

OSSEO AREA SCHOOLS

ISD  279

Comprehensive ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2014

OUR MISSION

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

**INDEPENDENT SCHOOL DISTRICT 279
OSSEO AREA SCHOOLS
Maple Grove, Minnesota**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended June 30, 2014

INDEPENDENT SCHOOL DISTRICT NO. 279
OSSEO AREA SCHOOLS

11200 – 93rd Avenue North
Maple Grove, MN 55369

Prepared by:
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Table of Contents

	Page
SECTION I – INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart	viii
School Board and Administration	ix
Certificate of Excellence in Financial Reporting	x
Map of School District	xi
SECTION II – FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	21
Government-Wide Financial Statements	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements	
Governmental Funds	
Balance Sheet	24
Reconciliation of the Balance Sheet to the Statement of Net Position	27
Statement of Revenue, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	31
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	33
Proprietary Funds	
Internal Service Funds	
Statement of Net Position	34
Statement of Revenue, Expenses, and Changes in Fund Net Position	35
Statement of Cash Flows	37
Fiduciary Funds	
Statement of Fiduciary Net Position	38
Statement of Changes in Fiduciary Net Position	38
Notes to Basic Financial Statements	39
REQUIRED SUPPLEMENTARY INFORMATION	63
Other Post-Employment Benefits Plan	
Schedule of Funding Progress	64
Schedule of Employer Contributions	64

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION	65
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds – Combining Statements	
Combining Balance Sheet	66
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	67
Individual Fund Schedules	
Food Service Special Revenue Fund	
Comparative Balance Sheet	68
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	69
Community Service Special Revenue Fund	
Comparative Balance Sheet	70
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	71
General Fund	
Comparative Balance Sheet	72
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	73
Comparative Balance Sheet – Operating Account	76
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Operating Account	77
Comparative Balance Sheet – Capital Expenditure Account	81
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Expenditure Account	82
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	84
Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances	85
Debt Service Fund	
Balance Sheet by Account	86
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account	87
General Obligation Bonds Debt Service Account	
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	88
Other Post-Employment Benefits Bonds Debt Service Account	
Schedule of Revenue, Expenditures, and Changes in Fund Balances	89
Internal Service Funds	
Combining Statement of Net Position	90
Combining Statement of Revenue, Expenses, and Changes in Fund Net Position	92
Combining Statement of Cash Flows	94
Fiduciary Funds	
Employee Benefit Trust Funds	
Combining Statement of Fiduciary Net Position	96
Combining Statement of Changes in Fiduciary Net Position	96
Agency Funds	
Schedule of Changes in Assets and Liabilities	97

Table of Contents (continued)

	Page
SECTION III – STATISTICAL SECTION (UNAUDITED)	
Statistical Section (Unaudited)	99
Net Position by Component	100
Changes in Net Position	102
Fund Balances of Governmental Funds	104
Changes in Fund Balances of Governmental Funds	106
General Fund – Operating Account Expenditures by Program	108
General Fund – Operating Account Revenue by Source	111
Revenue and Expenditures – General Fund, Special Revenue Funds, General Obligation Bonds, and Other Post-Employment Benefits Bonds – Debt Service Accounts	112
General Fund – Operating Account Revenue per Student	115
Assessed Value and Estimated Actual Value of Taxable Property	116
Governmental Fund Tax Revenues by Source and Levy Type	119
Principal Property Taxpayers	120
School Tax Levies and Tax Rates by Fund	122
Direct and Overlapping Property Tax Rates	124
Property Tax Levies and Collections	126
Ratios of Outstanding Debt by Type	128
Ratio of Net Bonded Debt to Tax Capacity and Legal Debt Margin	130
Direct and Overlapping Debt	133
Legal Debt Margin Information	134
Deferred Tax Levies for Future Bond Debt Service	136
Demographic and Economic Statistics	137
Principal Employers	138
Building Permits Issued by Major Cities	139
Employees by Classification	140
Operating Indicators by Function	142
Capital Asset Statistics by Function	144
Average Class Size	146
School Facilities	147
Food Service – School Lunch Program Data	148
Students	150

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SECTION I

INTRODUCTION

November 7, 2014

FISCAL YEAR 2014 COMPREHENSIVE

ANNUAL FINANCIAL REPORT

To: Independent School District No. 279 – Osseo Area Schools School Board members and citizens

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 279 – Osseo Area Schools (the District) for the fiscal year ended June 30, 2014, is submitted herewith. Minnesota state law requires that public school districts publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014. The District is required to undergo an annual Single Audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The District is also required to undergo an annual Minnesota State legal compliance audit under Minnesota Statute § 6.65. Independent auditor reports and a Schedule of Expenditures of Federal Awards are included in a separately issued document.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Malloy, Montague, Karnowski, Radosevich & Co., P.A., have issued an unmodified opinion on the District's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE DISTRICT

The District was incorporated in 1953 and serves portions of eight suburban communities on the northwestern edge of the Minneapolis/St. Paul metropolitan area. The District enrolled 20,580 students in fiscal year (FY) 2014 from a population of 140,680 citizens residing in a 66 square mile area. In terms of the number of students, the District is Minnesota's fifth largest school district. The District encompasses all or most of the cities of Osseo, Maple Grove, and Brooklyn Park, and smaller portions of five other cities.

The District is governed by an elected six-member School Board. The seated School Board consists of six members who are elected at large in even-numbered years. Members serve alternating four-year terms.

The School Board hires the superintendent and delegates the authority and responsibility to administer school district operations. The superintendent serves as an ex-officio member of the School Board.

The District is known for excellence in areas ranging from academics and arts to sports and finance. The District is the only Minnesota school district honored as one of the nation's "Best Communities for Music Education" every year since 2009. The District is home to three National Blue Ribbon elementary schools: Cedar Island (1990); Park Brook (1997); and Rush Creek (2007). Woodland Elementary was named a Minnesota School of Excellence (2011) and a Family Friendly School (2009). Magnet schools have earned state and national recognition as Schools of Excellence or Schools of Distinction.

The District has what parents want in an excellent school district, according to SchoolMatch, a national school evaluation company.

Magnet schools allow students to deepen their learning in special focus areas. At Weaver Lake Elementary: A Science, Math & Technology School, students discover the scientists in themselves through inquiry-based, hands-on classroom science and math activities, using current technology and equipment for collecting and analyzing data. Birch Grove School for the Arts offers students opportunities to achieve through the integration of fine arts, dance, drama, and music.

At the secondary level, North View Junior High and Park Center Senior High offer the International Baccalaureate (IB) Middle Years and Diploma Programmes, recognized world-wide for their challenging international education and rigorous assessment programs. Brooklyn Junior High offers a full-school STEAM (STEM plus Arts) program. Osseo Senior High offers a full health science magnet program and courses that continue the STEM emphasis.

Gifted Education programs serve the academic, social, and emotional needs of gifted/talented learners. Every high school, plus Brooklyn Junior High, offers college-level courses through the Advanced Placement program.

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

The District's students reflect the global community, coming from homes where more than 80 dialects or languages other than English are spoken. Diverse demographics contribute to rich, real-life learning environments that prepare students for the 21st century workplace.

The District's careful stewardship of taxpayer funds has been recognized by the Minnesota Department of Education and the Association of School Business Officials (ASBO) International.

During FY 2014, the District operated 31 buildings: 3 high schools, 4 junior high schools, 17 elementary schools, 1 area learning center, 2 early childhood sites, 1 special education site, an adult education center, an ice arena complex, and a central administration/warehouse building. The District also operated programs in two leased facilities for special education. The instructional program is organized using several grade configurations: E-3, 4-6, K-6, 7-9, and 10-12.

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

The District is required to adopt an initial budget for the fiscal year no later than June 30th preceding the beginning of the fiscal year on July 1st. This annual budget serves as the foundation for the District's financial planning and control.

LOCAL ECONOMY

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

Minnesota's economic and budget outlook improved during this past fiscal year. The state has paid back the Legislature-imposed school aid payment and property tax recognition shifts that reduced cash flows for public school districts. In 2013, the Legislature approved an increase in the general education formula for FY 2014 and FY 2015 of 1.5 percent for each fiscal year. In 2014, the Legislature approved an additional increase in the general education formula for FY 2015 of 0.4 percent. Therefore, the total general education formula adjustment for FY 2015 results in an increase of 1.9 percent.

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

- State aid versus local tax payer funding for programs and services
- Economic factors, such as unemployment and overall revenue collections by the state
- Mandated programs that are not fully funded, such as special education
- Compliance and implementation of governmental pronouncements
- Impact to local tax payers for operating referendum requests
- Impact to local tax payers for capital projects levy requests
- Increased competition for students from other public schools as well as charter schools
- Housing development and growth
- Enrollment trends
- Health insurance cost increases
- Pension obligations, both local and state
- Management of federal and other special funded state programs

BUDGET PROCESS AND LONG-TERM FINANCIAL PLANNING

In FY 2013, the District implemented a long-range financial planning process for developing the annual budget. This process was developed in FY 2012 and implemented in FY 2013 for the FY 2014 budget process. This process was used for the FY 2015 budget process as well. The budget planning steps began in November 2013, using the **Long-Range Financial Model (LRFM) and Annual Budget Framework** and the **FY 2015 Budget Planning Timeline**. The following key budget considerations were used during the FY 2015 budget reduction process:

Outcomes for Budget Reduction Process –

1. Create budget adjustment recommendations that align with our system's Mission and Strategic Plan.
2. Involve school and community stakeholders in determining how to provide a quality education using available resources.
3. Provide budget recommendations for School Board approval that achieve a school district budget that maintains required fund balance.

Budget Adjustment Proposal Process –

1. The system has identified legally required and mandated essential services and programs. These will not be considered for adjustment.
2. The analysis of budget adjustments will be based on a review of the effectiveness of specific programs or services. Information will be used to determine which program or initiatives are not getting expected results and should be considered for budget reductions.
3. The third analysis of budget adjustments will consider the basic requirements for providing the educational program at sites. This analysis will establish the base quality education level that the District does not want to go below and the essential support services required to deliver the base.
4. School Board policies will be considered to determine if they exceed legally required and mandated essential services and programs or the basic requirements for providing the education program. Do School Board policies and regulations have financial implications? If so, which policies and/or regulations might be changed?
5. All proposed adjustments will be evaluated using the Program Efficiency Abandonment and Redirection (PEAR) process. The process considers the impact of the enhancement, reduction, elimination, or restructuring of services on the education programs.
6. Staff and citizen idea input will be solicited and shared with budget managers for consideration in the budget planning process.

In addition, the capital budget planning process included facility and capital needs assessment and presentation of a 10-year capital budget proposal.

The School Board reviewed the proposals at several work sessions in December 2013, January 2014, and February 2014. The public provided input on financial priorities via the Long-Range Financial Advisory team and welisten@district279.org. The School Board approved budget enhancements of \$3,315,820 for the general operating/transportation budget, reductions of (\$115,922) for the food services budget, and net reductions of (\$60,000) for the Community Service Special Revenue Fund on February 25, 2014.

MISSION, CORE VALUES, AND STRATEGIC OBJECTIVES

The District's mission, core values, and strategic objectives provide direction for the investment of human and financial resources across the system.

MISSION

Our mission is to inspire and prepare all students with the confidence, courage, and competence to achieve their dreams; contribute to community; and engage in a lifetime of learning.

CORE VALUES

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

STRATEGIC OBJECTIVES

By 2015, All Students Will –

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

STRATEGIES: Result Statements by Strategy

Result statements in **color** are priority results for 2014–2015.

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

- Standards-based instruction and grading are used in all classrooms to ensure equitable achievement.
- The District uses a comprehensive system to measure and report progress on equitable gains and to plan for continuous improvement.
- A plan has been developed to increase school readiness (World's Best Workforce requirement) and improve pre-K–5 alignment.
- All sites have implemented research-based positive behavior intervention practices that promote equitable student achievement.
- A plan has been implemented to interrupt the pattern of racial disproportionality in special education.
- The first phase of the digital learning plan focusing on increased access to mobile devices, digitized curriculum, and expanded online learning options has been accomplished.

- A pre-K/K–5, 6–8, 9–12 grade configuration plan has been implemented that incorporates middle level design and meets World’s Best Workforce requirements, such as literacy by grade three and career and college readiness.
- Extended learning opportunities have expanded to provide more K–12 interventions for students who need them.

*Equitable student achievement has three components.

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

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

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

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

- Families and students feel welcome at school and respected and trusted by school staff.
- Communications between home and school regarding school programs and student progress are differentiated to meet student and family needs.
- Families have the knowledge and skills to navigate the school system and effectively engage in their student’s education.
- Resources and services are coordinated, communicated, and accessible to students and families.
- Volunteer initiatives contribute to student learning and support schools and families.

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

- Employees identify and respond to the influence of race and culture on learning.
- A measurement framework is in place to ensure success of the diverse workforce recruitment and retention plan.
- Staff managers demonstrate core competencies of standards of management practice.

The 2014–2015 strategic plan is available on the District’s website: www.district279.org.

RELEVANT FINANCIAL POLICIES

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

School Board Policy 730 addresses fund balance. The policy is in place to ensure the financial stability of the District, to provide a sound basis to justify continuation of the strong financial rating, and to provide a reserve enabling the District to deal with unforeseen budget expenditures. The School Board endeavors to maintain an unassigned fund balance that will not fall below 5 percent of the District's General Fund operating expenditure budget, excluding capital programs.

Minnesota Statute § 123B.83 requires districts to "limit its expenditures so that its net unreserved General Fund balance does not constitute statutory operating debt under § 123B.81."

Unrestricted fund balance (the total of the nonspendable, assigned, and unassigned components of fund balance) in the General Fund Operating Account at June 30, 2014 was 19.1 percent of total General Fund expenditures. This amount was within the policy guidelines set by the School Board for budgetary and planning purposes.

