmajor Funds	Total Governmental Funds	
	2017	2016
\$ 2,355,606	\$ 112,416,681	\$ 144,115,198
–	144,493,131	106,041,823
786,720	39,587,867	38,862,955
11,216	550,022	389,061
1,894	625,979	307,496
324,506	20,226,057	17,121,333
112,457	280,873	266,738
229,767	3,319,148	3,154,943
<u>\$ 3,822,166</u>	<u>\$ 321,499,758</u>	<u>\$ 310,259,547</u>
\$ 576,565	\$ 12,194,224	\$ 14,167,160
560,719	10,147,499	9,363,462
2,652	577,489	532,504
382,395	1,061,118	3,146,127
<u>1,522,331</u>	<u>23,980,330</u>	<u>27,209,253</u>
5,104	287,724	290,935
1,442,674	69,413,768	69,814,848
<u>1,447,778</u>	<u>69,701,492</u>	<u>70,105,783</u>
342,224	3,600,021	3,421,681
2,565,532	227,760,763	212,232,120
–	2,349,140	2,848,063
(2,055,699)	(5,891,988)	(5,557,353)
<u>852,057</u>	<u>227,817,936</u>	<u>212,944,511</u>
<u>\$ 3,822,166</u>	<u>\$ 321,499,758</u>	<u>\$ 310,259,547</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, 2017

(With Partial Comparative Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Total fund balances – governmental funds	\$ 227,817,936	\$ 212,944,511
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	516,820,324	486,583,659
Accumulated depreciation	(141,236,681)	(131,236,037)
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	(432,570,000)	(415,810,000)
Certificates of participation	(19,450,000)	(13,200,000)
Unamortized premium/discount	(33,222,354)	(31,115,494)
Capital leases	(11,076,649)	(9,757,949)
Net pension liability	(465,699,346)	(139,496,715)
Compensated absences	(1,275,631)	(1,199,853)
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.		
	3,549,169	8,941,038
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(7,593,398)	(5,543,485)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	288,958,452	27,247,260
Deferred inflows – pension plan deferments	(9,735,167)	(18,938,904)
Deferred inflows – unavailable revenue – delinquent taxes	287,724	290,935
Total net position – governmental activities	<u>\$ (84,425,621)</u>	<u>\$ (30,291,034)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2017
 (With Partial Comparative Information for the Year Ended June 30, 2016)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 43,100,551	\$ –	\$ 28,707,636
Investment earnings	123,105	510,660	661,904
Other	6,718,386	–	51,738
State sources	164,509,854	–	661,347
Federal sources	4,784,475	–	1,113,085
Total revenue	<u>219,236,371</u>	<u>510,660</u>	<u>31,195,710</u>
Expenditures			
Current			
Administration	8,197,267	–	–
District support services	6,307,421	–	–
Elementary and secondary regular instruction	107,854,344	–	–
Vocational education instruction	2,206,298	–	–
Special education instruction	39,392,782	–	–
Instructional support services	10,306,731	–	–
Pupil support services	21,088,490	–	–
Sites and buildings	23,601,889	–	–
Fiscal and other fixed cost programs	493,785	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	29,116,856	–
Debt service			
Principal	2,611,010	–	16,275,000
Interest and fiscal charges	682,694	–	16,558,361
Total expenditures	<u>222,742,711</u>	<u>29,116,856</u>	<u>32,833,361</u>
Excess (deficiency) of revenue over expenditures	(3,506,340)	(28,606,196)	(1,637,651)
Other financing sources (uses)			
Bonds issued	–	–	–
Refunding bonds issued	–	–	33,035,000
Certificates of participation issued	–	6,995,000	–
Premium on debt issued	–	133,234	5,361,319
Capital leases issued	3,184,710	–	–
Payment to refunded bond escrow agent	–	–	–
Proceeds from sale of assets	436,260	–	–
Total other financing sources (uses)	<u>3,620,970</u>	<u>7,128,234</u>	<u>38,396,319</u>
Net change in fund balances before special item	114,630	(21,477,962)	36,758,668
Special item – joint school proceeds	–	–	–
Net change in fund balances	114,630	(21,477,962)	36,758,668
Fund balances			
Beginning of year	<u>7,303,067</u>	<u>114,279,608</u>	<u>89,987,868</u>
End of year	<u>\$ 7,417,697</u>	<u>\$ 92,801,646</u>	<u>\$ 126,746,536</u>

Nonmajor Funds	Total Governmental Funds	
	2017	2016
\$ 1,378,067	\$ 73,186,254	\$ 58,998,316
9,068	1,304,737	566,696
16,853,007	23,623,131	19,629,349
2,613,552	167,784,753	160,752,665
2,873,752	8,771,312	7,942,801
<u>23,727,446</u>	<u>274,670,187</u>	<u>247,889,827</u>
—	8,197,267	7,892,778
—	6,307,421	6,523,030
—	107,854,344	98,789,970
—	2,206,298	2,317,450
—	39,392,782	34,778,587
—	10,306,731	9,845,835
—	21,088,490	19,897,703
—	23,601,889	30,054,434
—	493,785	318,258
8,942,896	8,942,896	8,442,308
14,775,151	14,775,151	13,046,284
531,310	29,648,166	26,906,115
—	18,886,010	16,895,781
—	17,241,055	12,855,423
<u>24,249,357</u>	<u>308,942,285</u>	<u>288,563,956</u>
(521,911)	(34,272,098)	(40,674,129)
—	—	101,615,000
—	33,035,000	73,460,000
—	6,995,000	13,200,000
—	5,494,553	24,942,087
—	3,184,710	4,763,734
—	—	(36,435,000)
—	436,260	188,375
<u>—</u>	<u>49,145,523</u>	<u>181,734,196</u>
(521,911)	14,873,425	141,060,067
—	—	9,354,650
(521,911)	14,873,425	150,414,717
<u>1,373,968</u>	<u>212,944,511</u>	<u>62,529,794</u>
<u>\$ 852,057</u>	<u>\$ 227,817,936</u>	<u>\$ 212,944,511</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2017

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

	<u>2017</u>	<u>2016</u>
Total net change in fund balances – governmental funds	\$ 14,873,425	\$ 150,414,717
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	30,236,665	38,403,065
Depreciation expense	(10,000,644)	(10,056,192)
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.		
	(2,141,020)	(2,349,789)
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.		
	(43,214,710)	(193,038,734)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	16,275,000	51,705,000
Certificates of participation	745,000	–
Capital leases	1,866,010	1,625,781
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.		
	(2,049,913)	(1,175,338)
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	(326,202,631)	(22,285,228)
Compensated absences	(75,778)	(129,377)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	(2,106,860)	(21,876,123)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	261,711,192	5,897,349
Deferred inflows – pension plan deferments	9,203,737	16,801,447
Deferred inflows – unavailable revenue – delinquent taxes	(3,211)	(80,973)
Change in net position – governmental activities	<u>\$ (50,883,738)</u>	<u>\$ 13,855,605</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 42,770,364	\$ 43,232,903	\$ 43,100,551	\$ (132,352)
Investment earnings	35,000	40,000	123,105	83,105
Other	5,389,993	5,389,772	6,718,386	1,328,614
State sources	159,259,525	164,541,754	164,509,854	(31,900)
Federal sources	4,124,640	4,426,876	4,784,475	357,599
Total revenue	<u>211,579,522</u>	<u>217,631,305</u>	<u>219,236,371</u>	<u>1,605,066</u>
Expenditures				
Current				
Administration	7,779,621	8,241,653	8,197,267	(44,386)
District support services	7,566,617	8,001,036	6,307,421	(1,693,615)
Elementary and secondary regular instruction	107,893,495	106,700,303	107,854,344	1,154,041
Vocational education instruction	1,933,725	2,136,923	2,206,298	69,375
Special education instruction	38,018,506	38,502,591	39,392,782	890,191
Instructional support services	9,525,459	11,045,517	10,306,731	(738,786)
Pupil support services	21,759,415	21,479,353	21,088,490	(390,863)
Sites and buildings	19,223,666	19,188,385	23,601,889	4,413,504
Fiscal and other fixed cost programs	497,462	445,000	493,785	48,785
Debt service				
Principal	1,501,000	2,544,000	2,611,010	67,010
Interest and fiscal charges	174,737	679,000	682,694	3,694
Total expenditures	<u>215,873,703</u>	<u>218,963,761</u>	<u>222,742,711</u>	<u>3,778,950</u>
Excess (deficiency) of revenue over expenditures	(4,294,181)	(1,332,456)	(3,506,340)	(2,173,884)
Other financing sources				
Capital leases issued	–	719,367	3,184,710	2,465,343
Proceeds from sale of assets	–	433,010	436,260	3,250
Total other financing sources	<u>–</u>	<u>1,152,377</u>	<u>3,620,970</u>	<u>2,468,593</u>
Net change in fund balances	<u>\$ (4,294,181)</u>	<u>\$ (180,079)</u>	114,630	<u>\$ 294,709</u>
Fund balances				
Beginning of year			<u>7,303,067</u>	
End of year			<u>\$ 7,417,697</u>	

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Net Position
 Proprietary Funds
 Internal Service Funds
 as of June 30, 2017

(With Partial Comparative Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 11,419,197	\$ 12,919,532
Receivables		
Accounts and interest	<u>4,838</u>	<u>6,481</u>
Total assets	11,424,035	12,926,013
Deferred outflows of resources		
Pension plan deferments	490,279	-
Liabilities		
Current liabilities		
Severance benefits	315,817	244,568
Long-term liabilities		
Severance benefits	1,232,034	1,313,443
Net pension liability	3,651,366	81,305
Net OPEB obligation	<u>3,165,928</u>	<u>2,345,659</u>
Total long-term liabilities	<u>8,049,328</u>	<u>3,740,407</u>
Total liabilities	<u>8,365,145</u>	<u>3,984,975</u>
Net position		
Unrestricted	<u>\$ 3,549,169</u>	<u>\$ 8,941,038</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2017
 (With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating revenue		
Contributions from governmental funds	\$ –	\$ –
Operating expenses		
Severance benefits	142,233	138,090
Pension benefits	264,619	413,027
Other post-employment benefits	1,798,829	1,812,394
Total operating expenses	<u>2,205,681</u>	<u>2,363,511</u>
Operating income (loss)	(2,205,681)	(2,363,511)
Nonoperating revenue		
Investment earnings	<u>64,661</u>	<u>13,722</u>
Income (loss) before transfers	(2,141,020)	(2,349,789)
Transfers in	142,233	138,090
Transfers (out)	<u>(142,233)</u>	<u>(138,090)</u>
Change in net position	(2,141,020)	(2,349,789)
Net position		
Beginning of year, as previously reported	8,941,038	11,290,827
Change in accounting principle	(3,250,849)	–
Beginning of year, restated	<u>5,690,189</u>	<u>11,290,827</u>
End of year	<u>\$ 3,549,169</u>	<u>\$ 8,941,038</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Cash Flows
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2017