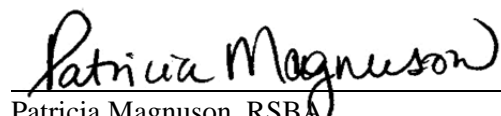
As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

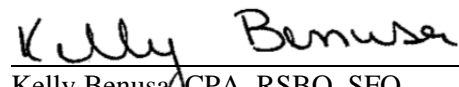
AWARDS AND ACKNOWLEDGEMENTS

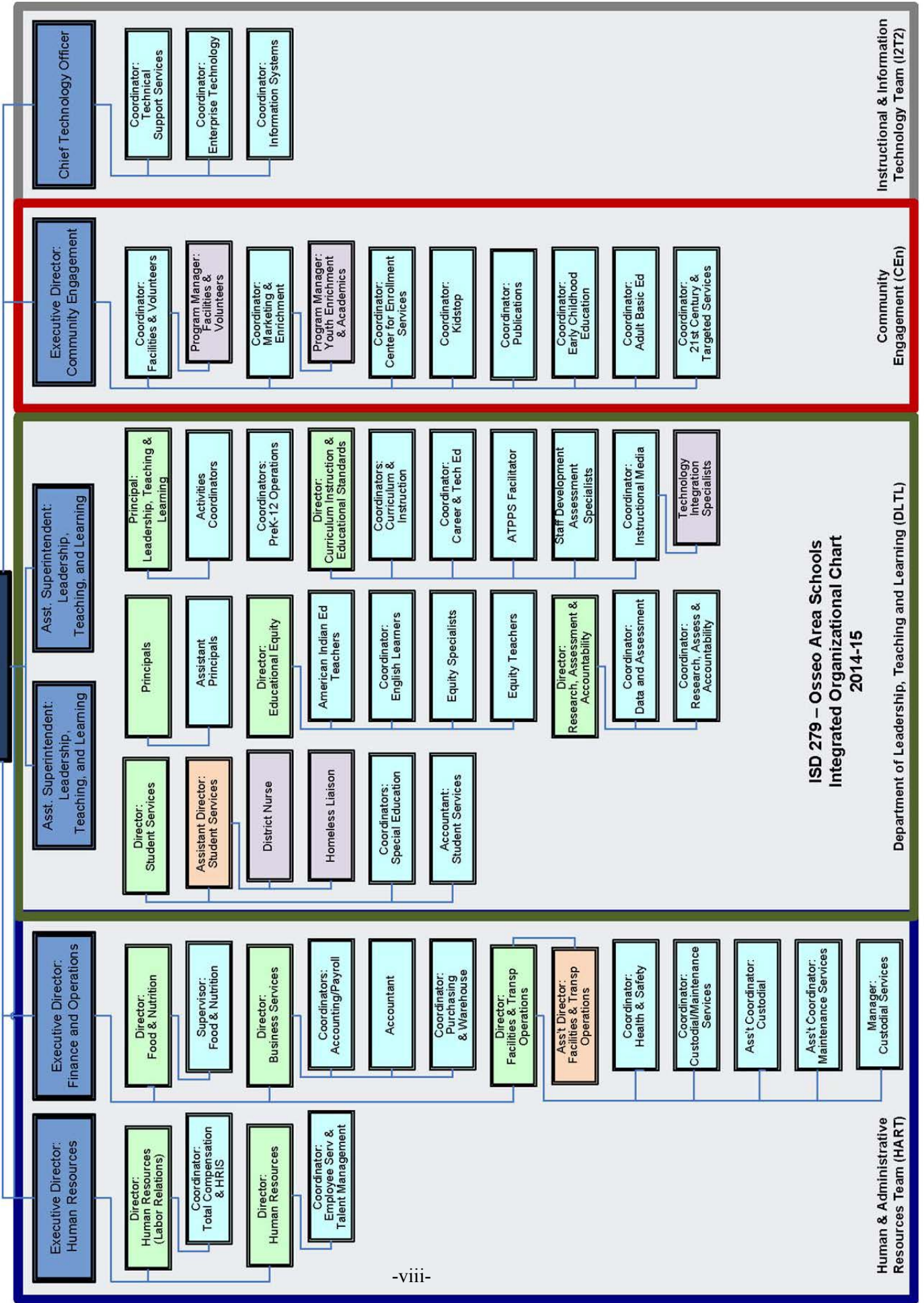
This report will be submitted to the ASBO International for consideration for the Certificate of Excellence (COE) in Financial Reporting. The District received this award as a result of its initial submission in FY 1990 and all subsequent submissions on an annual basis through FY 2013. In order to receive this award, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. This award is valid for a period of one year only. The District expects to continue to earn the recognition that accompanies the standards of accuracy and thoroughness of the COE program.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Business Services Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the School Board for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,


Patricia Magnuson, RSBA
Executive Director of Finance & Operations


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



INDEPENDENT SCHOOL DISTRICT NO. 279

School Board and Administration
as of June 30, 2014

SCHOOL BOARD

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

ADMINISTRATION

Cabinet

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

Business Services Office

Kelly Benusa, CPA, RSBO, SFO	Director, Business Services
Cindy Brown, RSBO, APM	Coordinator, Accounting/Payroll
Michael Hueller, CPA	Coordinator, Accounting/Payroll

Association of School Business Officials International



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

Independent School District 279 Osseo Area Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

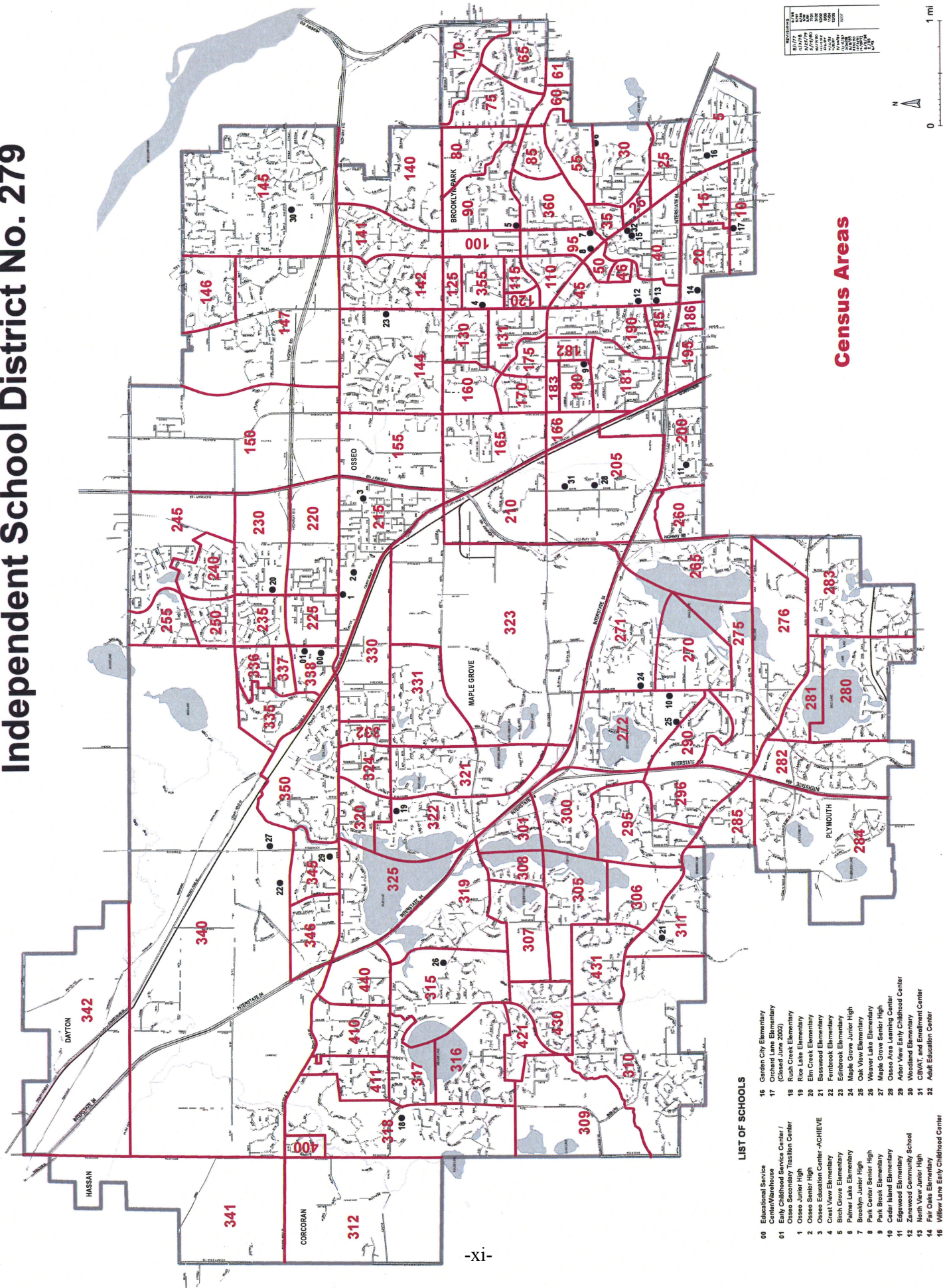
The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

Independent School District No. 279



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SECTION II

FINANCIAL



PRINCIPALS

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William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 279 – Osseo Area Schools
Maple Grove, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 279 – Osseo Area Schools (the District) as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

Prior Year Comparative Information

We have previously audited the District's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 12, 2013. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 7, 2014

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INDEPENDENT SCHOOL DISTRICT NO. 279

Management's Discussion and Analysis Year Ended June 30, 2014

This section of Independent School District No. 279 – Osseo Area Schools' (the District) comprehensive annual financial report (CAFR) presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2014 include the following:

- Net position increased 7.4 percent over the prior year.
- Overall actual revenues in the Statement of Activities were approximately \$293 million and about \$17 million more than expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR consists of five parts: independent auditor's report, Management's Discussion and Analysis (MD&A) (this section), the basic financial statements, required supplementary information, and the combining and individual fund statements and schedules, which are presented as supplemental information. The basic financial statements include several kinds of statements which present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide financial statements.
- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund statements* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*.
- The *fiduciary fund statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A shows how the various parts of this CAFR are arranged and relate to one another:

Figure A
Organization of Comprehensive Annual Financial Report

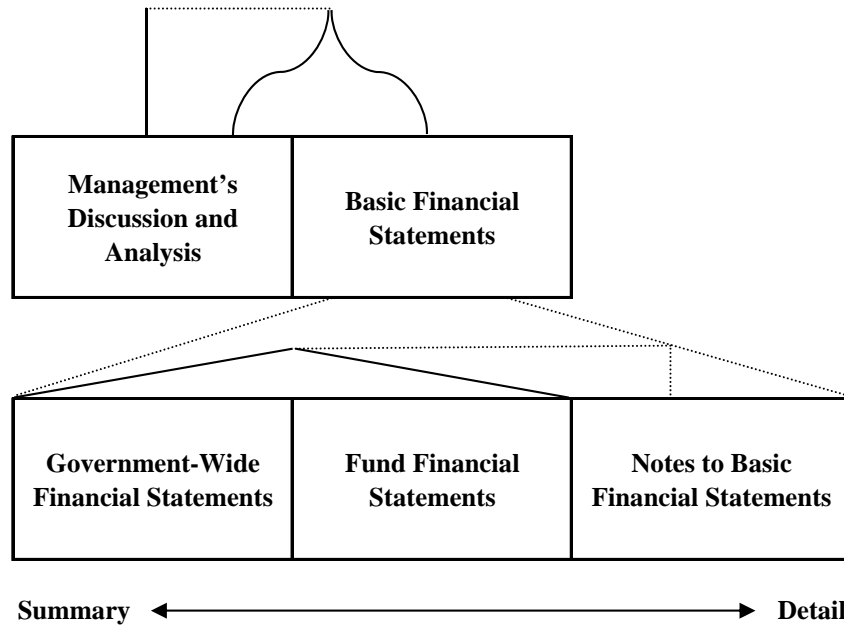


Figure B summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

Figure B – Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance, food service, and community education	Activities of the District that operate similar to businesses: Internal Service Fund	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenue, Expenses, and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Financial Statements

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

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

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

In the government-wide financial statements, the District's activities are shown in one category:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*—focusing on its most significant or major funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in governmental funds, which generally focus on: (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information in the governmental fund statements that explains the relationship (or differences) between them.
- **Proprietary Funds** – Internal service fund services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has three internal service funds consisting of a self-insured dental plan, retirement incentive pay, and a post-employment benefits revocable trust.
- **Fiduciary Funds** – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the Flexible Benefit Plan, Post-Employment Benefits Irrevocable Trust, Local Collaborative Time Study Grant, and Northwest Family Service Center. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position – The District’s *combined* net position was \$246,764,698 on June 30, 2014. This was an improvement of 7.4 percent from the prior year.

Table 1 Summary Statement of Net Position – Governmental Activities as of June 30, 2014 and 2013		
	2014	2013
Assets		
Current and other assets	\$ 187,663,928	\$ 160,210,017
Capital assets	297,066,079	299,101,849
Total assets	\$ 484,730,007	\$ 459,311,866
Liabilities		
Long-term liabilities	\$ 149,816,176	\$ 168,288,218
Other liabilities	10,710,826	13,608,989
Total liabilities	\$ 160,527,002	\$ 181,897,207
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 77,438,307	\$ 47,672,870
Net position		
Net investment in capital assets	\$ 188,480,399	\$ 178,183,551
Restricted	13,284,014	11,675,297
Unrestricted	45,000,285	39,882,941
Total net position	\$ 246,764,698	\$ 229,741,789

The District’s improved financial position is the product of many factors. However, one event from last year stands out. The District repaid \$15,289,675 of outstanding general obligation refunding bonds, alternative facilities bonds, and capital leases.

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 16,325,460	\$ 15,581,317
Operating grants and contributions	66,776,775	61,361,045
Capital grants and contributions	8,295,544	8,016,685
General revenues		
Property taxes	73,500,404	73,115,399
General grants and aids	125,732,058	122,691,081
Other	2,104,492	1,058,398
Total revenues	<u>292,734,733</u>	<u>281,823,925</u>
Expenses		
Administration	9,575,101	9,302,245
District support services	7,526,010	7,707,269
Elementary and secondary regular instruction	116,638,392	120,150,495
Vocational education instruction	3,141,382	2,224,938
Special education instruction	46,401,292	46,747,032
Instructional support services	15,078,139	12,485,545
Pupil support services	21,381,700	21,507,907
Sites and buildings	16,537,008	16,097,883
Fiscal and other fixed cost programs	531,895	515,881
Food service	11,330,855	10,891,333
Community service	15,230,093	14,903,788
Depreciation expense (net of allocation to programs)	7,141,723	7,908,028
Interest and fiscal charges on debt	5,198,234	5,197,263
Total expenses	<u>275,711,824</u>	<u>275,639,607</u>
Change in net position	<u><u>\$ 17,022,909</u></u>	<u><u>\$ 6,184,318</u></u>
End of year net position	<u><u>\$ 246,764,698</u></u>	<u><u>\$ 229,741,789</u></u>

Change in Net Position – The District’s total revenues were \$292,734,733 for the year ended June 30, 2014. Property taxes and general grants and aids accounted for 68.1 percent (see Figure C) of total revenue for the year.

The total cost of all programs and services was \$275,711,824. The District’s expenses are predominantly related to educating and caring for students (76.3 percent) (see Figure D). The administrative activities of the District accounted for 3.5 percent of total costs.

Total revenues exceeded expenses, increasing net position \$17,022,909 over last year.