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

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Severance benefit payments	\$ (152,393)	\$ (302,568)
Pension benefit payments	(435,686)	(274,805)
Other post-employment benefit payments	<u>(978,560)</u>	<u>(1,076,960)</u>
Net cash flows from operating activities	(1,566,639)	(1,654,333)
Cash flows from noncapital financing activities		
Transfer in	142,233	138,090
Transfer (out)	<u>(142,233)</u>	<u>(138,090)</u>
Net cash flows from noncapital financing activities	-	-
Cash flows from investing activities		
Interest on investments	<u>66,304</u>	<u>25,073</u>
Net change in cash and cash equivalents	(1,500,335)	(1,629,260)
Cash and cash equivalents		
Beginning of year	<u>12,919,532</u>	<u>14,548,792</u>
End of year	<u>\$ 11,419,197</u>	<u>\$ 12,919,532</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (2,205,681)	\$ (2,363,511)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows of resources		
Net pension asset	-	56,917
Deferred outflows of resources	(215,474)	-
Severance benefits	(10,160)	(164,478)
Net pension liability	44,407	81,305
Net OPEB obligation	<u>820,269</u>	<u>735,434</u>
Net cash flows from operating activities	<u>\$ (1,566,639)</u>	<u>\$ (1,654,333)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Fiduciary Net Position
 Fiduciary Fund
 as of June 30, 2017

	<u>Scholarship Private-Purpose Trust Fund</u>
Assets	
Cash and temporary investments	<u>\$ 76,247</u>
Net position	
Held in trust for scholarships	<u>\$ 76,247</u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 Year Ended June 30, 2017

	<u>Scholarship Private-Purpose Trust Fund</u>
Additions	
Contributions	\$ 80,732
Deductions	
Scholarships and other deductions	<u>60,493</u>
Change in net position	20,239
Net position	
Beginning of year	<u>56,008</u>
End of year	<u>\$ 76,247</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Basic Financial Statements
Year Ended June 30, 2017

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 principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s internal service funds is charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type; the Scholarship Private-Purpose Trust Fund is the District's only fiduciary fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Description of Funds

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

Major Governmental Funds

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

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

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

Nonmajor Governmental Funds

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

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

Proprietary Fund

Internal Service Funds – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds include financing for post-employment severance, pension, and other post-employment benefits (OPEB) offered by the District to its employees.

Fiduciary Fund

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

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

Expenditures in the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and the Debt Service Fund exceeded budgeted appropriations by \$3,778,950, \$20,245, \$755,300, \$16,144,017, and \$4,647,914, respectively, during the fiscal year ended June 30, 2017. Revenues and other financing sources in excess of budget, along with available fund balance, covered these variances.

F. Cash and Temporary Investments

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

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the General Fund and Capital Projects – Building Construction Fund, the escrow accounts held by the trustee can be used only for certain capital asset acquisition costs as required by terms of the debt issue. In the 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 year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

At June 30, 2017, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 20,065,036
Due from other Minnesota school districts	1,508
Due from Washington County and other	<u>159,513</u>
Total	<u>\$ 20,226,057</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 \$3,137,203 of the property tax levy collectible in 2017 as revenue to the District in fiscal year 2016–2017. The remaining portion of the taxes collectible in 2017 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

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

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

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

L. Long-Term Obligations

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

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

M. Compensated Absences Payable

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

N. Severance Benefits

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

O. State-Wide Pension Plans

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

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

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

P. 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. The details of the District's net investment in capital assets at year-end are as follows:

Net investment in capital assets	
Total capital assets, net of accumulated depreciation	\$ 375,583,643
Capital related debt	(261,417,959)
Unamortized premium on capital related debt	<u>(17,087,022)</u>
	<u>\$ 97,078,662</u>

- **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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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.

R. Deferred Outflows/Inflows of Resources

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 the current year.

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" and "accounts and interest receivable."

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, 2016, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

W. Change in Accounting Principle

During the year ended June 30, 2017, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*. This statement included major changes in how employers account for certain pension benefit obligations. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Certain amounts necessary to fully restate fiscal year 2016 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The implementation of this new GASB statement in the current year resulted in the restatement of net position as of June 30, 2016. The details of the restatement are as follows:

	<u>Governmental Activities</u>	<u>Internal Service Funds</u>
Net position – beginning, as previously reported	\$ (30,291,034)	\$ 8,941,038
Change in accounting principle		
Net pension obligation, under previous reporting standards	81,305	81,305
Net pension liability, under current reporting standards	(3,606,959)	(3,606,959)
Deferred outflows, under current reporting standards	<u>274,805</u>	<u>274,805</u>
Total change in accounting principle	<u>(3,250,849)</u>	<u>(3,250,849)</u>
Net position – beginning, as restated	<u>\$ (33,541,883)</u>	<u>\$ 5,690,189</u>

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 8,003,067
Investments	260,380,880
Cash on hand	<u>21,309</u>
Total	<u>\$ 268,405,256</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 123,835,878
Restricted assets – temporarily restricted	
Cash and investments for capital asset acquisition	22,963,424
Cash and investments for debt service	121,529,707
Statement of Fiduciary Net Position	
Cash and temporary investments	<u>76,247</u>
Total	<u>\$ 268,405,256</u>

B. Deposits

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

At year-end, the carrying amount of the District’s deposits was \$8,003,067, while the balance on the bank records was \$8,005,403. At year-end, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

C. Investments

The District 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	\$ 94,599,626	
U.S. treasury securities	Aa	Moody’s	Level 1	\$ 26,929,320	\$ –	26,929,320
U.S. agency securities	AA	S&P	Level 2	\$ 16,524,848	\$ 14,496,433	31,021,281
U.S. agency securities	AA	S&P	Level 1	\$ 3,020,773	\$ –	3,020,773
Commercial paper	A-1	S&P	Level 2	\$ 15,404,278	\$ –	15,404,278
Negotiable certificates of deposit	N/R	N/A	Level 1	\$ 1,743,000	\$ –	1,743,000
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	63,405,934
First American Government Obligations Fund	AAA	S&P	Level 2	N/A	N/A	21,980,359
Federated Prime Obligations Fund	AAA	S&P	NAV	N/A	N/A	306,252
Wells Fargo Advantage Governmental Fund	AAA	S&P	Level 1	N/A	N/A	1,970,057
Total investments						<u>\$ 260,380,880</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 and Exchange Commission. The District’s investment in the MSDLAF is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF investments, 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. For the Federated Prime Obligations Fund valued at the net asset value, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice period required.

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

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

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	\$ 5,099,359	\$ –	\$ –	\$ 14,846,429
Construction in progress	44,554,489	24,540,298	–	(24,462,246)	44,632,541
Total capital assets, not depreciated	54,301,559	29,639,657	–	(24,462,246)	59,478,970
Capital assets, depreciated					
Land improvements	13,585,366	–	–	–	13,585,366
Buildings	392,812,533	–	–	24,462,246	417,274,779
Machinery and equipment	14,702,874	422,201	–	–	15,125,075
Licensed vehicles	11,181,327	174,807	–	–	11,356,134
Total capital assets, depreciated	432,282,100	597,008	–	24,462,246	457,341,354
Less accumulated depreciation for					
Land improvements	(8,612,488)	(671,099)	–	–	(9,283,587)
Buildings	(103,747,123)	(7,964,955)	–	–	(111,712,078)
Machinery and equipment	(10,886,219)	(676,552)	–	–	(11,562,771)
Licensed vehicles	(7,990,207)	(688,038)	–	–	(8,678,245)
Total accumulated depreciation	(131,236,037)	(10,000,644)	–	–	(141,236,681)
Net capital assets, depreciated	301,046,063	(9,403,636)	–	24,462,246	316,104,673
Total capital assets, net	\$ 355,347,622	\$ 20,236,021	\$ –	\$ –	\$ 375,583,643

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

District support services	\$ 55,031
Elementary and secondary regular instruction	26,993
Instructional support services	372
Pupil support services	645,208
Sites and buildings	240,188
Food service	134,196
Community service	4,655
Unallocated depreciation	8,894,001
Total depreciation expense	\$ 10,000,644

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

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

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Face/Par Value</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds					
2006A Building Bonds	11/28/2006	4.00–5.00%	\$ 110,000,000	02/01/2027	\$ 82,000,000
2008A Building Bonds	06/18/2008	3.25–4.75%	\$ 39,000,000	02/01/2027	29,600,000
2008B Alternative Facility Bonds	08/13/2008	3.50–5.00%	\$ 11,250,000	02/01/2025	9,900,000
2010A Refunding Bonds	04/21/2010	4.00–5.00%	\$ 41,445,000	02/01/2023	33,525,000
2010B Taxable Alternative Facility	06/10/2010	5.15%	\$ 4,365,000	06/01/2026	4,220,000
2010C Taxable Alternative Facility	06/10/2010	5.00%	\$ 19,565,000	06/01/2026	19,565,000
2012A Alternative Facility Bonds	04/19/2012	3.00–3.25%	\$ 6,150,000	02/01/2027	4,475,000
2014A Alternative Facility Bonds	05/20/2014	2.00–3.50%	\$ 14,840,000	02/01/2028	14,640,000
2014B Capital Facilities Bonds	05/20/2014	2.00–2.50%	\$ 5,670,000	02/01/2024	3,925,000
2015A Refunding Bonds	05/05/2015	2.00–5.00%	\$ 32,695,000	02/01/2021	22,610,000
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
2016E Refunding Bonds	11/09/2016	3.00–5.00%	\$ 33,035,000	02/01/2027	33,035,000
Total general obligation bonds					<u>\$432,570,000</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 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.

In November 2016, the District issued \$33,035,000 of General Obligation School Building Refunding Bonds, Series 2016E. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2019 through 2027 maturities of the District's General Obligation Building Bonds, Series 2008A and the 2019 through 2025 maturities of the District's General Obligation Alternative Facility Bonds, Series 2008B. The proceeds of the 2016E issue have been placed in an escrow account pending the February 1, 2018 call date of the refunded issues. Until the call date, the District will continue to make all debt service payments on the 2008A and 2008B issues. On February 1, 2018, proceeds will be used to call the remaining principal of the 2008A and 2008B issues, and the District will assume all future principal and interest payments on the 2016E issue. This advance "crossover refunding" will reduce the District's total future debt service payments by \$4,998,374 and will result in present value savings of \$4,551,357.

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	\$ 12,455,000
2017A Certificates of Participation	06/22/2017	3.00–3.25%	\$ 6,995,000	02/01/2032	6,995,000
Total certificates of participation					<u>\$ 19,450,000</u>

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

C. Capital Leases

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

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Liberty Ridge Site II	\$ 4,550,000	2.99%	04/12/2012	04/15/2027	\$ 2,923,867
Security equipment	2,268,000	2.90%	04/23/2015	04/01/2024	1,811,740
Elementary entrance projects	3,325,000	2.06%	05/12/2016	04/01/2024	2,931,746
Buses	1,438,734	2.03%	05/18/2016	05/18/2022	1,027,252
Apple iPads	N/A	0.90%	07/25/2016	07/25/2019	1,075,439
Apple MacBooks	N/A	0.25%	01/02/2017	01/02/2020	1,306,605
	<u>\$ 11,581,734</u>				<u>\$ 11,076,649</u>

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

Amortization of assets capitalized through these lease agreements is included in depreciation expense in the government-wide financial statements. The amount charged to depreciation for the year ended June 30, 2017 was \$270,841.

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	439,833	209,815	–
	<u>\$ 4,110,167</u>	<u>\$ 1,228,919</u>	<u>\$ 5,593,000</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including pensions, severance benefits, compensated absences, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund.

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multi-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2017:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 40,053,517	\$ 15,718,736	\$ 4,465,937	\$ 4,670,816
TRA	425,645,829	273,239,716	5,269,230	67,350,558
District	3,651,366	490,279	–	264,619
Total	<u>\$ 469,350,712</u>	<u>\$ 289,448,731</u>	<u>\$ 9,735,167</u>	<u>\$ 72,285,993</u>

E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 134,915,000	\$ 15,900,072	\$ 1,105,000	\$ 664,882	\$ 1,871,640	\$ 229,179
2019	16,735,000	12,341,418	1,070,000	708,194	1,902,900	197,919
2020	18,135,000	11,573,518	1,110,000	662,394	1,934,888	165,930
2021	19,320,000	10,737,518	1,160,000	614,794	1,164,959	133,193
2022	21,070,000	9,844,268	1,210,000	564,894	1,194,084	104,068
2023–2027	121,170,000	33,598,257	6,810,000	2,050,519	3,008,178	169,937
2028–2032	66,615,000	13,100,975	6,985,000	694,937	–	–
2033–2035	34,610,000	2,425,150	–	–	–	–
	<u>\$ 432,570,000</u>	<u>\$ 109,521,176</u>	<u>\$ 19,450,000</u>	<u>\$ 5,960,614</u>	<u>\$ 11,076,649</u>	<u>\$ 1,000,226</u>

F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Change in Accounting Principle *	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds	\$ 415,810,000	\$ –	\$ 33,035,000	\$ 16,275,000	\$ 432,570,000	\$ 134,915,000
Certificates of participation	13,200,000	–	6,995,000	745,000	19,450,000	1,105,000
Unamortized premium/discount	31,115,494	–	5,494,553	3,387,693	33,222,354	–
Capital leases	9,757,949	–	3,184,710	1,866,010	11,076,649	1,871,640
Net pension liability	139,578,020	3,525,654	342,462,700	16,215,662	469,350,712	–
Compensated absences	1,199,853	–	1,646,289	1,570,511	1,275,631	1,275,631
Severance benefits	1,558,011	–	142,233	152,393	1,547,851	315,817
Net OPEB obligation	2,345,659	–	1,798,829	978,560	3,165,928	–
	<u>\$ 614,564,986</u>	<u>\$ 3,525,654</u>	<u>\$ 394,759,314</u>	<u>\$ 41,190,829</u>	<u>\$ 971,659,125</u>	<u>\$ 139,483,088</u>

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

NOTE 5 – FUND BALANCES

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

A. Classifications

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 168,416	\$ –	\$ –	\$ 112,457	\$ 280,873
Prepaid items	3,089,381	–	–	229,767	3,319,148
Total nonspendable	<u>3,257,797</u>	<u>–</u>	<u>–</u>	<u>342,224</u>	<u>3,600,021</u>
Restricted					
Staff development	351,971	–	–	–	351,971
Health and safety	310,775	–	–	–	310,775
Operating capital	2,432,324	–	–	–	2,432,324
State-approved alternative programs	919,416	–	–	–	919,416
Safe schools levy	1,601,880	–	–	–	1,601,880
Community arts center	30,683	–	–	–	30,683
Projects funded by certificates of participation	–	8,889,257	–	–	8,889,257
Long-term facilities maintenance	–	8,247,388	–	–	8,247,388
Building construction	–	75,665,001	–	–	75,665,001
Bond refunding	–	–	121,865,821	–	121,865,821
Debt service	–	–	4,880,715	–	4,880,715
Food service	–	–	–	644,682	644,682
Community education programs	–	–	–	1,351,224	1,351,224
Early childhood family education programs	–	–	–	428,024	428,024
Adult basic education	–	–	–	141,602	141,602
Total restricted	<u>5,647,049</u>	<u>92,801,646</u>	<u>126,746,536</u>	<u>2,565,532</u>	<u>227,760,763</u>
Committed					
Alternative Teacher Professional Pay System	97,017	–	–	–	97,017
Donations/gifts	673,526	–	–	–	673,526
School budget carryover	1,578,597	–	–	–	1,578,597
Total committed	<u>2,349,140</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,349,140</u>
Unassigned					
Restricted account deficits					
Capital projects levy	(3,393)	–	–	–	(3,393)
Long-term facilities maintenance	(1,541,488)	–	–	–	(1,541,488)
School readiness	–	–	–	(1,205,437)	(1,205,437)
Community service	–	–	–	(850,262)	(850,262)
Unassigned	(2,291,408)	–	–	–	(2,291,408)
Total unassigned	<u>(3,836,289)</u>	<u>–</u>	<u>–</u>	<u>(2,055,699)</u>	<u>(5,891,988)</u>
	<u>\$ 7,417,697</u>	<u>\$ 92,801,646</u>	<u>\$ 126,746,536</u>	<u>\$ 852,057</u>	<u>\$ 227,817,936</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. As presented in the table on the previous page, the District’s year-end unrestricted net position is below the minimum per the adopted fund balance policy.

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 prefund 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	82,098
Adjustment to ARC	<u>(125,362)</u>
Annual OPEB cost (expense)	1,798,829
Contributions made	<u>978,560</u>
Increase in net OPEB obligation	820,269
Net OPEB obligation – beginning of year	<u>2,345,659</u>
Net OPEB obligation – end of year	<u><u>\$ 3,165,928</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:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,966,105	\$ 1,519,712	77.3%	\$ 1,610,225
2016	\$ 1,812,394	\$ 1,076,960	59.4%	\$ 2,345,659
2017	\$ 1,798,829	\$ 978,560	54.4%	\$ 3,165,928

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 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

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

These benefits are summarized as follows:

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

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

B. Contributions and Funding Policy

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

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

C. Membership

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

Retirees and beneficiaries receiving benefits	21
Active plan members	<u>1,302</u>
Total members	<u><u>1,323</u></u>

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2015 and a measurement date as of July 1, 2016, using the entry age, level percentage of pay method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.90%
20-year municipal bond yield	2.90%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

E. Discount Rate

The discount rate used to measure the total pension liability was 2.90 percent. The District discount rate used in the prior measurement date was 3.50 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

F. Changes in the Net Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2016	\$ 3,606,959
Changes for the year	
Service cost	134,534
Interest	126,185
Assumption changes	58,493
Benefit payments – employer financed	<u>(274,805)</u>
Total net changes	<u>44,407</u>
Ending balance – June 30, 2017	<u><u>\$ 3,651,366</u></u>

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

Assumption changes since the prior measurement date include the following:

- Retirement rates now begin at age 55, even if the years of service requirement to receive a GASB 73 benefit has not been met.
- The discount rate was changed from 3.50 percent to 2.90 percent.

G. Net Pension Liability Sensitivity to Discount Rate Changes

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	1.90%	2.90%	3.90%
Net pension liability	\$ 3,745,343	\$ 3,651,366	\$ 3,553,170

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

For the current year ended, the District recognized pension expense of \$264,619.

As of year-end, the District reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 54,593	\$ –
District’s contributions to the plan subsequent to the measurement date	<u>435,686</u>	<u>–</u>
Total	<u>\$ 490,279</u>	<u>\$ –</u>

A total of \$435,686 reported as deferred outflows of resources related to pensions resulting from district contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the District pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2018	\$ 3,900
2019	\$ 3,900
2020	\$ 3,900
2021	\$ 3,900
2022	\$ 3,900
Thereafter	\$ 35,093

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually.

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

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

1. GERF Benefits

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2017; the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2017 were \$2,495,606. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2016		2017	
	Employee	Employer	Employee	Employer
Basic Plan	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated Plan	7.5 %	7.5 %	7.5 %	7.5 %

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2017, were \$8,114,210. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

Employer contributions reported in the TRA’s CAFR Statement of Changes in Fiduciary Net Position	\$ 354,961,140
Deduct employer contributions not related to future contribution efforts	26,356
Deduct the TRA’s contributions not included in allocation	<u>(442,978)</u>
Total employer contributions	354,544,518
Total nonemployer contributions	<u>35,587,410</u>
Total contributions reported in Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 390,131,928</u>

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2017, the District reported a liability of \$40,053,517 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.4933 percent at the end of the measurement period and 0.5003 percent for the beginning of the period.

The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of net pension liability	\$ 40,053,517
State’s proportionate share of the net pension liability associated with the District	\$ 523,069

For the year ended June 30, 2017, the District recognized pension expense of \$4,514,851 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$155,965 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$6 million to the GERF.

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

At June 30, 2017, 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, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 120,225	\$ 3,265,947
Changes in actuarial assumptions	8,649,873	–
Differences between projected and actual investment earnings	4,453,032	–
Changes in proportion	–	1,199,990
District’s contributions to the GERF subsequent to the measurement date	<u>2,495,606</u>	<u>–</u>
Total	<u>\$ 15,718,736</u>	<u>\$ 4,465,937</u>

A total of \$2,495,606 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2018	\$ 2,226,111
2019	\$ 1,298,528
2020	\$ 3,785,748
2021	\$ 1,446,806

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of \$425,645,829 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2016, 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 1.7845 percent at the end of the measurement period and 1.8359 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	\$ 425,645,829
State’s proportionate share of the net pension liability associated with the District	\$ 42,723,360

For the year ended June 30, 2017, the District recognized pension expense of \$61,384,946. It also recognized \$5,965,612 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, 2017, 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	\$ 4,658,147	\$ 11,867
Changes in actuarial assumptions	242,575,355	–
Differences between projected and actual investment earnings	17,098,656	–
Changes in proportion	793,348	5,257,363
District’s contributions to the TRA subsequent to the measurement date	<u>8,114,210</u>	<u>–</u>
Total	<u>\$273,239,716</u>	<u>\$ 5,269,230</u>

A total of \$8,114,210 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ 51,297,623
2019	\$ 51,297,623
2020	\$ 58,132,103
2021	\$ 52,455,725
2022	\$ 46,673,202

E. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.75%
Wage growth rate		3.50%
Active member payroll	3.25% per year	3.50–9.50% based on years of service
Investment rate of return	7.50%	4.66%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1 percent per year for all future years for the GERF and 2 percent per year for all future years for the TRA.

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

Actuarial assumptions used in the June 30, 2016 valuation for the GERF were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

The following changes in actuarial assumptions for the GERF occurred in 2016:

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

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 remain level at 2.00 percent annually, while in the previous measurement the cost of living adjustment increased to 2.50 percent in 2034.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 4.66 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 geometric real rates of return for each major asset class are summarized in the following table:

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2016 was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2017 contribution rates. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

2. TRA

The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the municipal bond index rate was used in the determination of the single equivalent interest rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the municipal bond index rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent. Based on fiduciary net position at prior year measurement date, the discount rate of 8.00 percent was used and it was not necessary to calculate the SEIR.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 56,887,859	\$ 40,053,517	\$ 26,186,594
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	\$ 548,338,216	\$ 425,645,829	\$ 325,716,880

H. Pension Plan Fiduciary Net Position

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

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

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

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

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

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity 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 – INTERFUND TRANSACTIONS

The District made the following transfers during the current year ended:

	<u>Transfers in</u>	<u>Transfers (out)</u>
Internal service funds		
Severance Benefits Fund	\$ 142,233	\$ –
Pension Benefits Fund	–	97,227
Other Post-Employment Benefits Fund	–	45,006
	<u>–</u>	<u>45,006</u>
Total transfers	<u>\$ 142,233</u>	<u>\$ 142,233</u>

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

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

C. Construction Contracts

At June 30, 2017, the District had commitments totaling \$48,696,761 under various construction contracts for which the work was not yet completed.