Figure C – Sources of Revenues for Fiscal Year 2014

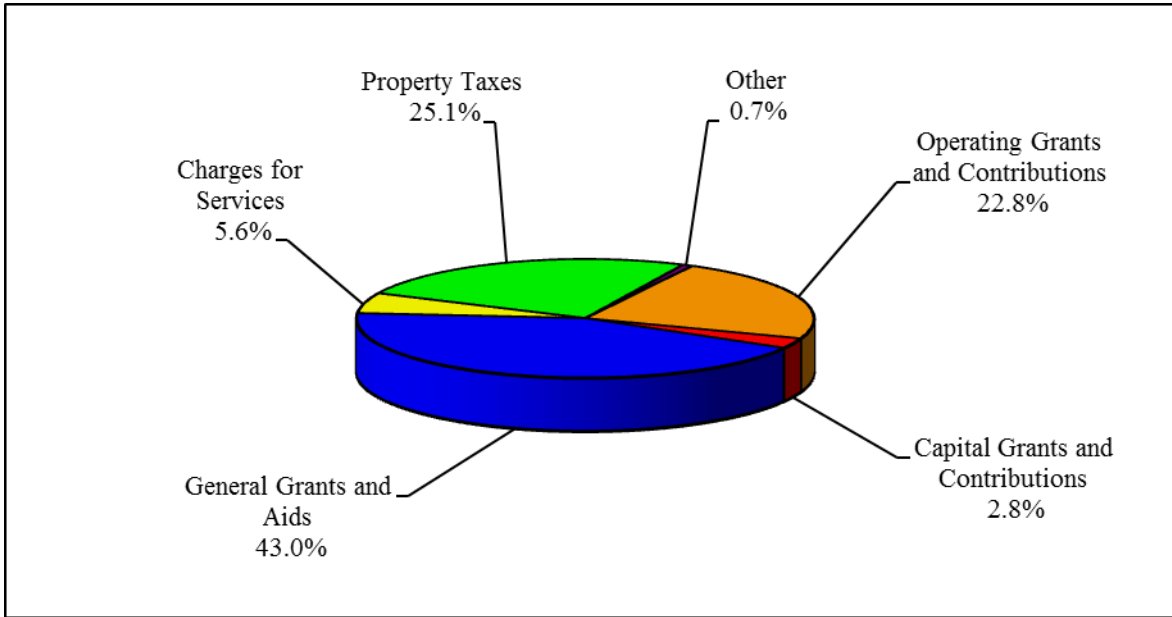
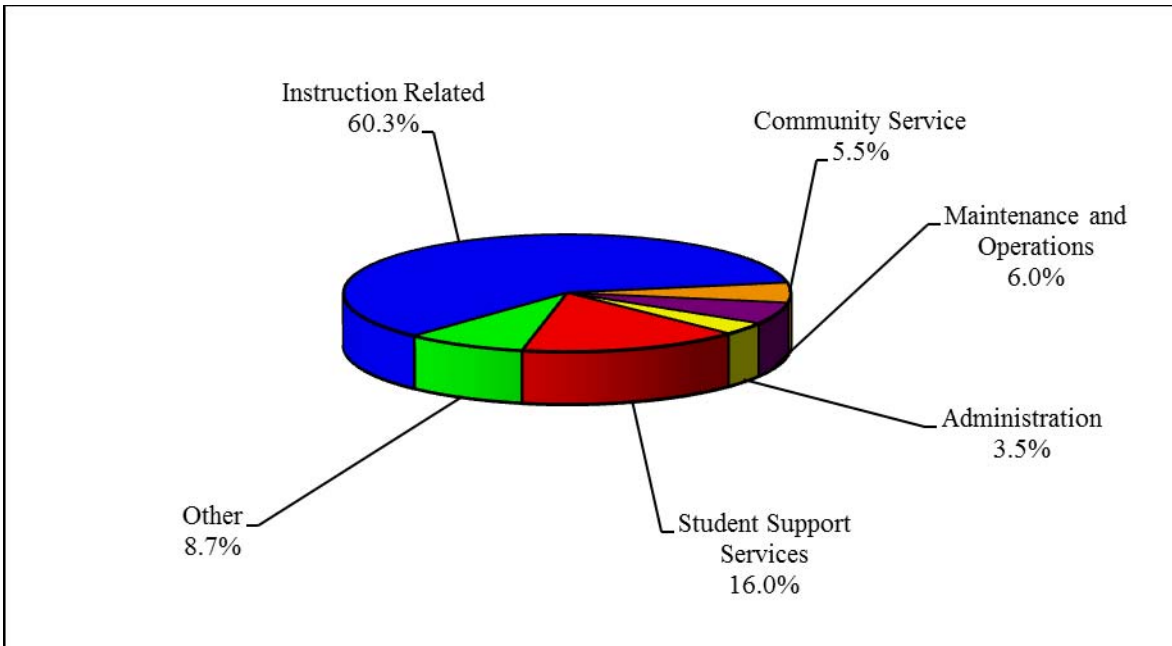


Figure D – Expenses for Fiscal Year 2014



- The cost of all *governmental* activities for fiscal year 2014 was \$275,711,824.
- Some of the cost, \$16,325,460, was paid by the users of the District's programs.
- The federal and state governments subsidized certain programs with grants and contributions of \$66,776,775.

- Most of the District's costs were paid for by district taxpayers and the taxpayers of our state through general grants and aids totaling \$199,232,462. This portion of governmental activities was paid for with \$73,500,404 in property taxes and \$125,732,058 of state aid based on the state-wide education aid formula.
- In the area of elementary and secondary regular instruction, the 2.9 percent decrease is mainly attributed to severance costs paid out due to an early retirement incentive that was in place for fiscal years 2012 and 2013 only.
- Instructional support services increased in the area of Achievement and Integration due to a change in the state funding formula through legislative changes that increased the allocation to the District for fiscal year 2014.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percent Change	Net Cost of Services		Total Percent Change
	2014	2013	2013-2014	2014	2013	2013-2014
Administration	\$ 9,575,101	\$ 9,302,245	2.9%	\$ 9,098,222	\$ 8,676,763	4.9%
District support services	7,526,010	7,707,269	(2.4%)	7,492,260	7,635,207	(1.9%)
Elementary and secondary regular instruction	116,638,392	120,150,495	(2.9%)	94,702,827	100,296,129	(5.6%)
Vocational education instruction	3,141,382	2,224,938	41.2%	2,987,942	2,042,003	46.3%
Special education instruction	46,401,292	46,747,032	(0.7%)	16,578,265	18,593,543	(10.8%)
Instructional support services	15,078,139	12,485,545	20.8%	11,441,845	10,373,879	10.3%
Pupil support services	21,381,700	21,507,907	(0.6%)	19,284,822	19,448,117	(0.8%)
Sites and buildings	16,537,008	16,097,883	2.7%	7,810,829	7,618,289	2.5%
Fiscal and other fixed cost programs	531,895	515,881	3.1%	531,895	515,881	3.1%
Food service	11,330,855	10,891,333	4.0%	256,930	(113,792)	(325.8%)
Community service	15,230,093	14,903,788	2.2%	1,788,251	2,489,250	(28.2%)
Depreciation expense (net of allocation to programs)	7,141,723	7,908,028	(9.7%)	7,141,723	7,908,028	(9.7%)
Interest and fiscal charges on debt	5,198,234	5,197,263	—	5,198,234	5,197,263	—
Total	\$ 275,711,824	\$ 275,639,607	—	\$ 184,314,045	\$ 190,680,560	(3.3%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

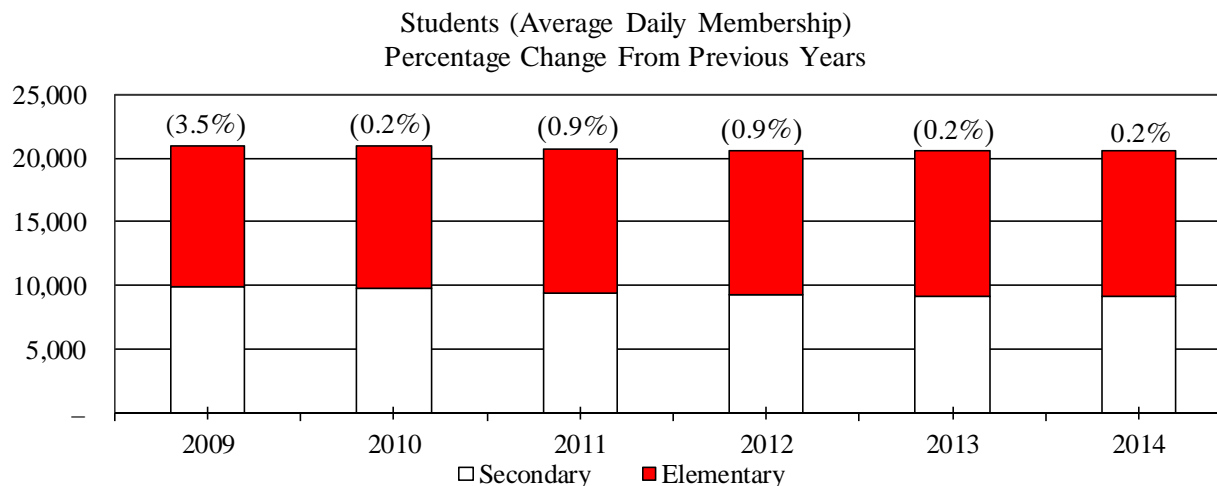
As the District completed the year, its governmental funds reported a *combined* fund balance of \$64,174,269, an increase from last year's ending fund balance of \$63,874,271, or 0.5 percent. This is primarily due to the \$2,124,000 sale of the Orchard Lane property.

Revenues for the District's governmental funds were \$292,121,781, while total expenditures were \$293,945,783.

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through Grade 12, including pupil transportation activities and capital outlay projects.

The following graph shows the percentage change in the number of students over the last several years:



Over the last six years, the District has seen a 5.5 percent decrease in the number of students. Enrollment projections predict relatively flat enrollment over the next several years.

The following schedule presents a summary of General Fund revenues:

	Year Ended June 30,		Amount of	Percent
	2014	2013	Increase (Decrease)	Increase (Decrease)
Local sources				
Property taxes	\$ 27,849,067	\$ 48,294,901	\$ (20,445,834)	(42.3%)
Investment earnings	98,923	59,778	39,145	65.5%
Other	5,792,086	5,349,808	442,278	8.3%
State sources	199,954,383	170,604,321	29,350,062	17.2%
Federal sources	8,805,345	8,630,373	174,972	2.0%
Total General Fund revenue	<u>\$ 242,499,804</u>	<u>\$ 232,939,181</u>	<u>\$ 9,560,623</u>	4.1%

Total General Fund revenue increased by \$9,560,623, or 4.1 percent, in fiscal year 2014 compared with fiscal year 2013. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue. The District's property taxes were lower and state sources were higher in fiscal year 2014 due to the allocation of revenue between state sources and property taxes in fiscal year 2014 as compared to fiscal year 2013 due to the recognition of the \$22 million tax shift. The state sources also increased due to the 1.5 percent increase to the basic formula for general education and increases in compensatory and achievement and integration revenues.

Other sources increased \$442,278 in fiscal year 2014 as compared to fiscal year 2013, which was mainly attributed to an increase in the collections for third party billings for medical assistance.

The following schedule presents a summary of General Fund expenditures:

	Year Ended June 30,		Amount of	Percent
	2014	2013	Increase (Decrease)	Increase (Decrease)
Salaries	\$ 144,894,484	\$ 147,288,801	\$ (2,394,317)	(1.6%)
Employee benefits	50,608,505	48,199,933	2,408,572	5.0%
Purchased services	29,401,254	30,110,732	(709,478)	(2.4%)
Supplies, materials, and equipment	13,292,297	12,033,822	1,258,475	10.5%
Other expenditures	1,883,237	2,433,388	(550,151)	(22.6%)
Total expenditures	<u>\$ 240,079,777</u>	<u>\$ 240,066,676</u>	<u>\$ 13,101</u>	—

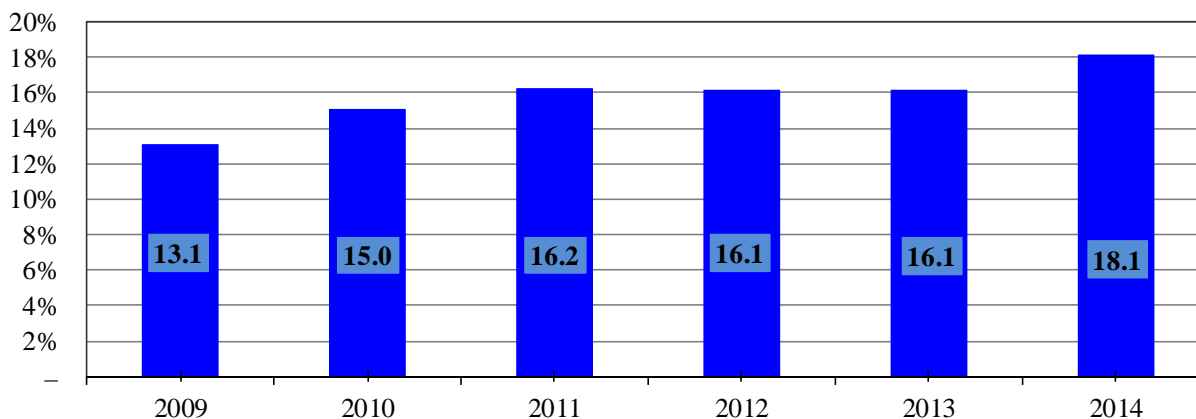
Total General Fund expenditures increased \$13,101, or less than 0.01 percent, from the previous year. The School Board approved \$3.1 million of budget reductions in programs and services in order to align staffing with a projected enrollment decline and to preserve fund balance for the fiscal year 2014.

In fiscal year 2014, salaries decreased by (\$2.4 million) or (1.6 percent) from the prior year. Three main factors affected the change for fiscal year 2014. Staff reductions of 42 full-time equivalents, as noted above, along with attrition and allocation of staff through retirements attributed to combined savings of (\$4.2 million). This savings was partially offset by employee contract improvements of \$1.9 million.

Employee benefits increased \$2.4 million from the prior year. The increase in benefits was primarily due to employer paid health insurance and Health Savings Account (HSA) contributions increasing \$2 million, along with a Teachers' Retirement Association rate increase of 0.5 percent (the total employer rate for fiscal year 2014 was 7.0 percent compared with the fiscal year 2013 rate of 6.5 percent) for fiscal year 2014.

Purchased services decreased by (\$709,478) from the prior year. The decrease in purchased services can be attributed to lower transportation costs through a combination of the consolidation from 2 carriers to 1 carrier and 13 fewer routes needed due to efficiency gains resulting in savings of more than (\$700,000). In addition, school was closed for four days due to weather, which resulted in additional savings of (\$267,000).

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



In fiscal year 2014, General Fund revenue and other financing sources were more than expenditures by \$4,544,027. Therefore, total fund balance increased to \$51,775,038 at June 30, 2014. After deducting nonspendable, assigned, and restricted amounts (including restricted account deficits), the unassigned fund balance increased from \$38,613,941 at June 30, 2013 to \$43,465,778 at June 30, 2014.

The graph above is the single best measure of overall financial health. The unassigned fund balance of \$43,465,778 at June 30, 2014 represents 18.1 percent of annual expenditures, or more than nine weeks of operations. The District closely monitors its fund balances.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

1. Implementing budgets for specially funded projects, which include both federal and state grants; reinstating prior year purchase orders being carried over; and budgeting for clearing, resale, and gifts.
2. Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues and other financing sources by \$2,335,870, the actual results for the year show an increase of \$4,544,027.

- Actual revenues were \$1,150,186 more than expected. Property tax collections were \$604,000 more than budgeted. Other revenue sources were over budget by \$837,000 due to several items, including more collections from third party billings for medical assistance and special education wards of the state collections were more than anticipated. Federal sources were under budgeted entitlement amounts by \$520,000. These grants contain carryover provisions and will be spent down during the next fiscal year as planned.
- Actual expenditures were about \$5.7 million under budget, or a 2.3 percent variance. This is the result of several contributing factors. Benefits were \$1,140,000 less than budget, because employee health insurance and employer-paid HSA contributions actual cost was less than budget by \$818,000 and workers' compensation had fewer claims than anticipated resulting in saving the District more than \$200,000 in unused budget capacity. Purchased services were \$4.4 million less than budget due to conservation efforts of staff and administration, final tuition billings being less than previously anticipated, and transportation costs being less than budget as previously stated.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Projects – Building Construction Fund expenditures exceeded revenues by \$3,926,561, resulting in a decreased fund balance of \$3,648,964 at June 30, 2014. This deficit was part of a planned spend down of the 2013A Alternative Facilities Bonds that were issued to finance fiscal years 2014 and 2015 alternative facilities projects.