NOTE 12 – SUBSEQUENT EVENTS

In July 2017, the District approved a capital lease purchase for buses. The lease will be paid through the General Fund.

In July 2017, the District approved an operating lease purchase for special education buses. The lease will be paid through the General Fund.

In November 2017, district voters approved referendum questions 1, 2, and 3 on the ballot for the District. The approval of Question 1 means the District will continue to receive a \$15.3 million operating levy annually over the next 10 years. Question 1 has been a part of the budget for two decades. The approval of Question 2 means the District will receive an additional \$7.5 million operating levy annually over the next 10 years. The approval shows the community recognizes the need as planned for by the School Board in 2015. The approval of Question 3 provides the District with \$2 million a year, for 10 years, in capital project funding that will be dedicated to technology expenses.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2017

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Net Pension Liability	Proportionate Share of the District's Net Pension Liability and the State of Minnesota's Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5346%	\$ 25,112,830	\$ -	\$ 25,112,830	\$ 28,092,359	89.39%	78.70%
06/30/2016	06/30/2015	0.5003%	\$ 25,928,143	\$ -	\$ 25,928,143	\$ 29,415,673	88.14%	78.20%
06/30/2017	06/30/2016	0.4933%	\$ 40,053,517	\$ 523,069	\$ 40,576,586	\$ 30,782,743	130.12%	68.90%

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2017

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

Note 1: **Changes of Benefit Terms** – On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GERF, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Note 2: **Changes in Actuarial Assumptions** – (1) 2015 Changes – The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter. (2) 2016 Changes – The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

Teachers Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2017

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.9987%	\$ 92,098,657	\$ 6,479,000	\$ 98,577,657	\$ 91,237,229	100.94%	81.50%
06/30/2016	06/30/2015	1.8359%	\$ 113,568,572	\$ 13,930,331	\$ 127,498,903	\$ 92,802,751	122.38%	76.80%
06/30/2017	06/30/2016	1.7845%	\$ 425,645,829	\$ 42,723,360	\$ 468,369,189	\$ 92,469,962	460.31%	44.88%

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2017

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

Note 1: **Changes of Benefit Terms** – The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions** – (1) 2015 Changes – 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. (2) 2016 Changes – The discount rate used to measure the total pension liability was 4.66 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 schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

Pension Benefits Plan
 Schedule of Changes in the District's Net
 Pension Liability and Related Ratios
 Year Ended June 30, 2017

	<u>2017</u>
Total pension liability	
Service cost	\$ 134,534
Interest	126,185
Assumption changes	58,493
Benefit payments	<u>(274,805)</u>
Net change in total pension liability	44,407
Total pension liability – beginning of year	<u>3,606,959</u>
Total pension liability – end of year	<u><u>\$ 3,651,366</u></u>
Covered-employee payroll	<u><u>\$ 82,208,486</u></u>
Total pension liability as a percentage of covered-employee payroll	<u><u>4.44%</u></u>

Note 1: **Change of Assumptions** – Retirement rates now begin at age 55 even if the years of service requirement to receive a benefit has not been met. The discount rate was changed from 3.50 percent to 2.90 percent.

Note 2: The District has not established a trust fund to finance GASB Statement No. 73 related benefits.

Note 3: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

Other Post-Employment Benefits Plan
 Schedule of Funding Progress
 Year Ended June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Plan Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Payroll</u>
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%

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2017

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 1,182,883	\$ 1,172,723	\$ 2,355,606
Receivables			
Current taxes	-	786,720	786,720
Delinquent taxes	-	11,216	11,216
Accounts and interest	462	1,432	1,894
Due from other governmental units	101,034	223,472	324,506
Inventory	112,457	-	112,457
Prepaid items	77,490	152,277	229,767
	<u>1,474,326</u>	<u>2,347,840</u>	<u>3,822,166</u>
Total assets			
	<u>\$ 1,474,326</u>	<u>\$ 2,347,840</u>	<u>\$ 3,822,166</u>
Liabilities			
Salaries payable	\$ 126,845	\$ 449,720	\$ 576,565
Accounts and contracts payable	236,238	324,481	560,719
Due to other governmental units	-	2,652	2,652
Unearned revenue	276,614	105,781	382,395
	<u>639,697</u>	<u>882,634</u>	<u>1,522,331</u>
Total liabilities			
	<u>639,697</u>	<u>882,634</u>	<u>1,522,331</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	-	5,104	5,104
Property taxes levied for subsequent year	-	1,442,674	1,442,674
	<u>-</u>	<u>1,447,778</u>	<u>1,447,778</u>
Total deferred inflows of resources			
	<u>-</u>	<u>1,447,778</u>	<u>1,447,778</u>
Fund balances (deficit)			
Nonspendable	189,947	152,277	342,224
Restricted	644,682	1,920,850	2,565,532
Unassigned	-	(2,055,699)	(2,055,699)
	<u>834,629</u>	<u>17,428</u>	<u>852,057</u>
Total fund balances			
	<u>834,629</u>	<u>17,428</u>	<u>852,057</u>
Total liabilities, deferred inflows of resources, and fund balances			
	<u>\$ 1,474,326</u>	<u>\$ 2,347,840</u>	<u>\$ 3,822,166</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2017

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>Community Service</u>	
Revenue			
Local sources			
Property taxes	\$ -	\$ 1,378,067	\$ 1,378,067
Investment earnings	6,440	2,628	9,068
Other	6,265,612	10,587,395	16,853,007
State sources	426,368	2,187,184	2,613,552
Federal sources	2,857,286	16,466	2,873,752
Total revenue	<u>9,555,706</u>	<u>14,171,740</u>	<u>23,727,446</u>
Expenditures			
Current			
Food service	8,942,896	-	8,942,896
Community service	-	14,775,151	14,775,151
Capital outlay	387,229	144,081	531,310
Total expenditures	<u>9,330,125</u>	<u>14,919,232</u>	<u>24,249,357</u>
Net change in fund balances	225,581	(747,492)	(521,911)
Fund balances			
Beginning of year	<u>609,048</u>	<u>764,920</u>	<u>1,373,968</u>
End of year	<u>\$ 834,629</u>	<u>\$ 17,428</u>	<u>\$ 852,057</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

General Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 18,614,337	\$ 22,491,674
Cash and investments held by trustee	983,065	5,590,319
Receivables		
Current taxes	23,475,506	22,569,473
Delinquent taxes	312,526	202,826
Accounts and interest	87,624	81,570
Due from other governmental units	19,835,416	16,502,792
Inventory	168,416	176,919
Prepaid items	<u>3,089,381</u>	<u>2,962,591</u>
Total assets	<u><u>\$ 66,566,271</u></u>	<u><u>\$ 70,578,164</u></u>
Liabilities		
Salaries payable	\$ 11,617,659	\$ 13,837,267
Accounts and contracts payable	6,236,430	6,393,558
Due to other governmental units	574,837	529,465
Unearned revenue	<u>678,723</u>	<u>2,670,804</u>
Total liabilities	19,107,649	23,431,094
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	173,747	151,090
Property taxes levied for subsequent year	<u>39,867,178</u>	<u>39,692,913</u>
Total deferred inflows of resources	40,040,925	39,844,003
Fund balances (deficit)		
Nonspendable for inventory	168,416	176,919
Nonspendable for prepaid items	3,089,381	2,962,591
Restricted for staff development	351,971	264,805
Restricted for health and safety	310,775	361,275
Restricted for operating capital	2,432,324	2,528,922
Restricted for state-approved alternative programs	919,416	747,072
Restricted for safe schools levy	1,601,880	1,299,489
Restricted for community arts center	30,683	30,683
Committed for ATPPS	97,017	605,094
Committed for donations/gifts	673,526	713,942
Committed for school budget carryover	1,578,597	1,529,027
Unassigned – capital projects levy restricted account deficit	(3,393)	–
Unassigned – long-term facilities maintenance restricted account deficit	(1,541,488)	–
Unassigned	<u>(2,291,408)</u>	<u>(3,916,752)</u>
Total fund balances	<u><u>7,417,697</u></u>	<u><u>7,303,067</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 66,566,271</u></u>	<u><u>\$ 70,578,164</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, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 43,232,903	\$ 43,100,551	\$ (132,352)	\$ 28,704,114
Investment earnings	40,000	123,105	83,105	45,546
Other	5,389,772	6,718,386	1,328,614	3,657,510
State sources	164,541,754	164,509,854	(31,900)	158,400,311
Federal sources	4,426,876	4,784,475	357,599	4,080,943
Total revenue	<u>217,631,305</u>	<u>219,236,371</u>	<u>1,605,066</u>	<u>194,888,424</u>
Expenditures				
Current				
Administration	8,241,653	8,197,267	(44,386)	7,892,778
District support services	8,001,036	6,307,421	(1,693,615)	6,523,030
Elementary and secondary regular instruction	106,700,303	107,854,344	1,154,041	98,789,970
Vocational education instruction	2,136,923	2,206,298	69,375	2,317,450
Special education instruction	38,502,591	39,392,782	890,191	34,778,587
Instructional support services	11,045,517	10,306,731	(738,786)	9,845,835
Pupil support services	21,479,353	21,088,490	(390,863)	19,897,703
Sites and buildings	19,188,385	23,601,889	4,413,504	30,054,434
Fiscal and other fixed cost programs	445,000	493,785	48,785	318,258
Debt service				
Principal	2,544,000	2,611,010	67,010	1,625,781
Interest and fiscal charges	679,000	682,694	3,694	165,776
Total expenditures	<u>218,963,761</u>	<u>222,742,711</u>	<u>3,778,950</u>	<u>212,209,602</u>
Excess (deficiency) of revenue over expenditures	(1,332,456)	(3,506,340)	(2,173,884)	(17,321,178)
Other financing sources				
Capital leases issued	719,367	3,184,710	2,465,343	4,763,734
Proceeds from sale of assets	433,010	436,260	3,250	188,375
Total other financing sources	<u>1,152,377</u>	<u>3,620,970</u>	<u>2,468,593</u>	<u>4,952,109</u>
Net change in fund balances before special item	(180,079)	114,630	294,709	(12,369,069)
Special item – joint school proceeds	–	–	–	9,354,650
Net change in fund balances	<u>\$ (180,079)</u>	<u>114,630</u>	<u>\$ 294,709</u>	<u>(3,014,419)</u>
Fund balances				
Beginning of year		<u>7,303,067</u>		<u>10,317,486</u>
End of year		<u>\$ 7,417,697</u>		<u>\$ 7,303,067</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 1,182,883	\$ 578,844
Receivables		
Accounts and interest	462	1,874
Due from other governmental units	101,034	426,190
Inventory	112,457	89,819
Prepaid items	<u>77,490</u>	<u>77,501</u>
Total assets	<u>\$ 1,474,326</u>	<u>\$ 1,174,228</u>
Liabilities		
Salaries payable	\$ 126,845	\$ 109,220
Accounts and contracts payable	236,238	194,484
Unearned revenue	<u>276,614</u>	<u>261,476</u>
Total liabilities	639,697	565,180
Fund balances		
Nonspendable for inventory	112,457	89,819
Nonspendable for prepaid items	77,490	77,501
Restricted for food service	<u>644,682</u>	<u>441,728</u>
Total fund balances	<u>834,629</u>	<u>609,048</u>
Total liabilities and fund balances	<u>\$ 1,474,326</u>	<u>\$ 1,174,228</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, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 1,000	\$ 6,440	\$ 5,440	\$ 910
Other – primarily meal sales	6,158,950	6,265,612	106,662	5,929,451
State sources	629,757	426,368	(203,389)	428,167
Federal sources	2,834,698	2,857,286	22,588	2,732,726
Total revenue	<u>9,624,405</u>	<u>9,555,706</u>	<u>(68,699)</u>	<u>9,091,254</u>
Expenditures				
Current				
Salaries	3,319,507	3,385,918	66,411	3,136,730
Employee benefits	1,107,799	1,149,698	41,899	1,060,751
Purchased services	586,860	573,870	(12,990)	508,948
Supplies and materials	3,905,714	3,817,130	(88,584)	3,721,868
Other expenditures	15,000	16,280	1,280	14,011
Capital outlay	375,000	387,229	12,229	118,578
Total expenditures	<u>9,309,880</u>	<u>9,330,125</u>	<u>20,245</u>	<u>8,560,886</u>
Net change in fund balances	<u>\$ 314,525</u>	225,581	<u>\$ (88,944)</u>	530,368
Fund balances				
Beginning of year		<u>609,048</u>		<u>78,680</u>
End of year		<u>\$ 834,629</u>		<u>\$ 609,048</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 1,172,723	\$ 1,837,739
Receivables		
Current taxes	786,720	746,132
Delinquent taxes	11,216	9,214
Accounts and interest	1,432	1,666
Due from other governmental units	223,472	191,355
Prepaid items	<u>152,277</u>	<u>114,851</u>
Total assets	<u>\$ 2,347,840</u>	<u>\$ 2,900,957</u>
Liabilities		
Salaries payable	\$ 449,720	\$ 220,673
Accounts and contracts payable	324,481	312,289
Due to other governmental units	2,652	3,039
Unearned revenue	<u>105,781</u>	<u>213,847</u>
Total liabilities	882,634	749,848
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	5,104	6,807
Property taxes levied for subsequent year	<u>1,442,674</u>	<u>1,379,382</u>
Total deferred inflows of resources	1,447,778	1,386,189
Fund balances (deficit)		
Nonspendable for prepaid items	152,277	114,851
Restricted for community education programs	1,351,224	1,470,925
Restricted for early childhood family education programs	428,024	476,722
Restricted for adult basic education	141,602	74,403
Unassigned – school readiness restricted account deficit	(1,205,437)	(993,075)
Unassigned – community service restricted account deficit	<u>(850,262)</u>	<u>(378,906)</u>
Total fund balances	<u>17,428</u>	<u>764,920</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,347,840</u>	 <u>\$ 2,900,957</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, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 1,429,900	\$ 1,378,067	\$ (51,833)	\$ 1,329,610
Investment earnings	1,000	2,628	1,628	1,191
Other – primarily tuition and fees	10,551,101	10,587,395	36,294	10,012,263
State sources	2,221,643	2,187,184	(34,459)	1,914,238
Federal sources	12,083	16,466	4,383	11,862
Total revenue	<u>14,215,727</u>	<u>14,171,740</u>	<u>(43,987)</u>	<u>13,269,164</u>
Expenditures				
Current				
Salaries	9,102,156	9,662,640	560,484	8,376,556
Employee benefits	2,688,368	2,701,088	12,720	2,411,923
Purchased services	1,462,391	1,623,683	161,292	1,428,653
Supplies and materials	714,728	757,831	43,103	821,568
Other expenditures	9,425	29,909	20,484	7,584
Capital outlay	186,864	144,081	(42,783)	205,715
Total expenditures	<u>14,163,932</u>	<u>14,919,232</u>	<u>755,300</u>	<u>13,251,999</u>
Net change in fund balances	<u>\$ 51,795</u>	(747,492)	<u>\$ (799,287)</u>	17,165
Fund balances				
Beginning of year		<u>764,920</u>		<u>747,755</u>
End of year		<u>\$ 17,428</u>		<u>\$ 764,920</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 73,972,484	\$ 101,544,192
Cash and investments held by trustee	21,980,359	14,977,308
Receivables		
Accounts and interest	<u>199,153</u>	<u>221,239</u>
Total assets	<u>\$ 96,151,996</u>	<u>\$ 116,742,739</u>
Liabilities		
Accounts and contracts payable	\$ 3,350,350	\$ 2,463,131
Fund balances (deficit)		
Restricted for projects funded by certificates of participation	8,889,257	2,756,719
Restricted for long-term facilities maintenance	8,247,388	–
Restricted for building construction	75,665,001	111,791,509
Unassigned – alternative facilities program account deficit	<u>–</u>	<u>(268,620)</u>
Total fund balances	<u>92,801,646</u>	<u>114,279,608</u>
Total liabilities and fund balances	<u>\$ 96,151,996</u>	<u>\$ 116,742,739</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, 2017

(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,057,008	\$ –	\$ (1,057,008)	\$ 2,089,950
Investment earnings	–	510,660	510,660	448,756
Other	–	–	–	30,125
Total revenue	<u>1,057,008</u>	<u>510,660</u>	<u>(546,348)</u>	<u>2,568,831</u>
Expenditures				
Capital outlay				
Salaries	–	141,711	141,711	–
Employee benefits	–	45,610	45,610	–
Purchased services	51,451	12,277,766	12,226,315	476,615
Capital expenditures	<u>12,921,388</u>	<u>16,651,769</u>	<u>3,730,381</u>	<u>25,531,999</u>
Total expenditures	<u>12,972,839</u>	<u>29,116,856</u>	<u>16,144,017</u>	<u>26,008,614</u>
Excess (deficiency) of revenue over expenditures	(11,915,831)	(28,606,196)	(16,690,365)	(23,439,783)
Other financing sources				
Bonds issued	–	–	–	101,615,000
Certificates of participation issued	–	6,995,000	6,995,000	13,200,000
Premium on debt issued	–	133,234	133,234	11,875,891
Total other financing sources	<u>–</u>	<u>7,128,234</u>	<u>7,128,234</u>	<u>126,690,891</u>
Net change in fund balances	<u>\$ (11,915,831)</u>	<u>(21,477,962)</u>	<u>\$ (9,562,131)</u>	103,251,108
Fund balances				
Beginning of year		<u>114,279,608</u>		<u>11,028,500</u>
End of year		<u>\$ 92,801,646</u>		<u>\$ 114,279,608</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Debt Service Fund
 Comparative Balance Sheet
 as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 17,474,254	\$ 17,662,749
Cash and investments held by trustee	121,529,707	85,474,196
Receivables		
Current taxes	15,325,641	15,547,350
Delinquent taxes	226,280	177,021
Accounts and interest	337,308	1,147
Due from other governmental units	<u>66,135</u>	<u>996</u>
Total assets	<u>\$ 154,959,325</u>	<u>\$ 118,863,459</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	\$ 108,873	\$ 133,038
Property taxes levied for subsequent year	<u>28,103,916</u>	<u>28,742,553</u>
Total deferred inflows of resources	<u>28,212,789</u>	<u>28,875,591</u>
Fund balances		
Restricted for bond refunding	121,865,821	85,474,196
Restricted for debt service	<u>4,880,715</u>	<u>4,513,672</u>
Total fund balances	<u>126,746,536</u>	<u>89,987,868</u>
Total deferred inflows of resources and fund balances	<u>\$ 154,959,325</u>	<u>\$ 118,863,459</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, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 29,390,967	\$ 28,707,636	\$ (683,331)	\$ 26,874,642
Investment earnings	–	661,904	661,904	70,293
Other	–	51,738	51,738	–
State sources	23,054	661,347	638,293	9,949
Federal sources	–	1,113,085	1,113,085	1,117,270
Total revenue	<u>29,414,021</u>	<u>31,195,710</u>	<u>1,781,689</u>	<u>28,072,154</u>
Expenditures				
Capital outlay – joint elementary school	576,532	–	(576,532)	573,208
Debt service				
Principal	16,175,000	16,275,000	100,000	15,270,000
Interest	11,423,315	16,293,939	4,870,624	11,582,201
Fiscal charges and other	10,600	264,422	253,822	1,107,446
Total expenditures	<u>28,185,447</u>	<u>32,833,361</u>	<u>4,647,914</u>	<u>28,532,855</u>
Excess (deficiency) of revenue over expenditures	1,228,574	(1,637,651)	(2,866,225)	(460,701)
Other financing sources (uses)				
Refunding bonds issued	–	33,035,000	33,035,000	73,460,000
Premium on debt issued	–	5,361,319	5,361,319	13,066,196
Payment to refunded bond escrow agent	–	–	–	(36,435,000)
Total other financing sources (uses)	<u>–</u>	<u>38,396,319</u>	<u>38,396,319</u>	<u>50,091,196</u>
Net change in fund balances	<u>\$ 1,228,574</u>	<u>36,758,668</u>	<u>\$ 35,530,094</u>	<u>49,630,495</u>
Fund balances				
Beginning of year		<u>89,987,868</u>		<u>40,357,373</u>
End of year		<u>\$ 126,746,536</u>		<u>\$ 89,987,868</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2017

(With Comparative Totals as of June 30, 2016)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 1,547,851	\$ 3,161,087	\$ 6,710,259
Receivables			
Accounts and interest	-	-	4,838
	<u> </u>	<u> </u>	<u> </u>
Total assets	1,547,851	3,161,087	6,715,097
Deferred outflows of resources			
Pension plan deferments	-	490,279	-
Liabilities			
Current liabilities			
Severance benefits	315,817	-	-
Long-term liabilities			
Severance benefits	1,232,034	-	-
Net pension liability	-	3,651,366	-
Net OPEB obligation	-	-	3,165,928
Total long-term liabilities	<u>1,232,034</u>	<u>3,651,366</u>	<u>3,165,928</u>
Total liabilities	<u>1,547,851</u>	<u>3,651,366</u>	<u>3,165,928</u>
Net position			
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,549,169</u>

Totals	
<u>2017</u>	<u>2016</u>
\$ 11,419,197	\$ 12,919,532
<u>4,838</u>	<u>6,481</u>
11,424,035	12,926,013
490,279	-
315,817	244,568
1,232,034	1,313,443
3,651,366	81,305
<u>3,165,928</u>	<u>2,345,659</u>
<u>8,049,328</u>	<u>3,740,407</u>
<u>8,365,145</u>	<u>3,984,975</u>
<u>\$ 3,549,169</u>	<u>\$ 8,941,038</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
	<u> </u>	<u> </u>	<u> </u>
Operating revenue			
Contributions from governmental funds	\$ –	\$ –	\$ –
Operating expenses			
Severance benefits	142,233	–	–
Pension benefits	–	264,619	–
Other post-employment benefits	–	–	1,798,829
Total operating expenses	<u>142,233</u>	<u>264,619</u>	<u>1,798,829</u>
Operating income (loss)	(142,233)	(264,619)	(1,798,829)
Nonoperating revenue			
Investment earnings	<u>–</u>	<u>–</u>	<u>64,661</u>
Income (loss) before transfers	(142,233)	(264,619)	(1,734,168)
Transfers in	142,233	–	–
Transfers (out)	<u>–</u>	<u>(97,227)</u>	<u>(45,006)</u>
Change in net position	–	(361,846)	(1,779,174)
Net position			
Beginning of year, as previously reported	–	3,612,695	5,328,343
Change in accounting principle	–	(3,250,849)	–
Beginning of year, as restated	<u>–</u>	<u>361,846</u>	<u>5,328,343</u>
End of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 3,549,169</u>