The Debt Service Fund expenditures exceeded revenues and other financing sources by \$33,623 in fiscal year 2014. The remaining fund balance of \$3,813,947 at June 30, 2014 is available for meeting future debt service obligations.

NONMAJOR FUNDS

Expenditures exceeded revenues in the nonmajor funds by \$283,845. The Food Service Special Revenue Fund had a planned decrease in fund balance of \$239,242. This was less than budgeted due to increased sales from budgeted amounts for free and reduced lunch, breakfast, and summer food service programs. The Community Service Special Revenue Fund had a planned decline in fund balance of \$44,603. From the standpoint of maintaining current operating expenditures within the range of annual revenue, these funds continue to operate on a sound financial basis and are monitored throughout the year.

INTERNAL SERVICE FUNDS

During fiscal year 2014, the District operated a Dental Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured dental insurance program. Net position in this fund increased \$102,943, resulting in a net position of \$560,946 at June 30, 2014.

The Retirement Incentive Pay Internal Service Fund change in net position increased \$1,906,674, resulting in a net position of \$4,049,891 at June 30, 2014. This increase is attributed to decreased severance expenses as a result of the projections in an independent actuarial valuation study dated March 1, 2014, which computed future costs in this area.

Over the next several years, the District's annual obligation to pay post-employment benefits will remain at its current level because a large block of employees will be reaching retirement age. Accordingly, the District established a Retirement Incentive Pay Internal Service Fund and adopted a plan to fund its early retirement incentive (severance) as the benefits are earned in accordance with governmental accounting standards. The Retirement Incentive Pay Internal Service Fund is used to finance the early retirement incentive benefits provided by all of the departments and funds of the District on a cost-reimbursement basis.

The Post-Employment Benefits Revocable Trust Internal Service Fund was established to fund other post-employment benefits (OPEB) in accordance with standards described in Governmental Accounting Standards Board (GASB) Statement Nos. 43 and 45. This revocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. On June 30, 2014, this fund has a net position of \$12,190,419. The assets held in this fund are dedicated for the purpose of paying these obligations.

The most recent independent actuarial study dated March 1, 2014, computed the present value of these benefits. The long-term liability represents net OPEB pension benefit obligations based on actuarial estimates. The District has been strategic by pre-funding a portion of this post-employment benefit liability. This funding is built into the ongoing annual budget. By funding the plan now, the District will avoid the future reductions of regular programming that would have been necessary to pay for these post-employment benefits.

For information on the funding progress of the OPEB obligations of the District, refer to the notes to basic financial statements.

POST-EMPLOYMENT BENEFITS IRREVOCABLE TRUST FUND

The Post-Employment Benefits Irrevocable Trust Fund was established to fund OPEB in accordance with standards described in GASB Statement Nos. 43 and 45. This irrevocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. On June 30, 2014, this fund has a net position of \$1,031,558. The assets held in this fund are dedicated for the purpose of paying these obligations.

The most recent independent actuarial study dated March 1, 2014, computed the present value of these benefits. The long-term liability represents the present value of these benefits based on medical benefits earned. The District has been strategic by pre-funding a portion of this post-employment benefits liability. This funding is built into the ongoing annual budget. By funding the plan now, the District will avoid future reductions of regular programming that would have been necessary to pay for these post-employment benefits.

For information on the funding progress of the OPEB obligations of the District refer to the notes to basic financial statements.

CAPITAL ASSETS, DEBT ADMINISTRATION, AND LONG-TERM LIABILITIES

Capital Assets

By the end of fiscal year 2014, the District had invested almost \$448 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). A building with a book value of \$2,490,033 and accumulated depreciation of \$1,217,313 for a net book value of \$1,272,720 was sold for \$2,124,000, which accounts for 62.5 percent of the total capital asset decrease for fiscal year 2014. (More detailed information about capital assets can be found in Note 3 of the notes to basic financial statements.) Total depreciation expense for the year was \$9.6 million as compared to a prior year depreciation expense of \$10.4 million.

Table 4 Capital Assets – Governmental Activities			
	2014	2013	Total Percent Change 2013–2014
Land	\$ 8,323,417	\$ 8,344,233	(0.2%)
Land improvements	29,488,070	28,968,868	1.8%
Buildings	398,977,319	395,241,051	0.9%
Furniture and equipment	8,573,540	10,954,314	(21.7%)
Construction in progress	2,513,199	1,026,401	144.9%
Less accumulated depreciation	(150,809,466)	(145,433,018)	3.7%
Total	<u>\$ 297,066,079</u>	<u>\$ 299,101,849</u>	(0.7%)

Debt Administration

At June 30, 2014, the District had bonded debt of \$124,400,000. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation equal to 15 percent of the actual value of all taxable property within the District. The District is within its legal authority for bonded debt.

Long-Term Liabilities

Table 5
Outstanding Long-Term Liabilities

	2014	2013	Total Percent Change
General obligation bond principal payable	\$ 124,400,000	\$ 138,715,000	(10.3%)
Capital leases	95,433	1,070,108	(91.1%)
Unamortized premiums on debt issued	5,285,194	6,172,040	(14.4%)
Post-employment severance benefits payable	12,510,057	15,505,628	(19.3%)
Net other post-employment benefit obligation	7,525,492	6,825,442	10.3%
Total	<u>\$ 149,816,176</u>	<u>\$ 168,288,218</u>	(11.0%)

More detailed information about the District's long-term liabilities is presented in Note 4 of the notes to basic financial statements.

Bond Ratings

The District's general obligation bonds carry a rating of Aa1.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit, which is currently \$1,783,879,819.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature approved an increase in the general education formula for fiscal years 2014 and 2015 of 1.5 percent and 1.9 percent, respectively. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs due to increased costs from inflation and required mandates. The District will strive to maintain its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use the long-range financial model and annual budget framework to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence legislators to recommit to their financial support for public education.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT TEAM

This 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 report or need additional financial information, contact the Business Services Department, Independent School District No. 279, Educational Service Center, 11200 – 93rd Avenue North, Maple Grove, Minnesota 55369-6605.

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Position
as of June 30, 2014
(With Partial Comparative Information as of June 30, 2013)

	Governmental Activities	
	2014	2013
Assets		
Cash and temporary investments	\$ 103,919,991	\$ 74,202,721
Receivables		
Current taxes	40,046,838	36,368,222
Delinquent taxes	567,205	923,189
Accounts and interest receivable	357,860	279,249
Note receivable	408,356	—
Due from other governmental units	22,219,123	29,007,813
Inventory	428,644	792,307
Restricted assets – temporarily restricted		
Cash and investments for OPEB	19,597,501	18,522,571
Interest receivable for OPEB	118,410	113,945
Total restricted assets – temporarily restricted	19,715,911	18,636,516
Capital assets		
Not depreciated	10,836,616	9,370,634
Depreciated, net of accumulated depreciation	286,229,463	289,731,215
Total capital assets, net of accumulated depreciation	297,066,079	299,101,849
Total assets	\$ 484,730,007	\$ 459,311,866
Liabilities		
Salaries payable	\$ 1,143,597	\$ 1,009,282
Accounts and contracts payable	5,952,766	8,244,388
Due to other governmental units	947,116	1,447,158
Unearned revenue	256,214	238,537
Accrued interest payable	2,411,133	2,669,624
Long-term liabilities		
Due within one year	13,932,340	17,282,197
Due in more than one year	135,883,836	151,006,021
Total long-term liabilities	149,816,176	168,288,218
Total liabilities	160,527,002	181,897,207
Deferred inflows of resources		
Property taxes levied for subsequent year	77,438,307	47,672,870
Net position		
Net investment in capital assets	188,480,399	178,183,551
Restricted for		
Capital asset acquisition	8,203,769	6,328,649
Food service	3,127,246	3,366,488
Community service	1,821,758	1,877,548
Other purposes (state funding restrictions)	131,241	102,612
Unrestricted	45,000,285	39,882,941
Total net position	246,764,698	229,741,789
Total liabilities, deferred inflows of resources, and net position	\$ 484,730,007	\$ 459,311,866

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Activities
Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

Functions/Programs	Expenses	2014			2013	
					Net (Expense)	Net (Expense)
					Revenue and	Revenue and
					Changes in	Changes in
			Program Revenues	Net Position	Net Position	
			Operating	Capital		
			Grants and	Grants and		
			Contributions	Contributions	Governmental	Governmental
					Activities	Activities
Governmental activities						
Administration	\$ 9,575,101	\$ 314,305	\$ 162,574	\$ —	\$ (9,098,222)	\$ (8,676,763)
District support services	7,526,010	26,437	7,313	—	(7,492,260)	(7,635,207)
Elementary and secondary regular instruction	116,638,392	1,434,981	20,500,584	—	(94,702,827)	(100,296,129)
Vocational education instruction	3,141,382	—	153,440	—	(2,987,942)	(2,042,003)
Special education instruction	46,401,292	7,204	29,815,823	—	(16,578,265)	(18,593,543)
Instructional support services	15,078,139	2,786	3,515,292	118,216	(11,441,845)	(10,373,879)
Pupil support services	21,381,700	—	2,096,878	—	(19,284,822)	(19,448,117)
Sites and buildings	16,537,008	298,817	250,034	8,177,328	(7,810,829)	(7,618,289)
Fiscal and other fixed cost programs	531,895	—	—	—	(531,895)	(515,881)
Food service	11,330,855	4,681,620	6,392,305	—	(256,930)	113,792
Community service	15,230,093	9,559,310	3,882,532	—	(1,788,251)	(2,489,250)
Depreciation expense (net of allocations to programs)	7,141,723	—	—	—	(7,141,723)	(7,908,028)
Interest and fiscal charges	5,198,234	—	—	—	(5,198,234)	(5,197,263)
Total governmental activities	<u>\$275,711,824</u>	<u>\$16,325,460</u>	<u>\$66,776,775</u>	<u>\$ 8,295,544</u>	(184,314,045)	(190,680,560)
General revenues						
Taxes						
Property taxes, levied for general purposes					48,483,768	48,214,311
Property taxes, levied for community service					1,922,267	1,888,383
Property taxes, levied for debt service					20,463,285	20,440,190
Property taxes, levied for building construction					2,631,084	2,572,515
General grants and aids					125,732,058	122,691,081
Other general revenues					895,594	383,238
Gain on sale of capital assets					733,095	491,389
Investment earnings					475,803	183,771
Total general revenues					<u>201,336,954</u>	<u>196,864,878</u>
Change in net position					17,022,909	6,184,318
Net position – beginning					<u>229,741,789</u>	<u>223,557,471</u>
Net position – ending					\$ 246,764,698	\$ 229,741,789

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Balance Sheet
Governmental Funds
as of June 30, 2014
(With Partial Comparative Information as of June 30, 2013)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 63,457,128	\$ 4,097,661	\$ 13,068,518
Receivables			
Current taxes	30,220,921	–	8,925,289
Delinquent taxes	392,788	–	160,240
Accounts and interest	209,411	3,416	–
Note receivable	408,356	–	–
Due from other governmental units	21,535,276	–	90
Inventory	411,821	–	–
Total assets	\$ 116,635,701	\$ 4,101,077	\$ 22,154,137
Liabilities			
Salaries payable	\$ 813,584	\$ 4,950	\$ –
Accounts and contracts payable	4,936,632	447,163	–
Due to other governmental units	947,116	–	–
Unearned revenue	–	–	–
Total liabilities	6,697,332	452,113	–
Deferred inflows of resources			
Property taxes levied for subsequent year	57,404,330	–	18,197,021
Unavailable revenue – note receivable	408,356	–	–
Unavailable revenue – delinquent taxes	350,645	–	143,169
Total deferred inflows of resources	58,163,331	–	18,340,190
Fund balances			
Nonspendable	411,821	–	–
Restricted	8,517,266	3,648,964	3,813,947
Assigned	–	–	–
Unassigned	42,845,951	–	–
Total fund balances	51,775,038	3,648,964	3,813,947
Total liabilities, deferred inflows of resources, and fund balances	\$ 116,635,701	\$ 4,101,077	\$ 22,154,137

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2014	2013
\$ 6,052,127	\$ 86,675,434	\$ 54,740,537
900,628	40,046,838	36,368,222
14,177	567,205	923,189
145,033	357,860	279,249
—	408,356	—
683,757	22,219,123	29,007,813
16,823	428,644	792,307
<u>\$ 7,812,545</u>	<u>\$ 150,703,460</u>	<u>\$ 122,111,317</u>
\$ 325,063	\$ 1,143,597	\$ 1,009,282
445,308	5,829,103	6,889,052
—	947,116	1,447,158
256,214	256,214	238,537
<u>1,026,585</u>	<u>8,176,030</u>	<u>9,584,029</u>
1,836,956	77,438,307	47,672,870
—	408,356	—
12,684	506,498	980,147
<u>1,849,640</u>	<u>78,353,161</u>	<u>48,653,017</u>
16,823	428,644	792,307
4,919,497	20,899,674	23,405,334
—	—	1,865,912
—	42,845,951	37,810,718
<u>4,936,320</u>	<u>64,174,269</u>	<u>63,874,271</u>
<u>\$ 7,812,545</u>	<u>\$ 150,703,460</u>	<u>\$ 122,111,317</u>

OSSEO AREA SCHOOLS

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INDEPENDENT SCHOOL DISTRICT NO. 279

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2014
(With Partial Comparative Information as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
Total fund balances – governmental funds	\$ 64,174,269	\$ 63,874,271
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	447,875,545	444,534,867
Accumulated depreciation	(150,809,466)	(145,433,018)
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	(124,400,000)	(138,715,000)
Capital leases	(95,433)	(1,070,108)
Premium on bonds	(5,285,194)	(6,172,040)
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.		
	16,801,256	14,412,294
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(2,411,133)	(2,669,624)
Certain revenues (including delinquent property taxes) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.		
	<u>914,854</u>	<u>980,147</u>
Total net position – governmental activities	<u><u>\$ 246,764,698</u></u>	<u><u>\$ 229,741,789</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 27,849,067	\$ 2,631,084	\$ 20,605,495
Investment earnings	98,923	4,393	11,432
Other	5,792,086	–	–
State sources	199,954,383	–	909
Federal sources	8,805,345	–	–
Total revenue	242,499,804	2,635,477	20,617,836
Expenditures			
Current			
Administration	9,575,101	–	–
District support services	5,437,320	–	–
Elementary and secondary regular instruction	118,710,180	–	–
Vocational education instruction	3,138,526	–	–
Special education instruction	46,402,897	–	–
Instructional support services	15,006,315	–	–
Pupil support services	21,381,700	–	–
Sites and buildings	18,914,056	–	–
Fiscal and other fixed cost programs	531,895	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	6,562,038	–
Debt service			
Principal	974,675	–	14,315,000
Interest and fiscal charges	7,112	–	6,336,459
Total expenditures	240,079,777	6,562,038	20,651,459
Excess (deficiency) of revenue over expenditures	2,420,027	(3,926,561)	(33,623)
Other financing sources			
Debt issued	–	–	–
Premium on debt issued	–	–	–
Proceeds from sale of assets	2,124,000	–	–
Total other financing sources	2,124,000	–	–
Net change in fund balances	4,544,027	(3,926,561)	(33,623)
Fund balances			
Beginning of year	47,231,011	7,575,525	3,847,570
End of year	\$ 51,775,038	\$ 3,648,964	\$ 3,813,947