Totals	
2017	2016
\$ –	\$ –
142,233	138,090
264,619	413,027
1,798,829	1,812,394
<u>2,205,681</u>	<u>2,363,511</u>
(2,205,681)	(2,363,511)
<u>64,661</u>	<u>13,722</u>
(2,141,020)	(2,349,789)
142,233	138,090
<u>(142,233)</u>	<u>(138,090)</u>
(2,141,020)	(2,349,789)
8,941,038	11,290,827
(3,250,849)	–
<u>5,690,189</u>	<u>11,290,827</u>
<u>\$ 3,549,169</u>	<u>\$ 8,941,038</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Cash flows from operating activities			
Severance benefit payments	\$ (152,393)	\$ -	\$ -
Pension benefit payments	-	(435,686)	-
Other post-employment benefit payments	-	-	(978,560)
Net cash flows from operating activities	<u>(152,393)</u>	<u>(435,686)</u>	<u>(978,560)</u>
Cash flows from noncapital financial activities			
Transfer in	142,233	-	-
Transfer (out)	-	(97,227)	(45,006)
Net cash flows from noncapital financing activities	<u>142,233</u>	<u>(97,227)</u>	<u>(45,006)</u>
Cash flows from investing activities			
Interest on investments	-	-	66,304
Net change in cash and cash equivalents	(10,160)	(532,913)	(957,262)
Cash and cash equivalents			
Beginning of year	<u>1,558,011</u>	<u>3,694,000</u>	<u>7,667,521</u>
End of year	<u>\$ 1,547,851</u>	<u>\$ 3,161,087</u>	<u>\$ 6,710,259</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (142,233)	\$ (264,619)	\$ (1,798,829)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets, liabilities, and deferred outflows/inflows of resources			
Net pension asset	-	-	-
Deferred outflows of resources	-	(215,474)	-
Severance benefits	(10,160)	-	-
Net pension liability	-	44,407	-
Net OPEB obligation	-	-	820,269
Net cash flows from operating activities	<u>\$ (152,393)</u>	<u>\$ (435,686)</u>	<u>\$ (978,560)</u>

Totals	
2017	2016
\$ (152,393)	\$ (302,568)
(435,686)	(274,805)
<u>(978,560)</u>	<u>(1,076,960)</u>
(1,566,639)	(1,654,333)
142,233	138,090
<u>(142,233)</u>	<u>(138,090)</u>
-	-
66,304	25,073
<u>66,304</u>	<u>25,073</u>
(1,500,335)	(1,629,260)
12,919,532	14,548,792
<u>12,919,532</u>	<u>14,548,792</u>
<u>\$ 11,419,197</u>	<u>\$ 12,919,532</u>
\$ (2,205,681)	\$ (2,363,511)
-	56,917
(215,474)	-
(10,160)	(164,478)
44,407	81,305
<u>820,269</u>	<u>735,434</u>
<u>\$ (1,566,639)</u>	<u>\$ (1,654,333)</u>

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Section III

Statistical

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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			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 36,944,822	\$ 45,824,725	\$ 51,600,287	\$ 52,070,800
Restricted	4,572,455	4,732,369	5,078,562	4,568,751
Unrestricted	<u>51,659,277</u>	<u>54,122,656</u>	<u>50,012,108</u>	<u>40,897,389</u>
Total governmental activities net position	<u>\$ 93,176,554</u>	<u>\$ 104,679,750</u>	<u>\$ 106,690,957</u>	<u>\$ 97,536,940</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 financial 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.

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

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 50,633,665	\$ 55,788,399	\$ 62,066,067	\$ 67,105,680	\$ 85,486,603	\$ 97,078,662
7,224,679	7,969,499	6,717,236	5,307,406	7,985,002	8,559,909
<u>41,564,392</u>	<u>33,224,612</u>	<u>21,345,431</u>	<u>(116,559,725)</u>	<u>(123,762,639)</u>	<u>(190,064,192)</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>	<u>\$ (84,425,621)</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Expenses				
Administration	\$ 6,055,970	\$ 6,099,495	\$ 6,432,684	\$ 6,726,526
District support services	3,843,610	3,495,202	4,488,058	4,155,337
Elementary and secondary regular instruction	74,726,838	78,667,476	83,495,190	88,083,313
Vocational education instruction	2,607,651	2,486,278	2,261,115	1,909,055
Special education instruction	23,144,174	23,573,415	24,300,238	24,304,069
Instructional support services	8,551,355	8,015,593	8,720,902	8,762,391
Pupil support services	14,752,655	15,354,371	16,113,029	17,177,994
Sites and buildings	16,010,719	15,876,405	15,855,796	21,394,450
Fiscal and other fixed cost programs	442,154	269,333	477,434	320,340
Food service	6,430,201	6,631,553	6,573,724	7,086,114
Community service	9,480,317	9,965,857	10,032,694	10,520,754
Depreciation not included in other functions	4,904,146	5,123,789	5,734,973	8,563,123
Interest and fiscal charges	14,061,738	15,558,451	14,692,589	14,757,583
Total governmental activities expenses	<u>185,011,528</u>	<u>191,117,218</u>	<u>199,178,426</u>	<u>213,761,049</u>
Program revenues				
Charges for services				
Food service	4,979,997	5,103,675	5,095,535	5,057,023
Community service	7,023,282	7,432,061	7,540,926	8,002,134
All other	1,059,612	1,077,496	1,201,243	1,157,250
Operating grants and contributions	31,929,265	33,787,038	33,907,129	35,709,293
Total governmental activities program revenues	<u>44,992,156</u>	<u>47,400,270</u>	<u>47,744,833</u>	<u>49,925,700</u>
Net (expense) revenue	(140,019,372)	(143,716,948)	(151,433,593)	(163,835,349)
General revenues and other changes in net position				
Taxes				
Property taxes levied for general purposes	25,927,022	26,972,635	28,329,696	39,366,853
Property taxes levied for community service	1,239,434	1,146,358	1,283,820	1,997,132
Property taxes levied for capital projects	3,687,977	3,184,665	2,217,915	2,069,000
Property taxes levied for debt service	17,565,143	18,979,960	21,113,789	20,075,991
General grants and aids	96,090,673	97,061,395	96,811,892	88,826,346
Other general revenues	1,318,569	1,288,131	1,570,069	1,685,748
Investment earnings	9,286,695	6,587,000	2,117,619	660,262
Special item – joint school proceeds	–	–	–	–
Total general revenues and other changes in net position	<u>155,115,513</u>	<u>155,220,144</u>	<u>153,444,800</u>	<u>154,681,332</u>
Change in net position	<u>\$ 15,096,141</u>	<u>\$ 11,503,196</u>	<u>\$ 2,011,207</u>	<u>\$ (9,154,017)</u>

2012	2013	2014	2015	2016	2017
\$ 6,804,171	\$ 7,050,311	\$ 7,360,847	\$ 7,532,409	\$ 8,060,524	\$ 10,381,871
3,911,630	4,018,082	3,740,490	5,376,819	6,414,735	6,596,898
88,058,900	92,521,117	95,372,479	98,375,195	100,748,199	148,539,553
1,717,365	1,740,819	2,177,553	2,205,777	2,313,645	2,685,595
23,604,017	25,962,043	29,637,200	31,977,796	34,696,192	50,522,278
8,523,989	9,113,915	9,413,500	9,562,822	9,842,037	13,144,802
17,762,412	18,413,745	19,096,318	20,109,824	19,090,739	24,295,235
19,307,770	19,778,272	22,213,724	22,005,923	20,099,373	23,711,287
397,742	431,469	475,441	575,898	318,258	493,785
7,520,073	7,806,312	8,490,573	9,163,254	8,651,331	9,508,533
11,558,180	12,430,058	12,999,994	12,359,513	13,312,337	16,767,322
8,945,019	9,231,034	9,329,886	9,217,946	8,997,829	8,894,001
13,100,740	11,796,212	11,590,377	11,615,626	10,964,797	15,903,275
211,212,008	220,293,389	231,898,382	240,078,802	243,509,996	331,444,435
4,945,351	5,140,646	5,317,906	5,362,540	5,929,451	6,265,612
8,817,171	9,547,111	9,616,643	8,969,973	10,012,263	10,587,395
1,180,515	1,119,080	1,242,491	1,206,308	1,608,938	3,840,898
34,410,790	39,448,027	39,081,056	46,117,949	46,131,521	51,670,670
49,353,827	55,254,864	55,258,096	61,656,770	63,682,173	72,364,575
(161,858,181)	(165,038,525)	(176,640,286)	(178,422,032)	(179,827,823)	(259,079,860)
27,927,885	27,046,036	17,273,471	28,675,307	28,665,427	43,123,208
1,277,741	1,312,685	675,875	1,337,276	1,327,464	1,376,364
–	1,306,697	1,063,625	434,612	2,089,950	–
23,546,002	24,174,245	24,935,744	25,859,959	26,834,502	28,683,471
106,110,510	106,799,031	123,100,301	118,753,997	122,563,945	130,278,195
3,543,466	1,956,699	2,582,363	2,598,100	2,267,072	3,365,486
1,338,373	2,906	155,131	181,666	580,418	1,369,398
–	–	–	–	9,354,650	–
163,743,977	162,598,299	169,786,510	177,840,917	193,683,428	208,196,122
\$ 1,885,796	\$ (2,440,226)	\$ (6,853,776)	\$ (581,115)	\$ 13,855,605	\$ (50,883,738)

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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	
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
2017	43,123,208	1,376,364	–	28,683,471	73,183,043

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			
	2008	2009	2010	2011
General Fund				
Reserved	\$ 2,171,001	\$ 2,583,462	\$ -	\$ -
Unreserved	24,753,613	25,537,221	-	-
Nonspendable	-	-	725,419	823,164
Restricted	-	-	1,573,914	832,872
Committed	-	-	-	4,810,821
Assigned	-	-	11,379,950	7,708,428
Unassigned	-	-	11,292,132	5,204,005
Total General Fund	<u>\$ 26,924,614</u>	<u>\$ 28,120,683</u>	<u>\$ 24,971,415</u>	<u>\$ 19,379,290</u>
All other governmental funds				
Reserved	\$ 136,804,657	\$ 84,876,525	\$ -	\$ -
Unreserved, reported in				
Special revenue funds	1,379,934	1,545,210	-	-
Capital Projects – Building Construction Fund	(1,064,466)	-	-	-
Debt Service Fund	3,535,831	2,946,674	-	-
Nonspendable	-	-	179,281	187,327
Restricted	-	-	82,712,351	65,501,210
Unassigned – special revenue funds and capital projects fund	<u>-</u>	<u>-</u>	<u>(40,461)</u>	<u>(115,104)</u>
Total all other governmental funds	<u>\$ 140,655,956</u>	<u>\$ 89,368,409</u>	<u>\$ 82,851,171</u>	<u>\$ 65,573,433</u>
Total all governmental funds	<u>\$ 167,580,570</u>	<u>\$ 117,489,092</u>	<u>\$ 107,822,586</u>	<u>\$ 84,952,723</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.