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2014	2013
\$ 1,053,994	\$ 52,139,640	\$ 73,229,773
7,549	122,297	79,081
14,982,430	20,774,516	19,433,552
3,984,303	203,939,595	173,713,412
6,340,388	15,145,733	14,886,402
<u>26,368,664</u>	<u>292,121,781</u>	<u>281,342,220</u>
—	9,575,101	9,302,245
—	5,437,320	5,628,062
—	118,710,180	122,029,003
—	3,138,526	1,435,679
—	46,402,897	47,122,395
—	15,006,315	12,502,018
—	21,381,700	21,507,907
—	18,914,056	19,041,698
—	531,895	515,881
11,127,023	11,127,023	10,634,472
15,201,013	15,201,013	14,742,075
324,473	6,886,511	7,123,098
—	15,289,675	14,626,680
—	6,343,571	6,881,284
<u>26,652,509</u>	<u>293,945,783</u>	<u>293,092,497</u>
(283,845)	(1,824,002)	(11,750,277)
—	—	6,625,000
—	—	7,155
—	2,124,000	2,838,854
<u>—</u>	<u>2,124,000</u>	<u>9,471,009</u>
(283,845)	299,998	(2,279,268)
<u>5,220,165</u>	<u>63,874,271</u>	<u>66,153,539</u>
<u>\$ 4,936,320</u>	<u>\$ 64,174,269</u>	<u>\$ 63,874,271</u>

OSSEO AREA SCHOOLS

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INDEPENDENT SCHOOL DISTRICT NO. 279

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2014

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

	2014	2013
Total net change in fund balances – governmental funds	\$ 299,998	\$ (2,279,268)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	9,378,909	10,070,215
Depreciation expense	(9,615,418)	(10,393,150)
A gain (loss) on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(1,799,261)	(2,368,038)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	–	(6,625,000)
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.	2,388,962	1,590,387
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	14,315,000	13,665,000
Capital leases	974,675	961,680
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.	258,491	163,760
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.	886,846	1,513,106
Certain revenues (including delinquent property taxes) are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.	(65,293)	(114,374)
Change in net position – governmental activities	<u>\$ 17,022,909</u>	<u>\$ 6,184,318</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2014

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 41,400,488	\$ 27,244,730	\$ 27,849,067	\$ 604,337
Investment earnings	76,000	86,000	98,923	12,923
Other	2,320,990	4,954,602	5,792,086	837,484
State sources	165,931,755	199,738,621	199,954,383	215,762
Federal sources	—	9,325,665	8,805,345	(520,320)
Total revenue	209,729,233	241,349,618	242,499,804	1,150,186
Expenditures				
Current				
Administration	7,614,234	9,837,217	9,575,101	(262,116)
District support services	5,499,398	6,784,569	5,437,320	(1,347,249)
Elementary and secondary regular instruction	75,032,995	120,557,451	118,710,180	(1,847,271)
Vocational education instruction	2,033,360	2,880,800	3,138,526	257,726
Special education instruction	33,773,681	46,887,547	46,402,897	(484,650)
Instructional support services	9,023,946	15,170,015	15,006,315	(163,700)
Pupil support services	21,167,536	22,490,978	21,381,700	(1,109,278)
Sites and buildings	16,712,027	19,559,556	18,914,056	(645,500)
Fiscal and other fixed cost programs	41,492,407	600,000	531,895	(68,105)
Debt service				
Principal	879,243	1,034,243	974,675	(59,568)
Interest and fiscal charges	7,112	7,112	7,112	—
Total expenditures	213,235,939	245,809,488	240,079,777	(5,729,711)
Excess (deficiency) of revenue over expenditures	(3,506,706)	(4,459,870)	2,420,027	6,879,897
Other financing sources				
Proceeds from sale of assets	2,499,786	2,124,000	2,124,000	—
Net change in fund balances	\$ (1,006,920)	\$ (2,335,870)	4,544,027	\$ 6,879,897
Fund balances				
Beginning of year			47,231,011	
End of year			\$ 51,775,038	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Position
 Governmental Activities
 Internal Service Funds
 as of June 30, 2014
 (With Partial Comparative Information as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and temporary investments	\$ 17,244,557	\$ 19,462,184
Cash and investments held by trustee	19,597,501	18,522,571
Interest receivable	<u>118,410</u>	<u>113,945</u>
Total assets	36,960,468	38,098,700
Liabilities		
Current liabilities		
Accounts and contracts payable	123,663	1,355,336
Post-employment severance benefits payable	1,841,907	1,992,522
Long-term liabilities		
Net other post-employment benefit obligation	7,525,492	6,825,442
Post-employment severance benefits payable	<u>10,668,150</u>	<u>13,513,106</u>
Total liabilities	20,159,212	23,686,406
Net position		
Restricted for employee benefits	12,190,419	11,811,074
Unrestricted	<u>4,610,837</u>	<u>2,601,220</u>
Total net position	<u>\$ 16,801,256</u>	<u>\$ 14,412,294</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenses, and Changes in Fund Net Position
 Governmental Activities
 Internal Service Funds
 Year Ended June 30, 2014
 (With Partial Comparative Information for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Operating revenue		
Contributions from governmental funds	\$ 3,579,599	\$ 6,138,946
Operating expenses		
Dental benefit claims	1,359,815	1,299,119
Post-employment severance benefits	(515,722)	2,613,436
Other post-employment benefits	700,050	740,694
Total operating expenses	<u>1,544,143</u>	<u>4,653,249</u>
Operating income	2,035,456	1,485,697
Nonoperating revenue		
Investment earnings	<u>353,506</u>	<u>104,690</u>
Change in net position	2,388,962	1,590,387
Net position		
Beginning of year	<u>14,412,294</u>	<u>12,821,907</u>
End of year	<u>\$ 16,801,256</u>	<u>\$ 14,412,294</u>

See notes to basic financial statements

OSSEO AREA SCHOOLS

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INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Cash Flows
Governmental Activities
Internal Service Funds
Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 3,579,599	\$ 6,138,946
Payments for dental claims	(1,350,488)	(1,307,473)
Post-employment severance benefits payments	(3,720,849)	(2,117,824)
Net cash provided (used) by operating activities	<u>(1,491,738)</u>	<u>2,713,649</u>
Cash flows from noncapital financing activities		
Payment of interfund borrowing	—	6,138,674
Cash flows from investing activities		
Investment income received	<u>349,041</u>	<u>185,427</u>
Net change in cash and cash equivalents	(1,142,697)	9,037,750
Cash and cash equivalents		
Beginning of year	<u>37,984,755</u>	<u>28,947,005</u>
End of year	<u><u>\$ 36,842,058</u></u>	<u><u>\$ 37,984,755</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	\$ 2,035,456	\$ 1,485,697
Adjustments to reconcile operating income to cash provided (used) by operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	(1,231,673)	1,232,646
Post-employment severance benefits payable	(2,995,571)	(745,388)
Net other post-employment benefit obligation	<u>700,050</u>	<u>740,694</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,491,738)</u></u>	<u><u>\$ 2,713,649</u></u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:		
Cash and temporary investments	\$ 17,244,557	\$ 19,462,184
Cash and investments held by trustee	<u>19,597,501</u>	<u>18,522,571</u>
Total cash and cash equivalents	<u><u>\$ 36,842,058</u></u>	<u><u>\$ 37,984,755</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2014

	Employee Benefit Trust Funds	Agency Fund
Assets		
Cash and temporary investments	\$ —	\$ 1,866,021
Investments held by trustee, at fair value		
Negotiable certificates of deposit	489,940	
Municipal bonds	396,243	
First American Prime Obligation Fund	950,371	
MNTrust Investment Shares Portfolio	190,509	
Accounts and interest receivable	3,237	
Total assets	2,030,300	
Liabilities		
Accounts and contracts payable	147,354	
Due to other governmental units	808,233	\$ 1,866,021
Total liabilities	955,587	
Net position		
Held in trust for employee benefits	\$ 1,074,713	

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Employee Benefit Trust Funds
Additions	
Plan member contributions	\$ 1,403,536
Investment earnings	6,150
Total additions	1,409,686
Deductions	
Benefits to plan members	2,194,473
Change in net position	(784,787)
Net position	
Beginning of year	1,859,500
End of year	\$ 1,074,713

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Notes to Basic Financial Statements June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 279 – Osseo Area Schools (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “depreciation not included in other functions.” Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type, pension (or other benefit) trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes (which include state aid funding formulas for specific years) and accounting principles generally accepted in the United States of America. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, post-employment severance benefits, other post-employment health benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The District’s General Fund maintains two accounts:

1. **Operating Account** – The Operating Account is used to account for the general operations of the District, including pupil transportation activities.
2. **Capital Expenditure Account** – The Capital Expenditure Account is used to account for the maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

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

Debt Service Fund – Debt service funds are used to account for the accumulation of resources for, and payment of, general obligation bonds, interest, and related costs. The General Obligation Bonds Debt Service Account is used for the debt service on all general obligation bonds except for the 2009A Taxable Other Post-Employment Benefit (OPEB) Bond issue for which a separate OPEB Bonds Debt Service Account is established.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, K–6 extended day programs, or other similar services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Internal Service Funds – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has three internal service funds. The District's internal service funds include financing for self-insurance of the employee dental insurance program, retirement incentive pay, and post-employment benefits revocable trust activity.

Fiduciary Funds

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

Agency Fund – The Agency Fund is established to account for cash and other assets held by the District as the agent for others. This fund is used to account for a local collaborative time study grant and the Northwest Family Service Center.

E. Budgeting

The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund account level. The School Board adopts an annual budget for the following fiscal year for the General Fund (including separate budgets for the Operating and Capital Expenditure Accounts), Food Service Special Revenue Fund, Community Service Special Revenue Fund, General Obligation Bonds Debt Service Account, and OPEB Bonds Debt Service Account. An annual budget is not adopted for the Capital Projects – Building Construction Fund because project-length financial plans are adopted in accordance with bond issue authorization.

Budgeted expenditure appropriations lapse at year-end.

F. Cash and Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the internal service funds, trust accounts are established to finance future OPEB obligations. In the employee benefit trust funds, trust accounts are established for flexible benefits and OPEB payable to employees. Interest earned on these investments was allocated directly to those accounts.

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$4,223,126 of the property tax levy collectible in 2014 as revenue to the District in fiscal year 2014. The remaining portion of the taxes collectible in 2014 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks or other land improvements are considered to be part of the cost of buildings or other improvable property.

L. Accounts and Contracts Payable

At June 30, 2014, accounts and contracts payable are \$5,825,676 and \$127,090, respectively.

M. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

N. Vacation Pay

Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no vacation liabilities are recorded in the financial statements.

O. Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of post-employment severance and health benefits for some employees upon termination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Post-Employment Severance Benefits

The District provides post-employment severance benefits to certain eligible employees. The District finances these obligations with an Internal Service Fund.

The District maintains various early retirement incentive payment plans for its employee groups. The amount of the early retirement incentive payment is calculated by converting a portion of accrued sick leave, by computing a benefit based solely on years of service, or a combination of both. No employee can receive a payment exceeding one year's salary. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

The District has established a separate Retirement Incentive Pay Internal Service Fund to account for the post-employment severance benefits. The benefits are funded as the liability is incurred on an actuarially determined basis. In addition to the funding of accumulated benefits already earned, the District's funding policy requires an annual contribution of an amount equal to the current year service cost adjusted for any amortization. As part of the actuarial valuation, the projected unit credit actuarial cost method is used. A discount rate (equal to the current interest rate on the District's investments) is used to discount the obligation. The District has approximately 391 active participants being funded by the Retirement Incentive Pay Internal Service Fund.

Q. Risk Management

General Insurance – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2014.

Self-Insurance – The District maintains the Dental Self-Insurance Internal Service Fund to account for and finance its uninsured risk of loss for an employee dental plan. The Dental Self-Insurance Internal Service Fund is funded by the District, employee contributions, and interest income. The District pays for claims by an individual up to \$1,000. The claims liability of \$123,663 reported in the fund at June 30, 2014 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated.

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

Changes in the fund's claim liability were:

Year Ended June 30,	Claim Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability End of Year
2013	\$ 122,690	\$ 1,299,119	\$ 1,307,473	\$ 114,336
2014	\$ 114,336	\$ 1,359,814	\$ 1,350,487	\$ 123,663

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent. The cash and investments held by trustee in the Post-Employment Benefits Revocable Trust Internal Service Fund is also considered a cash equivalent.

S. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as "cash and investments held by trustee" and the interest receivable is included within "accounts and interest receivable."

T. Net Position

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

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

U. Fund Balance Classifications

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

When nonspendable, restricted, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) nonspendable, 2) restricted, 3) assigned, and 4) unassigned.

V. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

W. Deferred Inflows of Resources

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

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

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

X. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 79,625,530
Investments	47,778,771
Cash on hand	<u>6,275</u>
Total	<u><u>\$ 127,410,576</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 103,919,991
Statement of Net Position – restricted assets – temporarily restricted	
Cash and investments for OPEB	19,597,501
Statement of Fiduciary Net Position – Employee Benefit Trust Funds	
Investments held by trustee, at fair value	
Negotiable certificates of deposit	489,940
Municipal bonds	396,243
First American Prime Obligation Fund	950,371
MNTrust Investment Shares Portfolio	190,509
Statement of Fiduciary Net Position – Agency Fund	
Cash and temporary investments	<u>1,866,021</u>
Total	<u><u>\$ 127,410,576</u></u>

B. Deposits

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

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the carrying amount of the District's deposits was \$79,625,530 while the balance on the bank records was \$79,649,871. At June 30, 2014, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years			Total
	Rating	Agency	Less Than 1	1 to 5	5 to 10	
Municipal bonds	AAA	Moody's	\$ –	\$ 312,043	\$ –	\$ 312,043
Municipal bonds	Aa	Moody's	\$ 904,818	\$ 4,514,865	\$ 527,754	5,947,437
Municipal bonds	AA	S&P	\$ 512,155	\$ 3,578,893	\$ –	4,091,048
Municipal bonds	A	S&P	\$ –	\$ –	\$ 561,193	561,193
Municipal bonds	A	Moody's	\$ –	\$ 1,957,607	\$ –	1,957,607
Municipal bonds	Baa	Moody's	\$ –	\$ 289,157	\$ –	289,157
Negotiable certificates of deposit	N/A	N/A	\$ 3,726,246	\$ 1,495,751	\$ –	5,221,997
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	6,881,055
First American Prime Obligations Fund Class Y	AAA	S&P	N/A	N/A	N/A	950,371
MNTrust Investment Shares Portfolio	Aaa	Moody's	N/A	N/A	N/A	21,566,864
Total investments						<u>\$ 47,778,771</u>

N/A – Not Applicable

The amount in investment pools/mutual funds includes \$20,469,864 invested in the MNTrust Investment Shares Portfolio, \$1,097,000 invested in the MNTrust Term Series, and \$6,881,055 invested in the Minnesota School District Liquid Asset Fund, which are external investment pools regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in these funds is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The District has an internal investment policy that limits investment choices and addresses these potential risks beyond the statutory limitations described above. The District’s policy requires that investments be diversified to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. No more than 66 percent of the total portfolio can be placed with any one depository. The maximum percentage in which the portfolio can be invested in specific instruments is as follows:

U.S. treasury obligations	100%
U.S. government agency securities and instrumentalities of government sponsored corporations	75%
Repurchase agreements	25%
Certificates of deposit – FDIC covered	100%
Certificates of deposit – savings and loans	75%
Local government investment pool	75%
Money market funds	75%

For assets held in the Post-Employment Benefits Irrevocable and Revocable Trust Funds, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute § 356A.06, Subd. 7. Minnesota Statutes authorize the Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers’ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments.

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation activity for the year ended June 30, 2014 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 8,344,233	\$ –	\$ (20,816)	\$ –	\$ 8,323,417
Construction in progress	1,026,401	6,021,183	–	(4,534,385)	2,513,199
Total capital assets, not depreciated	9,370,634	6,021,183	(20,816)	(4,534,385)	10,836,616
Capital assets, depreciated					
Land improvements	28,968,868	719,786	(200,584)	–	29,488,070
Buildings	395,241,051	2,324,914	(3,123,031)	4,534,385	398,977,319
Furniture and equipment	10,954,314	313,026	(2,693,800)	–	8,573,540
Total capital assets, depreciated	435,164,233	3,357,726	(6,017,415)	4,534,385	437,038,929
Less accumulated depreciation for					
Land improvements	(17,444,281)	(1,152,883)	157,946	–	(18,439,218)
Buildings	(119,535,371)	(7,979,500)	1,387,224	–	(126,127,647)
Furniture and equipment	(8,453,366)	(483,035)	2,693,800	–	(6,242,601)
Total accumulated depreciation	(145,433,018)	(9,615,418)	4,238,970	–	(150,809,466)
Net capital assets, depreciated	289,731,215	(6,257,692)	(1,778,445)	4,534,385	286,229,463
Total capital assets, net	\$ 299,101,849	\$ (236,509)	\$ (1,799,261)	\$ –	\$ 297,066,079

Depreciation expense for the year ended June 30, 2014 was charged to the following governmental functions:

District support services	\$ 2,102,959
Elementary and secondary regular instruction	41,106
Vocational education instruction	2,856
Special education instruction	7,038
Instructional support services	86,824
Food service	203,832
Community service	29,080
Depreciation expense (net of allocations to programs)	7,141,723
Total depreciation expense	\$ 9,615,418

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds, including refunding bonds					
2005A Refunding Bonds	10/18/2005	4.50%–5.00%	\$ 67,055,000	02/01/2021	\$ 53,525,000
2006A Alternative Facilities Bonds	12/28/2006	3.85%	\$ 5,235,000	02/01/2017	1,940,000
2009A Taxable OPEB Bonds	01/07/2009	6.00%	\$ 16,000,000	02/01/2022	16,000,000
2009B Alternative Facilities Bonds	06/11/2009	3.13%–4.00%	\$ 8,945,000	02/01/2022	8,945,000
2010A Refunding Bonds	03/25/2010	4.00%–5.00%	\$ 35,790,000	02/01/2021	28,780,000
2011A Alternative Facilities Bonds	04/27/2011	4.00%–4.125%	\$ 8,685,000	02/01/2023	8,685,000
2013A Alternative Facilities Bonds	06/04/2013	0.30%–1.75%	\$ 6,625,000	02/01/2023	6,525,000
Total general obligation bonds					<u>\$ 124,400,000</u>

B. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2015	\$ 11,995,000	\$ 5,786,719	\$ 95,433	\$ –
2016	12,590,000	5,181,850	–	–
2017	13,220,000	4,546,606	–	–
2018	13,875,000	3,879,244	–	–
2019	14,555,000	3,182,981	–	–
2020–2023	58,165,000	5,240,975	–	–
	<u>\$ 124,400,000</u>	<u>\$ 27,818,375</u>	<u>\$ 95,433</u>	<u>\$ –</u>

C. Description of Long-Term Liabilities

General Obligation Bonds – These obligations were issued to finance acquisition and/or construction of capital facilities, finance OPEB, or to refinance (refund) previous bond issues. Assets of the debt service funds, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Capital Leases Payable – The District entered into a capital lease on May 17, 2011. The lease had a three-year term, bore an interest rate of 1.5 percent, and had a final maturity of June 2014. The District entered into a separate capital lease on July 21, 2011. The lease has a four-year term, bears no interest, and has a final maturity of April 2015. The capital lease will be repaid by the General Fund.

The assets acquired through the leases outstanding at June 30, 2014 total \$381,732 (the present value of the future minimum lease payments as of the inception date), which is reported in furniture and equipment on the Statement of Net Position. Accumulated depreciation on these assets totaled \$286,299 at June 30, 2014. Depreciation expense for the year on these assets totaled \$95,433.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

Post-Employment Severance Benefits Payable – Post-employment severance benefits payable consist of early retirement incentive pay (based on convertible sick leave) payable to employees upon retirement. Post-employment severance benefits are paid by the Retirement Incentive Pay Internal Service Fund.

D. Changes in Long-Term Liabilities

	June 30, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
Long-term liabilities					
General obligation bonds	\$ 138,715,000	\$ –	\$ 14,315,000	\$ 124,400,000	\$ 11,995,000
Capital leases	1,070,108	–	974,675	95,433	95,433
Unamortized premiums on debt issued	6,172,040	–	886,846	5,285,194	–
Post-employment severance benefits payable	15,505,628	(1,616,884)	1,378,687	12,510,057	1,841,907
Net OPEB obligation (See Note 6)	6,825,442	1,781,275	1,081,225	7,525,492	–
	<u>\$ 168,288,218</u>	<u>\$ 164,391</u>	<u>\$ 18,636,433</u>	<u>\$ 149,816,176</u>	<u>\$ 13,932,340</u>

NOTE 5 – FUND BALANCES

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

A. Classifications

At June 30, 2014, 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	\$ 411,821	\$ –	\$ –	\$ 16,823	\$ 428,644
Restricted					
Operating capital	8,386,025	–	–	–	8,386,025
Gifted and talented	131,241	–	–	–	131,241
Alternative facilities program	–	3,648,964	–	–	3,648,964
Food service	–	–	–	3,110,423	3,110,423
Community education	–	–	–	1,361,290	1,361,290
Early childhood family education programs	–	–	–	334,796	334,796
School readiness	–	–	–	108,335	108,335
Adult basic education	–	–	–	4,653	4,653
General debt service	–	–	3,634,893	–	3,634,893
Other post-employment benefits bonds debt service	–	–	179,054	–	179,054
Total restricted	8,517,266	3,648,964	3,813,947	4,919,497	20,899,674
Unassigned					
Health and safety restricted account deficit	(590,612)	–	–	–	(590,612)
Safe schools restricted account deficit	(29,215)	–	–	–	(29,215)
Unassigned	43,465,778	–	–	–	43,465,778
Total unassigned	42,845,951	–	–	–	42,845,951
Total	<u>\$ 51,775,038</u>	<u>\$ 3,648,964</u>	<u>\$ 3,813,947</u>	<u>\$ 4,936,320</u>	<u>\$ 64,174,269</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 unassigned fund balance that will not fall below 5 percent of the District's General Fund operating expenditure budget, excluding operating capital programs. At June 30, 2014, the unassigned fund balance of the General Fund was 18.6 percent of the fiscal 2014 General Fund Operating Account expenditures.

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN

A. Plan Description

The District provides post-employment healthcare benefits to certain eligible employees. The District provides these benefits in a single-employer defined benefit healthcare plan administered by the District. The plan does not issue a publicly available financial report. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Others' Post-Employment Medical Plan – All retirees of the District have the option to continue their medical coverage into retirement. Retirees must pay the full district premium rate for their coverage and dependant coverage. Coverage in the District's plan ends at age 65.

Teachers' Post-Employment Medical Plan – For teachers with 15 continuous years of service, they are eligible to receive a contribution towards the teacher's health insurance after retirement from age 55 to 65. The amount will be determined by multiplying the teacher's daily rate of pay at the time of retirement times the number of the teacher's accumulated sick leave days in excess of 123 days as of the date of retirement. However, the total amount will not exceed \$37,800. The monthly district contribution toward the premium will be determined using the cumulative total amount earned divided by the number of months until the teacher qualifies for Medicare. The benefit amount will not exceed 100 percent of the premium of the insurance plan selected by the teacher. If the teacher's full time equivalent (FTE) status is not full-time at the time of retirement, the benefit will be prorated according to the teacher's current FTE.

Administrators' Post-Employment Medical Plan – The District pays for full medical plan coverage after retirement for certain administrators and their spouses and dependants up to age 65.

B. Funding Policy

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

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT 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 net OPEB obligation to the plan:

ARC	\$ 1,884,008
Interest on net OPEB obligation	341,272
Adjustment to ARC	(444,005)
Annual OPEB cost	1,781,275
Contributions made	1,081,225
Increase in net OPEB obligation	700,050
Net OPEB obligation – beginning of year	6,825,442
Net OPEB obligation – end of year	\$ 7,525,492

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 2,602,291	\$ 1,191,825	45.8 %	\$ 6,084,748
2013	\$ 1,751,014	\$ 1,010,320	57.7 %	\$ 6,825,442
2014	\$ 1,781,275	\$ 1,081,225	60.7 %	\$ 7,525,492

D. Funded Status and Funding Progress

On March 1, 2014, the most recent actuarial valuation date, the plan was 7.4 percent funded. The actuarial accrued liability for benefits was \$17,327,159, and the actuarial value of assets was \$1,285,350, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,041,809. The covered payroll (annual payroll of active employees covered by the plan) was \$154,000,000, and the ratio of the UAAL to the covered payroll was 10.4 percent.

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

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT 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 March 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 5.2 percent rate of projected salary, which includes steps and educational advances, an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after 8 years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period on March 1, 2014 was 30 years.

F. Post-Employment Benefits Irrevocable Trust Fiduciary Fund

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

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

G. Membership

Membership in the plan consisted of the following as of March 1, 2014:

Retirees and beneficiaries receiving benefits	191
Active plan members	<u>2,947</u>
Total members	<u><u>3,138</u></u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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

Teachers' Retirement Association (TRA)

A. Plan Description

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

The TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute 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

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

With these provisions:

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

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

Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4.0 to 5.4 percent per year.

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

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

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

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

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 7.0 percent and 10.5 percent, respectively, of their annual covered salary during fiscal year 2014 as employee contributions. The TRA employer contribution rates are 7.0 percent for Coordinated Plan members and 11.0 percent for Basic Plan members during fiscal year 2014. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2013, 2012, and 2011, were approximately \$3.92 billion, \$3.87 billion, and \$3.84 billion, respectively.

The District's contributions for the years ended June 30, 2014, 2013, and 2012 were \$7,862,040, \$7,238,610, and \$6,682,351, respectively, equal to the required contributions for each year as set by state statutes.

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

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

Public Employees' Retirement Association (PERA)

A. Plan Description

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

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

The PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statutes, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

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

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

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. The GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in fiscal 2014. In fiscal 2014, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to the GERP for the years ended June 30, 2014, 2013, and 2012 were \$3,023,661, \$3,064,730, and \$3,080,087, respectively. The District's contributions were equal to the required contributions for each year as set by state statutes.

Beginning January 1, 2015, Coordinated Plan contribution rates will increase for employees and employers to 6.50 percent and 7.50 percent, respectively.

NOTE 8 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the Plan year, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Amounts withheld for medical reimbursement and dependant care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependant care activity is included in the financial statements in the Post-Employment Benefits Revocable Trust Internal Service Fund, Flexible Benefit Plan Trust Fund, and the Post-Employment Benefits Irrevocable Trust Fiduciary Fund.

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

NOTE 9 – LEASE ARRANGEMENTS

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of approximately \$727,456 for operating leases during the year ended June 30, 2014. These leases are scheduled to expire on various dates through 2018. Many of the leases are negotiated on a yearly basis and payment commitments extend out one year. The following is a summary of minimum lease payment commitments for all operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 237,709
2016	239,159
2017	234,237
2018	<u>13,767</u>
	<u><u>\$ 724,872</u></u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenue

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

B. Contingencies

The District is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2014, the District had commitments totaling approximately \$2.0 million under various construction contracts for which the work was not yet completed.

NOTE 11 – SUBSEQUENT EVENTS

A. Capital Lease

In July 2014, the District entered into a capital lease for the lease of technology equipment with four annual payments of \$1,204,237. The lease matures in July 2017.

B. General Obligation Capital Facilities Bonds

In October 2014, the District approved the sale of \$5,770,000 of General Obligation Capital Facilities Bonds, Series 2014A. The bonds bear an interest rate ranging from 2.0 to 4.0 percent and have a final maturity date of February 1, 2029.

NOTE 11 – SUBSEQUENT EVENTS (CONTINUED)

C. Certificates of Participation

In October 2014, the District approved the sale of \$14,085,000 of Certificates of Participation, Series 2014B. The certificates bear an interest rate ranging from 2.0 to 4.0 percent and have a final maturity date of February 1, 2030.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, replaces the requirements of GASB Statement Nos. 27 and 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria (as described for GASB Statement No. 67). The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan. This statement is effective for financial statements for fiscal years beginning after June 15, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Plan
Schedule of Funding Progress and Schedule of Employer Contributions
June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
June 30, 2011	\$ 26,564,231	\$ 3,199,535	\$ 23,364,696	12.0 %	\$ 116,125,716	20.1 %
March 1, 2012	\$ 18,433,766	\$ 3,208,232	\$ 15,225,534	17.4 %	\$ 134,920,782	11.3 %
March 1, 2014	\$ 17,327,159	\$ 1,285,350	\$ 16,041,809	7.4 %	\$ 154,000,000	10.4 %

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,928,903	89.5 %	\$ 4,674,282
2012	\$ 2,672,645	44.6 %	\$ 6,084,748
2013	\$ 1,842,599	54.8 %	\$ 6,825,442
2014	\$ 1,884,008	57.4 %	\$ 7,525,492

Note 1: The Schedule of Funding Progress reflects information from the most recent actuarial reports. On January 7, 2009, the District issued taxable OPEB bonds to fund a significant portion of the actuarial accrued liability and initial debt service costs.