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,125,484	1,105,277	1,135,917	2,949,314	3,139,510	3,257,797
2,188,743	2,886,060	1,155,136	3,250,381	5,232,246	5,647,049
4,188,228	3,899,880	3,531,073	1,611,060	2,848,063	2,349,140
3,988,180	2,598,614	1,068,692	2,506,731	-	-
8,245,358	3,393,447	2,594,734	-	(3,916,752)	(3,836,289)
<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>	<u>\$ 7,417,697</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
187,405	319,142	322,357	311,391	282,171	342,224
16,691,364	11,824,838	30,934,103	53,227,317	206,999,874	222,113,714
<u>(175,737)</u>	<u>(391,720)</u>	<u>(902,741)</u>	<u>(1,326,400)</u>	<u>(1,640,601)</u>	<u>(2,055,699)</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>\$ 220,400,239</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>	<u>\$ 227,817,936</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Local sources				
Property taxes	\$ 48,050,563	\$ 50,026,665	\$ 52,709,735	\$ 63,259,902
Investment earnings	8,562,925	6,075,712	1,587,535	522,878
Other	14,381,460	14,901,363	15,407,773	15,902,155
State sources	122,519,327	125,054,777	113,312,426	115,110,779
Federal sources	5,500,611	5,793,656	17,406,595	9,424,860
Total revenues	<u>199,014,886</u>	<u>201,852,173</u>	<u>200,424,064</u>	<u>204,220,574</u>
Expenditures				
Current				
Administration	6,068,728	6,132,975	6,259,025	6,630,915
District support services	3,834,051	3,479,438	4,012,025	3,922,033
Elementary and secondary regular instruction	75,024,779	79,073,331	81,946,206	85,964,779
Vocational education instruction	2,607,651	2,486,278	2,261,115	1,992,798
Special education instruction	23,196,140	23,604,573	24,284,928	24,153,866
Instructional support services	8,525,880	7,981,401	8,682,829	8,735,134
Pupil support services	15,151,565	14,819,938	15,985,035	17,177,277
Sites and buildings	15,011,450	16,413,934	15,310,726	16,793,160
Fiscal and other fixed cost programs	442,154	269,333	477,434	320,340
Food service	6,246,966	6,475,838	6,435,678	6,899,039
Community service	9,400,012	9,879,929	9,941,998	10,289,794
Capital outlay	67,773,544	68,508,505	27,550,445	19,130,882
Debt service				
Principal	9,698,357	8,848,152	9,702,244	9,976,286
Interest and fiscal charges	15,471,360	15,225,363	15,879,670	15,104,134
Total expenditures	<u>258,452,637</u>	<u>263,198,988</u>	<u>228,729,358</u>	<u>227,090,437</u>
Excess (deficiency) of revenues over expenditures	(59,437,751)	(61,346,815)	(28,305,294)	(22,869,863)
Other financing sources (uses)				
Bonds issued	39,000,000	11,250,000	23,930,000	-
Refunding bonds issued	-	-	41,445,000	-
Certificates of participation issued	-	-	-	-
Premium on debt issued	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	285,815	444,689	284,327	295,369
Transfers out	(285,815)	(444,689)	(284,327)	(295,369)
Total other financing sources (uses)	<u>34,949,404</u>	<u>11,255,337</u>	<u>18,638,788</u>	<u>-</u>
Net change in fund balances before special item	(24,488,347)	(50,091,478)	(9,666,506)	(22,869,863)
Special item – joint school proceeds	-	-	-	-
Net change in fund balances	<u>\$ (24,488,347)</u>	<u>\$ (50,091,478)</u>	<u>\$ (9,666,506)</u>	<u>\$ (22,869,863)</u>
Debt service as a percentage of noncapital expenditures	<u>13.2%</u>	<u>12.4%</u>	<u>12.7%</u>	<u>11.9%</u>

2012	2013	2014	2015	2016	2017
\$ 53,398,487	\$ 54,114,344	\$ 44,086,418	\$ 56,771,747	\$ 58,998,316	\$ 73,186,254
271,107	33,466	76,020	86,803	566,696	1,304,737
18,486,503	17,763,536	18,759,403	18,136,921	19,629,349	23,623,131
130,985,867	138,316,987	154,160,144	156,896,497	160,752,665	167,784,753
9,535,433	7,930,071	8,021,213	7,692,816	7,942,801	8,771,312
<u>212,677,397</u>	<u>218,158,404</u>	<u>225,103,198</u>	<u>239,584,784</u>	<u>247,889,827</u>	<u>274,670,187</u>
6,834,030	6,885,574	7,279,625	7,527,157	7,892,778	8,197,267
3,932,209	4,126,221	3,723,231	5,405,748	6,523,030	6,307,421
87,351,693	91,084,361	92,903,232	97,894,964	98,789,970	107,854,344
1,717,365	1,740,819	2,177,553	2,219,972	2,317,450	2,206,298
23,732,334	25,956,261	29,648,664	32,318,511	34,778,587	39,392,782
8,573,910	9,121,267	9,429,549	9,624,579	9,845,835	10,306,731
17,473,201	18,382,511	18,964,817	19,998,559	19,897,703	21,088,490
19,728,887	18,770,018	21,214,467	19,235,624	30,054,434	23,601,889
397,742	431,469	475,441	575,898	318,258	493,785
7,323,687	7,534,746	7,905,963	8,733,963	8,442,308	8,942,896
11,378,251	12,204,906	12,761,208	12,199,272	13,046,284	14,775,151
14,170,324	7,168,443	3,625,881	12,365,749	26,906,115	29,648,166
11,141,959	14,187,625	15,901,988	19,522,458	16,895,781	18,886,010
15,214,160	12,632,458	12,433,570	12,295,560	12,855,423	17,241,055
<u>228,969,752</u>	<u>230,226,679</u>	<u>238,445,189</u>	<u>259,918,014</u>	<u>288,563,956</u>	<u>308,942,285</u>
(16,292,355)	(12,068,275)	(13,341,991)	(20,333,230)	(40,674,129)	(34,272,098)
6,150,000	–	20,510,000	–	101,615,000	–
8,440,000	–	–	32,695,000	73,460,000	33,035,000
–	–	–	–	13,200,000	6,995,000
93,657	–	429,342	4,001,004	24,942,087	5,494,553
4,100,000	1,264,788	2,606,382	2,268,000	4,763,734	3,184,710
(51,005,000)	–	–	–	(36,435,000)	–
–	–	–	59,749	188,375	436,260
139,164	–	4,144,517	4,000,000	–	–
(139,164)	–	(144,517)	–	–	–
<u>(32,221,343)</u>	<u>1,264,788</u>	<u>27,545,724</u>	<u>43,023,753</u>	<u>181,734,196</u>	<u>49,145,523</u>
(48,513,698)	(10,803,487)	14,203,733	22,690,523	141,060,067	14,873,425
–	–	–	–	9,354,650	–
<u>\$ (48,513,698)</u>	<u>\$ (10,803,487)</u>	<u>\$ 14,203,733</u>	<u>\$ 22,690,523</u>	<u>\$150,414,717</u>	<u>\$ 14,873,425</u>
<u>12.3%</u>	<u>12.0%</u>	<u>12.0%</u>	<u>12.7%</u>	<u>11.9%</u>	<u>13.0%</u>

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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	
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
2017	43,100,551	1,378,067	–	28,707,636	73,186,254

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		
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)	
2017	1,598,306	103,036,166	(6,595,331)	12,705,153	(858,726)	

Source: State of Minnesota School Tax Report

<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ 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
109,885,568	34.309	9,652,063,700	1.14

INDEPENDENT SCHOOL DISTRICT NO. 833

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

Rate	Tax Collection Calendar Year	ISD No. 833	Overlapping Rates Municipalities (1)			
			Cottage Grove	Woodbury	Newport	St. Paul Park
Tax capacity rate	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%	–	–
Tax capacity rate	2017	34.309%	43.012%	35.219%	60.304%	43.919%
Market value rate	2017	0.31281%	–	–	–	–

- (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)
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%
11.264%	22.455%	32.300%	30.448%	11.413%	119.181%
-	-	-	0.00378%	-	0.31659%

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INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Taxpayers
Prior Year and Nine Years Ago

Taxpayer	Type of Property	2016			2008		
		Tax Capacity	Rank	Percent of Total Tax Capacity	Tax Capacity	Rank	Percent of Total Tax Capacity
Xcel Energy	Utility	\$ 2,185,886	1	2.07 %	\$ 1,614,293	1	1.53 %
Woodbury Village Shopping	Industrial	773,197	2	0.73	789,960	2	0.75
3M Company	Commercial	681,098	3	0.64	618,674	3	0.59
Grand Reserve Apartments Corp.	Residential	624,788	4	0.59	565,464	4	0.54
St. Paul Park Refining Co., LLC (1)	Industrial	457,528	5	0.43	234,725	9	0.22
VRS/CAP Classic at Preserve	Residential	417,961	6	0.40	–	–	–
Marquette Valley Creek LLC	Residential	411,404	7	0.39	–	–	–
Allina Health System	Commercial	363,308	8	0.34	378,814	6	0.36
Target	Commercial	359,388	9	0.34	–	–	–
Health Investors Business Trust	Commercial	295,140	10	0.28	282,976	7	0.27
I & G St. Paul, LLC	Residential	–	–	–	452,268	5	0.43
Bellwood, LLC	Commercial	–	–	–	245,892	8	0.23
West-Biel 68, LLC	Commercial	–	–	–	208,140	10	0.20
Total		<u>\$ 6,569,698</u>		<u>6.21 %</u>	<u>\$ 5,391,206</u>		<u>5.12 %</u>

(1) Listed as Marathon Ashland Petroleum, LLC in 2008.

Note: The most recent data available is from 2016.

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
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	72,672,119	99.5
2017	63,551,494	8,982,988	16,488	72,550,970	32,963,103	45.4

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

Received in Subsequent Years	Uncollected Taxes Receivable as of June 30, 2017					
	Total to Date		Delinquent		Current	
	Amount	Percentage of Levy	Amount	Percent	Amount	Percent
\$ 50,979,209	\$ 50,979,209	100.0 %	\$ -	- %	\$ -	- %
1,168,321	53,560,650	100.0	-	-	-	-
1,097,897	53,828,471	100.0	-	-	-	-
580,660	53,703,436	99.9	29,093	0.1	-	-
443,703	53,441,258	99.9	32,979	0.1	-	-
361,908	54,097,098	99.9	27,099	0.1	-	-
306,217	55,935,648	99.9	33,270	0.1	-	-
123,352	58,711,953	99.9	67,217	0.1	-	-
-	72,672,119	99.5	360,364	0.5	-	-
-	32,963,103	45.4	-	-	<u>39,587,867</u>	54.6
			<u>\$ 550,022</u>		<u>\$ 39,587,867</u>	

INDEPENDENT SCHOOL DISTRICT NO. 833

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Total Primary Government
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Capital Leases	Energy Conservation Loans	
2008	\$ 328,020,000	\$ 5,484,596	\$ –	\$ 7,139,224	\$ 37,314	\$ 340,681,134
2009	331,405,000	5,084,798	–	6,187,414	5,972	342,683,184
2010	337,570,000	8,577,535	–	5,191,142	–	351,338,677
2011	328,635,000	7,893,326	–	4,149,856	–	340,678,182
2012	282,165,000	6,911,442	–	7,162,897	–	296,239,339
2013	269,700,000	6,214,757	–	6,705,060	–	282,619,817
2014	276,850,000	5,941,951	–	6,769,454	–	289,561,405
2015	292,440,000	9,239,371	–	6,619,996	–	308,299,367
2016	415,810,000	31,115,494	13,200,000	9,757,949	–	469,883,443
2017	432,570,000	33,222,354	19,450,000	11,076,649	–	496,319,003

N/A – Not Available

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

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

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
3.04 %	\$ 3,535
3.14	3,523
3.10	3,607
2.79	3,663
2.34	3,152
2.20	2,994
2.22	3,030
2.19	3,140
3.07	4,786
N/A	5,055

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
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
2017	465,792,354	126,746,536	339,045,818	9,652,063,700	3.51	98,185	3,453

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Direct and Overlapping Debt
as of June 30, 2017

Governmental Unit	Gross Bonded Debt	Percent Allocable to ISD No. 833	Portion Allocable to ISD No. 833
Independent School District No. 833	\$ 465,792,354	100.00 %	\$ 465,792,354
Overlapping debt			
Washington County	\$ 118,065,000	39.22 %	46,309,698
City of Afton	\$ 6,565,000	5.60 %	367,673
City of Cottage Grove	\$ 16,600,000	98.32 %	16,321,352
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	\$ 47,474,670	74.29 %	35,269,170
Metropolitan Council	\$ 153,680,000	3.05 %	4,682,630
Ramsey-Washington Metro Watershed District	\$ 1,169,079	57.80 %	675,698
South Washington Watershed District	\$ 3,975,000	75.87 %	3,015,984
Total overlapping debt			114,012,205
Total direct and overlapping debt			\$ 579,804,559

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			
	2008	2009	2010	2011
Debt limit	\$ 1,378,146,300	\$ 1,405,372,260	\$ 1,335,384,015	\$ 1,231,239,255
Total net debt applicable to limit	<u>271,482,317</u>	<u>275,887,816</u>	<u>288,702,791</u>	<u>281,423,825</u>
Legal debt margin	<u>\$ 1,106,663,983</u>	<u>\$ 1,129,484,444</u>	<u>\$ 1,046,681,224</u>	<u>\$ 949,815,430</u>
Total net debt applicable to the limit as a percentage of debt limit	19.70%	19.63%	21.62%	22.86%

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.

2012	2013	2014	2015	2016	2017
\$ 1,216,439,475	\$ 1,144,034,700	\$ 1,196,845,140	\$ 1,364,789,400	\$ 1,405,917,765	\$ 1,447,809,555
276,558,698	264,065,648	270,385,047	252,082,627	325,822,132	305,823,464
<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>	<u>\$ 1,141,986,091</u>
22.74%	23.08%	22.59%	18.47%	23.18%	21.12%

Legal Debt Margin Calculation for Fiscal Year 2017

Market value	\$ 9,652,063,700
Debt limit (15% of market value)	1,447,809,555
Debt applicable to limit	
General obligation bonds	432,570,000
Less amount set aside for repayment of general obligation debt	<u>(126,746,536)</u>
Total net debt applicable to limit	<u>305,823,464</u>
Legal debt margin	<u>\$ 1,141,986,091</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)			
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	252,921	15,299,947,000	60,493	98,185	17,794	3.3
2017	N/A	N/A	N/A	98,185	18,164	2.7

N/A – Not Available

Sources:

- (1) 2016 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	2017			2008		
	Employees	Rank	Percent of Employment	Employees	Rank	Percent of Employment
Independent School District No. 833	2,513	1	34.38 %	2,612	1	40.23 %
HealthEast Woodwinds Hospital	925	2	12.65	485	4	7.47
Bailey Nurseries, Inc.	800	3	10.94	700	3	10.78
3M Company – Cottage Grove	700	4	9.58	1,000	2	15.40
Renewal by Anderson	450	5	6.16	250	8	3.85
Woodbury Senior Living (1)	450	5	6.16	220	10	3.39
Ecowater Systems	440	7	6.02	380	5	5.85
Target	430	8	5.88	–	–	–
Northern Tier Energy	302	9	4.13	–	–	–
Up North Plastics	300	10	4.10	280	7	4.31
Assurant	–	–	–	340	6	5.24
Dean Foods	–	–	–	225	9	3.47
Total	<u>7,310</u>		<u>100.00 %</u>	<u>6,492</u>		<u>100.00 %</u>

(1) Listed as Woodbury HealthCare Center in 2008

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			
	2008	2009	2010	2011
District directors/superintendent	16	15	14	15
Principals	38	40	40	41
Teachers, nurses, and counselors	1,183	1,205	1,209	1,250
Coordinators, supervisors, specialists, and technical support	242	238	234	237
Paraprofessionals	304	321	327	324
Food service	122	115	139	145
Custodians	104	106	115	116
Bus drivers and mechanics	186	200	206	199
Community education leads and assistants	22	22	22	22
Total	2,217	2,262	2,306	2,349

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

2012	2013	2014	2015	2016	2017
15	14	14	14	13	11
41	41	43	43	43	45
1,267	1,280	1,350	1,373	1,373	1,402
235	240	237	244	247	256
337	348	374	396	422	449
140	148	142	129	134	130
117	121	116	113	119	123
203	206	194	178	175	164
22	20	23	23	23	25
<u>2,377</u>	<u>2,418</u>	<u>2,493</u>	<u>2,513</u>	<u>2,549</u>	<u>2,605</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Operating Indicators by Function
Standardized Testing Rates
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Standardized tests				
MCA Reading (1)				
Grade 3	83 %	84 %	84 %	87 %
Grade 4	78	79	80	83
Grade 5	78	80	82	87
Grade 6	76	81	77	81
Grade 7	71	76	75	78
Grade 8	73	73	75	82
Grade 10	78	84	81	86
MCA Math (1)				
Grade 3	85	88	91	80
Grade 4	78	82	86	75
Grade 5	71	74	78	61
Grade 6	74	71	73	57
Grade 7	65	74	71	60
Grade 8	65	65	70	65
Grade 11	39	49	56	65
ACT				
Average composite score	22.9	23.0	23.0	23.4

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

2012	2013	2014	2015	2016	2017
85 %	65 %	65 %	67 %	67 %	65 %
86	60	64	67	71	66
86	71	72	79	79	77
82	65	67	68	73	71
81	64	64	66	65	67
83	68	69	69	73	68
87	74	71	71	71	73
79	81	82	81	79	77
81	83	77	77	78	75
65	72	67	68	67	63
68	65	69	64	65	65
65	68	68	67	64	66
69	73	72	69	73	65
56	68	60	58	58	61
23.6	23.5	24.1	24.1	22.3	22.7

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INDEPENDENT SCHOOL DISTRICT NO. 833

School Facilities
as of June 30, 2017

Facility	Use	Constructed	Acres	Classrooms	Square Footage	Capacity*	Enrollment (1)
Armstrong Elementary	School	1969/1987/2001	12.00	31	76,211	484	338
Cottage Grove Elementary	School	2002	35.00	36	98,635	648	536
Crestview Elementary	School	1963/1970/1990/ 1999/2001	35.00	36	81,840	648	640
Gordon Bailey Elementary	School	1991/1992/2000	30.00	45	107,243	820	692
Grey Cloud Elementary	School	1991/1992/2001	41.00	45	110,954	756	730
Hillside Elementary	School	1963/1970/1990/ 2001	16.00	32	75,864	616	426
Liberty Ridge Elementary	School	2003/2013	25.00	56	135,123	993	1,040
Middleton Elementary	School	1991/1992/1999	30.00	45	107,614	780	737
Newport Elementary	School	1955/1970/1990	9.00	21	79,286	352	271
Pine Hill Elementary	School	1960/1967/1970/ 2001	12.00	28	73,631	510	416
Pullman Elementary	School	1960/1970/2002	16.00	29	70,842	510	403
Red Rock Elementary	School	2002	31.00	36	98,556	648	554
Royal Oaks Elementary	School	1966/1970/1990/ 2001	7.00	32	75,859	616	555
Valley Crossing Elementary	School	1996	34.35	33	133,865	800	652
Woodbury Elementary	School	1960/1963/1970/ 1989/1990/1999/ 2002	10.00	40	95,567	648	507
Cottage Grove Middle School	School	1995/2004/2007	72.00	56	196,641	1,342	1,200
Lake Middle School	School	1995/2000	67.00	54	188,996	1,320	1,306
Oltman Middle School	School	1951/1960/1965/ 1973/1974/1995/ 2002	20.00	37	184,721	936	664
Woodbury Middle School	School	1969/1989/2002	16.00	44	181,496	1,080	963
East Ridge High School	School	2009	58.00	70	382,264	1,802	1,806
Park Senior High School	School	1964/1971/1973/ 1994/2002/2003	51.00	86	403,981	2,167	1,790
Woodbury Senior High School	School	1974/2002/2003	45.00	80	366,599	2,026	1,910
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	110
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, 2016.

* 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

<u>Fiscal Year</u>	<u>Average Daily Attendance (1)</u>	<u>Total Lunches Served</u>	<u>Days</u>	<u>Average Daily Participation</u>	<u>Participation as a Percentage of Average Daily Attendance</u>
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	16,726	1,814,033	174	10,425	62.33
2017	17,074	1,772,015	175	10,126	59.30

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

Free Lunch		Reduced Lunch	
<u>Number Served</u>	<u>Percent of Total</u>	<u>Number Served</u>	<u>Percent of Total</u>
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
338,116	19.08	115,548	6.52

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2008	2009	2010	2011
Administration	\$ 362	\$ 367	\$ 371	\$ 387
District support services	229	208	238	229
Elementary and secondary regular instruction	4,475	4,727	4,859	5,013
Vocational education instruction	156	149	134	116
Special education instruction	1,383	1,411	1,440	1,408
Instructional support services	508	477	515	509
Pupil support services	904	886	948	1,002
Sites and buildings	895	981	908	979
Fiscal and other fixed cost programs	26	16	28	19
Food service	373	387	382	402
Community service	561	591	590	600
Capital outlay	4,042	4,096	1,634	1,116
Debt service	1,501	1,439	1,517	1,462
Total expenditures	<u>\$ 15,414</u>	<u>\$ 15,735</u>	<u>\$ 13,563</u>	<u>\$ 13,241</u>
Average daily membership	<u>16,767</u>	<u>16,727</u>	<u>16,864</u>	<u>17,150</u>

Note: Includes all governmental fund expenditures.

2012	2013	2014	2015	2016	2017
\$ 391	\$ 390	\$ 411	\$ 424	\$ 444	\$ 451
225	234	210	304	367	347
4,998	5,161	5,243	5,508	5,552	5,938
98	99	123	125	130	121
1,358	1,471	1,673	1,818	1,955	2,169
491	517	532	542	553	567
1,000	1,042	1,070	1,125	1,118	1,161
1,129	1,064	1,197	1,082	1,689	1,299
23	24	27	32	18	27
419	427	446	491	474	492
651	692	720	686	733	813
811	406	205	696	1,512	1,632
1,508	1,520	1,599	1,790	1,672	1,989
<u>\$ 13,101</u>	<u>\$ 13,045</u>	<u>\$ 13,457</u>	<u>\$ 14,624</u>	<u>\$ 16,217</u>	<u>\$ 17,008</u>
<u>17,477</u>	<u>17,649</u>	<u>17,719</u>	<u>17,773</u>	<u>17,794</u>	<u>18,164</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	
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	394	1,084	8,107	8,209	17,794	19,435
2017	424	1,120	8,374	8,246	18,164	19,810

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 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2017	1.000	1.000	0.550	1.000	1.000	1.000	1.200