Note 2: The unfunded actuarial accrued liability was amortized on a level dollar basis over a period of 30 years for the March 1, 2014 actuarial study.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2014

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

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2014	2013
Assets				
Cash and temporary investments	\$ 3,347,204	\$ 2,704,923	\$ 6,052,127	\$ 4,874,929
Receivables				
Current taxes	–	900,628	900,628	893,473
Delinquent taxes	–	14,177	14,177	22,441
Accounts and interest	8,517	136,516	145,033	112,123
Due from other governmental units	268,885	414,872	683,757	647,655
Inventory	16,823	–	16,823	437,871
Total assets	<u>\$ 3,641,429</u>	<u>\$ 4,171,116</u>	<u>\$ 7,812,545</u>	<u>\$ 6,988,492</u>
Liabilities				
Salaries payable	\$ 12,596	\$ 312,467	\$ 325,063	\$ 292,875
Accounts and contracts payable	245,373	199,935	445,308	282,452
Unearned revenue	256,214	–	256,214	238,537
Total liabilities	<u>514,183</u>	<u>512,402</u>	<u>1,026,585</u>	<u>813,864</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	–	1,836,956	1,836,956	930,592
Unavailable revenue – delinquent taxes	–	12,684	12,684	23,871
Total deferred inflows of resources	<u>–</u>	<u>1,849,640</u>	<u>1,849,640</u>	<u>954,463</u>
Fund balances (deficit)				
Nonspendable for inventory	16,823	–	16,823	437,871
Restricted	3,110,423	1,809,074	4,919,497	4,785,089
Unassigned	–	–	–	(2,795)
Total fund balances	<u>3,127,246</u>	<u>1,809,074</u>	<u>4,936,320</u>	<u>5,220,165</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,641,429</u>	<u>\$ 4,171,116</u>	<u>\$ 7,812,545</u>	<u>\$ 6,988,492</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2014	2013
Revenue				
Local sources				
Property taxes	\$ –	\$ 1,053,994	\$ 1,053,994	\$ 1,890,869
Investment earnings	5,570	1,979	7,549	6,740
Other	4,778,193	10,204,237	14,982,430	14,083,744
State sources	418,915	3,565,388	3,984,303	3,105,565
Federal sources	5,876,817	463,571	6,340,388	6,256,029
Total revenue	<u>11,079,495</u>	<u>15,289,169</u>	<u>26,368,664</u>	<u>25,342,947</u>
Expenditures				
Current				
Food service	11,127,023	–	11,127,023	10,634,472
Community service	–	15,201,013	15,201,013	14,742,075
Capital outlay	191,714	132,759	324,473	285,423
Total expenditures	<u>11,318,737</u>	<u>15,333,772</u>	<u>26,652,509</u>	<u>25,661,970</u>
Net change in fund balances	(239,242)	(44,603)	(283,845)	(319,023)
Fund balances				
Beginning of year	<u>3,366,488</u>	<u>1,853,677</u>	<u>5,220,165</u>	<u>5,539,188</u>
End of year	<u>\$ 3,127,246</u>	<u>\$ 1,809,074</u>	<u>\$ 4,936,320</u>	<u>\$ 5,220,165</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 3,347,204	\$ 3,088,579
Receivables		
Accounts and interest	8,517	11,465
Due from other governmental units	268,885	185,582
Inventory	<u>16,823</u>	<u>437,871</u>
Total assets	<u><u>\$ 3,641,429</u></u>	<u><u>\$ 3,723,497</u></u>
Liabilities		
Salaries payable	\$ 12,596	\$ 11,566
Accounts and contracts payable	245,373	106,906
Unearned revenue	<u>256,214</u>	<u>238,537</u>
Total liabilities	514,183	357,009
Fund balances		
Nonspendable for inventory	16,823	437,871
Restricted	<u>3,110,423</u>	<u>2,928,617</u>
Total fund balances	<u>3,127,246</u>	<u>3,366,488</u>
Total liabilities and fund balances	<u><u>\$ 3,641,429</u></u>	<u><u>\$ 3,723,497</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 5,000	\$ 5,570	\$ 570	\$ 3,803
Other – primarily meal sales	4,762,906	4,778,193	15,287	4,759,365
State sources	423,170	418,915	(4,255)	422,214
Federal sources	5,712,215	5,876,817	164,602	5,823,545
Total revenue	<u>10,903,291</u>	<u>11,079,495</u>	<u>176,204</u>	<u>11,008,927</u>
Expenditures				
Current				
Salaries	3,737,886	3,765,095	27,209	3,665,731
Employee benefits	1,031,401	1,035,183	3,782	1,045,396
Purchased services	1,003,124	1,026,328	23,204	909,094
Supplies and materials	5,452,336	5,292,151	(160,185)	5,007,200
Other expenditures	–	8,266	8,266	7,051
Capital outlay	130,000	191,714	61,714	114,858
Total expenditures	<u>11,354,747</u>	<u>11,318,737</u>	<u>(36,010)</u>	<u>10,749,330</u>
Net change in fund balances	<u>\$ (451,456)</u>	<u>(239,242)</u>	<u>\$ 212,214</u>	<u>259,597</u>
Fund balances				
Beginning of year		<u>3,366,488</u>		<u>3,106,891</u>
End of year		<u>\$ 3,127,246</u>		<u>\$ 3,366,488</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 2,704,923	\$ 1,786,350
Receivables		
Current taxes	900,628	893,473
Delinquent taxes	14,177	22,441
Accounts and interest	136,516	100,658
Due from other governmental units	<u>414,872</u>	<u>462,073</u>
Total assets	<u><u>\$ 4,171,116</u></u>	<u><u>\$ 3,264,995</u></u>
Liabilities		
Salaries payable	\$ 312,467	\$ 281,309
Accounts and contracts payable	<u>199,935</u>	<u>175,546</u>
Total liabilities	512,402	456,855
Deferred inflows of resources		
Property taxes levied for subsequent year	1,836,956	930,592
Unavailable revenue – delinquent taxes	<u>12,684</u>	<u>23,871</u>
Total deferred inflows of resources	1,849,640	954,463
Fund balances (deficit)		
Restricted for community education programs	1,361,290	1,644,131
Restricted for early childhood family education programs	334,796	145,127
Restricted for school readiness	108,335	–
Restricted for adult basic education	4,653	67,214
Unassigned – school readiness restricted account deficit	<u>–</u>	<u>(2,795)</u>
Total fund balances	<u><u>1,809,074</u></u>	<u><u>1,853,677</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 4,171,116</u></u>	<u><u>\$ 3,264,995</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,025,017	\$ 1,053,994	\$ 28,977	\$ 1,890,869
Investment earnings	3,500	1,979	(1,521)	2,937
Other – primarily tuition and fees	9,780,466	10,204,237	423,771	9,324,379
State sources	3,763,017	3,565,388	(197,629)	2,683,351
Federal sources	538,470	463,571	(74,899)	432,484
Total revenue	15,110,470	15,289,169	178,699	14,334,020
Expenditures				
Current				
Salaries	9,372,158	9,238,822	(133,336)	9,207,907
Employee benefits	2,725,471	2,610,840	(114,631)	2,491,325
Purchased services	2,273,808	2,147,574	(126,234)	1,871,770
Supplies and materials	1,226,554	1,148,216	(78,338)	1,077,162
Other expenditures	97,774	55,561	(42,213)	93,911
Capital outlay	178,054	132,759	(45,295)	170,565
Total expenditures	15,873,819	15,333,772	(540,047)	14,912,640
Net change in fund balances	\$ (763,349)	(44,603)	\$ 718,746	(578,620)
Fund balances				
Beginning of year		1,853,677		2,432,297
End of year		\$ 1,809,074		\$ 1,853,677

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Comparative Balance Sheet
as of June 30, 2014 and 2013

	2014	2013
Assets		
Cash and temporary investments	\$ 63,457,128	\$ 27,315,822
Receivables		
Current taxes	30,220,921	25,246,842
Delinquent taxes	392,788	632,017
Accounts and interest	209,411	166,757
Notes receivable	408,356	—
Due from other governmental units	21,535,276	28,359,681
Inventory	411,821	354,436
Total assets	<u>\$ 116,635,701</u>	<u>\$ 82,075,555</u>
Liabilities		
Salaries payable	\$ 813,584	\$ 711,267
Accounts and contracts payable	4,936,632	5,978,171
Due to other governmental units	947,116	1,447,158
Total liabilities	<u>6,697,332</u>	<u>8,136,596</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	57,404,330	26,037,051
Unavailable revenue – notes receivable	408,356	—
Unavailable revenue – delinquent taxes	350,645	670,897
Total deferred inflows of resources	<u>58,163,331</u>	<u>26,707,948</u>
Fund balances (deficits)		
Nonspendable for inventory	411,821	354,436
Restricted for operating capital	8,386,025	7,094,538
Restricted for gifted and talented	131,241	102,612
Assigned for fiscal year 2014 operating account budgeted deficit	—	1,865,912
Unassigned – health and safety restricted account deficit	(590,612)	(765,889)
Unassigned – safe schools restricted account deficit	(29,215)	(34,539)
Unassigned	43,465,778	38,613,941
Total fund balances	<u>51,775,038</u>	<u>47,231,011</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 116,635,701</u>	<u>\$ 82,075,555</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		2013	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 27,244,730	\$ 27,849,067	\$ 604,337	\$ 48,294,901
Investment earnings	86,000	98,923	12,923	59,778
Other	4,954,602	5,792,086	837,484	5,349,808
State sources	199,738,621	199,954,383	215,762	170,604,321
Federal sources	9,325,665	8,805,345	(520,320)	8,630,373
Total revenue	241,349,618	242,499,804	1,150,186	232,939,181
Expenditures				
Current				
Administration				
Salaries	7,344,047	7,306,500	(37,547)	7,122,127
Employee benefits	1,868,721	1,801,668	(67,053)	1,680,217
Purchased services	206,589	169,258	(37,331)	146,260
Supplies and materials	69,749	82,704	12,955	87,207
Capital expenditures	19,308	15,000	(4,308)	12,351
Other expenditures	328,803	199,971	(128,832)	254,083
Total administration	9,837,217	9,575,101	(262,116)	9,302,245
District support services				
Salaries	4,181,305	4,132,019	(49,286)	4,038,808
Employee benefits	1,200,793	1,167,235	(33,558)	1,107,705
Purchased services	857,470	(277,554)	(1,135,024)	(141,512)
Supplies and materials	332,753	256,474	(76,279)	191,515
Capital expenditures	122,995	80,386	(42,609)	111,786
Other expenditures	89,253	78,760	(10,493)	319,760
Total district support services	6,784,569	5,437,320	(1,347,249)	5,628,062
Elementary and secondary regular instruction				
Salaries	79,988,750	80,049,353	60,603	84,148,775
Employee benefits	30,893,983	29,913,849	(980,134)	29,001,779
Purchased services	4,366,202	3,682,524	(683,678)	4,574,571
Supplies and materials	3,809,842	3,670,151	(139,691)	2,704,270
Capital expenditures	1,279,548	1,091,384	(188,164)	1,429,500
Other expenditures	219,126	302,919	83,793	170,108
Total elementary and secondary regular instruction	120,557,451	118,710,180	(1,847,271)	122,029,003

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		2013	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,664,990	1,663,020	(1,970)	1,565,734
Employee benefits	617,112	597,056	(20,056)	535,263
Purchased services	495,230	760,513	265,283	(782,357)
Supplies and materials	76,068	88,982	12,914	80,560
Capital expenditures	22,100	23,610	1,510	35,862
Other expenditures	5,300	5,345	45	617
Total vocational education instruction	2,880,800	3,138,526	257,726	1,435,679
Special education instruction				
Salaries	30,575,166	30,755,746	180,580	30,729,214
Employee benefits	10,933,391	11,049,994	116,603	10,565,642
Purchased services	4,714,783	4,077,500	(637,283)	5,510,436
Supplies and materials	409,161	281,460	(127,701)	205,430
Capital expenditures	31,690	28,239	(3,451)	38,182
Other expenditures	223,356	209,958	(13,398)	73,491
Total special education instruction	46,887,547	46,402,897	(484,650)	47,122,395
Instructional support services				
Salaries	9,803,251	10,199,288	396,037	8,717,847
Employee benefits	2,292,983	2,280,940	(12,043)	1,543,086
Purchased services	1,220,579	963,055	(257,524)	757,646
Supplies and materials	1,406,220	1,191,215	(215,005)	675,411
Capital expenditures	290,054	273,621	(16,433)	198,792
Other expenditures	156,928	98,196	(58,732)	609,236
Total instructional support services	15,170,015	15,006,315	(163,700)	12,502,018
Pupil support services				
Salaries	5,162,617	4,928,698	(233,919)	4,918,103
Employee benefits	1,851,777	1,777,858	(73,919)	1,765,383
Purchased services	15,414,723	14,622,991	(791,732)	14,762,086
Supplies and materials	61,716	51,688	(10,028)	59,649
Capital expenditures	—	—	—	1,003
Other expenditures	145	465	320	1,683
Total pupil support services	22,490,978	21,381,700	(1,109,278)	21,507,907

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	5,944,385	5,859,860	(84,525)	6,048,193
Employee benefits	2,089,937	2,019,905	(70,032)	2,000,858
Purchased services	5,911,202	4,871,072	(1,040,130)	4,767,721
Supplies and materials	2,538,588	3,008,765	470,177	2,591,221
Capital expenditures	3,075,444	3,148,618	73,174	3,611,083
Other expenditures	—	5,836	5,836	22,622
Total sites and buildings	19,559,556	18,914,056	(645,500)	19,041,698
Fiscal and other fixed cost programs				
Purchased services	600,000	531,895	(68,105)	515,881
Debt service				
Principal	1,034,243	974,675	(59,568)	961,680
Interest and fiscal charges	7,112	7,112	—	20,108
Total debt service	1,041,355	981,787	(59,568)	981,788
Total expenditures	245,809,488	240,079,777	(5,729,711)	240,066,676
Excess (deficiency) of revenue over expenditures	(4,459,870)	2,420,027	6,879,897	(7,127,495)
Other financing sources				
Proceeds from sale of assets	2,124,000	2,124,000	—	2,750,828
Net change in fund balances	\$ (2,335,870)	4,544,027	\$ 6,879,897	(4,376,667)
Fund balances				
Beginning of year		47,231,011		51,607,678
End of year		\$ 51,775,038		\$ 47,231,011

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
Comparative Balance Sheet
as of June 30, 2014 and 2013

	2014	2013
Assets		
Cash and temporary investments	\$ 55,424,197	\$ 20,262,574
Receivables		
Current taxes	30,220,921	25,246,842
Delinquent taxes	392,788	632,017
Accounts and interest	181,030	159,674
Due from other governmental units	21,496,692	28,337,052
Inventory	397,467	333,685
Total assets	<u>\$ 108,113,095</u>	<u>\$ 74,971,844</u>
Liabilities		
Salaries payable	\$ 813,181	\$ 711,267
Accounts and contracts payable	4,632,552	5,271,925
Due to other governmental units	947,116	1,399,093
Total liabilities	<u>6,392,849</u>	<u>7,382,285</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	57,404,330	26,037,051
Unavailable revenue – delinquent taxes	350,645	670,897
Total deferred inflows of resources	<u>57,754,975</u>	<u>26,707,948</u>
Fund balances (deficits)		
Nonspendable for inventory	397,467	333,685
Restricted for gifted and talented	131,241	102,612
Assigned for fiscal year 2014 operating account budgeted deficit	–	1,865,912
Unassigned – safe schools restricted account deficit	(29,215)	(34,539)
Unassigned	43,465,778	38,613,941
Total fund balances	<u>43,965,271</u>	<u>40,881,611</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 108,113,095</u>	<u>\$ 74,971,844</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 27,244,730	\$ 27,849,067	\$ 604,337	\$ 48,294,901
Investment earnings	85,000	97,230	12,230	58,739
Other	4,045,602	4,805,336	759,734	4,325,183
State sources	191,469,816	191,674,840	205,024	162,587,636
Federal sources	9,325,665	8,805,345	(520,320)	8,630,373
Total revenue	232,170,813	233,231,818	1,061,005	223,896,832
Expenditures				
Current				
Administration				
Salaries	7,344,047	7,306,500	(37,547)	7,122,127
Employee benefits	1,868,721	1,801,668	(67,053)	1,680,217
Purchased services	206,589	169,258	(37,331)	146,260
Supplies and materials	69,749	82,704	12,955	87,207
Other expenditures	328,803	199,971	(128,832)	246,086
Total administration	9,817,909	9,560,101	(257,808)	9,281,897
District support services				
Salaries	4,108,184	4,058,898	(49,286)	4,038,808
Employee benefits	1,181,025	1,147,139	(33,886)	1,107,705
Purchased services	422,470	(686,115)	(1,108,585)	(141,512)
Supplies and materials	332,753	226,099	(106,654)	191,515
Capital expenditures	—	—	—	953
Other expenditures	57,253	78,760	21,507	252,382
Total district support services	6,101,685	4,824,781	(1,276,904)	5,449,851
Elementary and secondary regular instruction				
Salaries	79,988,750	80,049,353	60,603	84,148,775
Employee benefits	30,893,983	29,913,849	(980,134)	29,001,779
Purchased services	4,336,702	3,682,524	(654,178)	4,128,761
Supplies and materials	2,552,137	2,284,979	(267,158)	1,978,782
Capital expenditures	305,259	284,128	(21,131)	217,608
Other expenditures	219,126	302,919	83,793	170,108
Total elementary and secondary regular instruction	118,295,957	116,517,752	(1,778,205)	119,645,813

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,664,990	1,663,020	(1,970)	1,565,734
Employee benefits	617,112	597,056	(20,056)	535,263
Purchased services	495,230	760,513	265,283	4,046
Supplies and materials	61,068	71,675	10,607	59,162
Capital expenditures	12,100	12,417	317	7,370
Other expenditures	5,300	5,345	45	617
Total vocational education instruction	2,855,800	3,110,026	254,226	2,172,192
Special education instruction				
Salaries	30,575,166	30,755,746	180,580	30,729,214
Employee benefits	10,933,391	11,049,994	116,603	10,565,642
Purchased services	4,714,783	4,077,500	(637,283)	5,143,404
Supplies and materials	409,161	281,460	(127,701)	205,430
Capital expenditures	27,980	23,416	(4,564)	29,422
Other expenditures	223,356	209,958	(13,398)	73,491
Total special education instruction	46,883,837	46,398,074	(485,763)	46,746,603
Instructional support services				
Salaries	9,489,038	9,880,985	391,947	8,405,161
Employee benefits	2,143,854	2,164,952	21,098	1,427,329
Purchased services	1,219,579	962,964	(256,615)	757,646
Supplies and materials	757,608	607,557	(150,051)	538,789
Capital expenditures	151,280	153,036	1,756	99,520
Other expenditures	156,928	98,196	(58,732)	114,494
Total instructional support services	13,918,287	13,867,690	(50,597)	11,342,939
Pupil support services				
Salaries	5,162,617	4,928,698	(233,919)	4,918,103
Employee benefits	1,851,777	1,777,858	(73,919)	1,765,383
Purchased services	15,414,723	14,622,991	(791,732)	14,762,086
Supplies and materials	61,716	51,688	(10,028)	59,649
Other expenditures	145	465	320	1,683
Total pupil support services	22,490,978	21,381,700	(1,109,278)	21,506,904

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	5,725,875	5,642,323	(83,552)	5,873,670
Employee benefits	2,038,879	1,966,088	(72,791)	1,955,231
Purchased services	3,476,462	3,399,418	(77,044)	3,340,281
Supplies and materials	2,477,588	2,948,310	470,722	2,526,895
Capital expenditures	—	—	—	328
Total sites and buildings	13,718,804	13,956,139	237,335	13,696,405
Fiscal and other fixed cost programs				
Purchased services	600,000	531,895	(68,105)	515,881
Total expenditures	234,683,257	230,148,158	(4,535,099)	230,358,485
Net change in fund balances	<u>\$ (2,512,444)</u>	3,083,660	<u>\$ 5,596,104</u>	(6,461,653)
Fund balances				
Beginning of year		40,881,611		47,343,264
End of year		<u>\$ 43,965,271</u>		<u>\$ 40,881,611</u>

OSSEO AREA SCHOOLS

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Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account
Comparative Balance Sheet
as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 8,032,931	\$ 7,053,248
Receivables		
Accounts and interest	28,381	7,083
Notes receivable	408,356	–
Due from other governmental units	38,584	22,629
Inventory	<u>14,354</u>	<u>20,751</u>
Total assets	<u>\$ 8,522,606</u>	<u>\$ 7,103,711</u>
Liabilities		
Salaries payable	\$ 403	\$ –
Accounts and contracts payable	304,080	706,246
Due to other governmental units	<u>–</u>	<u>48,065</u>
Total liabilities	304,483	754,311
Deferred inflows of resources		
Unavailable revenue – notes receivable	408,356	–
Fund balances (deficits)		
Nonspendable for inventory	14,354	20,751
Restricted for operating capital	8,386,025	7,094,538
Unassigned – health and safety restricted account deficit	<u>(590,612)</u>	<u>(765,889)</u>
Total fund balances	<u>7,809,767</u>	<u>6,349,400</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,522,606</u>	<u>\$ 7,103,711</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		2013	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,000	\$ 1,693	\$ 693	\$ 1,039
Other	909,000	986,750	77,750	1,024,625
State sources	8,268,805	8,279,543	10,738	8,016,685
Total revenue	9,178,805	9,267,986	89,181	9,042,349
Expenditures				
Current				
Administration				
Capital expenditures	19,308	15,000	(4,308)	12,351
Other expenditures	–	–	–	7,997
Total administration	19,308	15,000	(4,308)	20,348
District support services				
Salaries	73,121	73,121	–	–
Employee benefits	19,768	20,096	328	–
Purchased services	435,000	408,561	(26,439)	–
Supplies and materials	–	30,375	30,375	–
Capital expenditures	122,995	80,386	(42,609)	110,833
Other expenditures	32,000	–	(32,000)	67,378
Total district support services	682,884	612,539	(70,345)	178,211
Elementary and secondary regular instruction				
Purchased services	29,500	–	(29,500)	26,439
Supplies and materials	1,257,705	1,385,172	127,467	725,488
Capital expenditures	974,289	807,256	(167,033)	1,211,892
Total elementary and secondary regular instruction	2,261,494	2,192,428	(69,066)	1,963,819
Vocational education instruction				
Supplies and materials	15,000	17,307	2,307	21,398
Capital expenditures	10,000	11,193	1,193	28,492
Total vocational education services	25,000	28,500	3,500	49,890
Special education instruction				
Capital expenditures	3,710	4,823	1,113	8,760

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under)	Actual
			Budget	
Expenditures (continued)				
Current (continued)				
Instructional support services				
Salaries	314,213	318,303	4,090	312,686
Employee benefits	149,129	115,988	(33,141)	115,757
Purchased services	1,000	91	(909)	–
Supplies and materials	648,612	583,658	(64,954)	136,622
Capital expenditures	138,774	120,585	(18,189)	99,272
Other expenditures	–	–	–	494,742
Total instructional support services	1,251,728	1,138,625	(113,103)	1,159,079
Pupil support services				
Capital expenditures	–	–	–	1,003
Sites and buildings				
Salaries	218,510	217,537	(973)	174,523
Employee benefits	51,058	53,817	2,759	45,627
Purchased services	2,434,740	1,471,654	(963,086)	1,427,440
Supplies and materials	61,000	60,455	(545)	64,326
Capital expenditures	3,075,444	3,148,618	73,174	3,610,755
Other expenditures	–	5,836	5,836	22,622
Total sites and buildings	5,840,752	4,957,917	(882,835)	5,345,293
Debt service				
Principal	1,034,243	974,675	(59,568)	961,680
Interest and fiscal charges	7,112	7,112	–	20,108
Total debt service	1,041,355	981,787	(59,568)	981,788
Total expenditures	11,126,231	9,931,619	(1,194,612)	9,708,191
Excess (deficiency) of revenue over expenditures	(1,947,426)	(663,633)	1,283,793	(665,842)
Other financing sources				
Proceeds from sale of assets	2,124,000	2,124,000	–	2,750,828
Net change in fund balances	\$ 176,574	1,460,367	\$ 1,283,793	2,084,986
Fund balances				
Beginning of year		6,349,400		4,264,414
End of year		\$ 7,809,767		\$ 6,349,400

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 4,097,661	\$ 8,208,725
Receivables		
Accounts and interest	<u>3,416</u>	<u>369</u>
Total assets	<u>\$ 4,101,077</u>	<u>\$ 8,209,094</u>
Liabilities		
Salaries payable	\$ 4,950	\$ 5,140
Accounts and contracts payable	<u>447,163</u>	<u>628,429</u>
Total liabilities	<u>452,113</u>	<u>633,569</u>
Fund balances		
Restricted for alternative facilities program	<u>3,648,964</u>	<u>7,575,525</u>
Total liabilities and fund balances	<u>\$ 4,101,077</u>	<u>\$ 8,209,094</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund
Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue		
Local sources		
Property taxes	\$ 2,631,084	\$ 2,572,515
Investment earnings	4,393	3,130
Total revenue	<u>2,635,477</u>	<u>2,575,645</u>
Expenditures		
Capital outlay		
Salaries	195,812	190,370
Employee benefits	61,694	56,548
Capital expenditures	<u>6,304,532</u>	<u>6,590,757</u>
Total capital outlay	<u>6,562,038</u>	<u>6,837,675</u>
Debt service		
Interest and fiscal charges	<u>–</u>	<u>41,012</u>
Total expenditures	<u>6,562,038</u>	<u>6,878,687</u>
Excess (deficiency) of revenue over expenditures	(3,926,561)	(4,303,042)
Other financing sources		
Debt issued	<u>–</u>	<u>6,625,000</u>
Net change in fund balances	(3,926,561)	2,321,958
Fund balances		
Beginning of year	<u>7,575,525</u>	<u>5,253,567</u>
End of year	<u><u>\$ 3,648,964</u></u>	<u><u>\$ 7,575,525</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
Balance Sheet by Account
as of June 30, 2014
(With Comparative Totals as of June 30, 2013)

	General Obligation Bonds	Other Post-Employment Benefits Bonds	Totals	
			2014	2013
Assets				
Cash and temporary investments	\$ 11,712,582	\$ 1,355,936	\$ 13,068,518	\$ 14,341,061
Receivables				
Current taxes	7,791,808	1,133,481	8,925,289	10,227,907
Delinquent taxes	152,589	7,651	160,240	268,731
Due from other governmental units	86	4	90	477
Total assets	<u>\$ 19,657,065</u>	<u>\$ 2,497,072</u>	<u>\$ 22,154,137</u>	<u>\$ 24,838,176</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 15,885,847	\$ 2,311,174	\$ 18,197,021	\$ 20,705,227
Unavailable revenue – delinquent taxes	136,325	6,844	143,169	285,379
Total deferred inflows of resources	<u>16,022,172</u>	<u>2,318,018</u>	<u>18,340,190</u>	<u>20,990,606</u>
Fund balances				
Restricted for general debt service	3,634,893	–	3,634,893	3,686,149
Restricted for OPEB bonds debt service	–	179,054	179,054	161,421
Total fund balances	<u>3,634,893</u>	<u>179,054</u>	<u>3,813,947</u>	<u>3,847,570</u>
Total deferred inflows of resources and fund balances	<u>\$ 19,657,065</u>	<u>\$ 2,497,072</u>	<u>\$ 22,154,137</u>	<u>\$ 24,838,176</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	General Obligation Bonds	Other Post-Employment Benefits Bonds	Total	
			2014	2013
Revenue				
Local sources				
Property taxes	\$ 19,628,577	\$ 976,918	\$ 20,605,495	\$ 20,471,488
Investment earnings	10,312	1,120	11,432	9,433
State sources	864	45	909	3,526
Total revenue	19,639,753	978,083	20,617,836	20,484,447
Expenditures				
Debt service				
Principal	14,315,000	—	14,315,000	13,665,000
Interest and fiscal agent fees	5,376,009	960,450	6,336,459	6,820,164
Total expenditures	19,691,009	960,450	20,651,459	20,485,164
Excess (deficiency) of revenue over expenditures	(51,256)	17,633	(33,623)	(717)
Other financing sources				
Premium on debt issued	—	—	—	7,155
Proceeds from sale of assets	—	—	—	88,026
Total other financing sources	—	—	—	95,181
Net change in fund balances	(51,256)	17,633	(33,623)	94,464
Fund balances				
Beginning of year	3,686,149	161,421	3,847,570	3,753,106
End of year	\$ 3,634,893	\$ 179,054	\$ 3,813,947	\$ 3,847,570

INDEPENDENT SCHOOL DISTRICT NO. 279

General Obligation Bonds Debt Service Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2014
 (With Comparative Totals for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 19,719,859	\$ 19,628,577	\$ (91,282)	\$ 19,491,882
Investment earnings	12,000	10,312	(1,688)	8,560
State sources	864	864	—	3,360
Total revenue	19,732,723	19,639,753	(92,970)	19,503,802
Expenditures				
Debt service				
Principal retirement	14,315,000	14,315,000	—	13,665,000
Interest and fiscal agent fees	5,437,865	5,376,009	(61,856)	5,859,714
Total expenditures	19,752,865	19,691,009	(61,856)	19,524,714
Excess (deficiency) of revenue over expenditures	(20,142)	(51,256)	(31,114)	(20,912)
Other financing sources				
Premium on debt issuance	—	—	—	7,155
Proceeds from sale of assets	—	—	—	88,026
Total other financing sources	—	—	—	95,181
Net change in fund balances	\$ (20,142)	(51,256)	\$ (31,114)	74,269
Fund balances				
Beginning of year		3,686,149		3,611,880
End of year		\$ 3,634,893		\$ 3,686,149

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Bonds Debt Service Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2014
 (With Comparative Totals for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 983,612	\$ 976,918	\$ (6,694)	\$ 979,606
Investment earnings	500	1,120	620	873
State sources	45	45	—	166
Total revenue	<u>984,157</u>	<u>978,083</u>	<u>(6,074)</u>	<u>980,645</u>
Expenditures				
Debt service				
Interest and fiscal agent fees	<u>961,000</u>	<u>960,450</u>	<u>(550)</u>	<u>960,450</u>
Net change in fund balances	<u>\$ 23,157</u>	<u>17,633</u>	<u>\$ (5,524)</u>	<u>20,195</u>
Fund balances				
Beginning of year		<u>161,421</u>		<u>141,226</u>
End of year		<u>\$ 179,054</u>		<u>\$ 161,421</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2014
(With Comparative Totals as of June 30, 2013)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Assets			
Cash and temporary investments	\$ 684,609	\$ 16,559,948	\$ —
Cash and investments held by trustee	—	—	19,597,501
Interest receivable	—	—	118,410
Total assets	<u>684,609</u>	<u>16,559,948</u>	<u>19,715,911</u>
Liabilities			
Current liabilities			
Accounts and contracts payable	123,663	—	—
Post-employment severance benefits payable	—	1,841,907	—
Long-term liabilities			
Net other post-employment benefits obligation	—	—	7,525,492
Post-employment severance benefits payable	—	10,668,150	—
Total liabilities	<u>123,663</u>	<u>12,510,057</u>	<u>7,525,492</u>
Net position			
Restricted for employee benefits	—	—	12,190,419
Unrestricted	<u>560,946</u>	<u>4,049,891</u>	<u>—</u>
Total net position	<u>\$ 560,946</u>	<u>\$ 4,049,891</u>	<u>\$ 12,190,419</u>

Totals			
2014		2013	
\$	17,244,557	\$	19,462,184
	19,597,501		18,522,571
	118,410		113,945
	<u>36,960,468</u>		<u>38,098,700</u>
	123,663		1,355,336
	1,841,907		1,992,522
	7,525,492		6,825,442
	<u>10,668,150</u>		<u>13,513,106</u>
	<u>20,159,212</u>		<u>23,686,406</u>
	12,190,419		11,811,074
	<u>4,610,837</u>		<u>2,601,220</u>
\$	<u><u>16,801,256</u></u>	\$	<u><u>14,412,294</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Operating revenue			
Contributions from governmental funds	\$ 1,462,652	\$ 1,366,947	\$ 750,000
Operating expenses			
Dental benefit claims	1,359,815	—	—
Post-employment severance benefits	—	(515,722)	—
Other post-employment benefits	—	—	700,050
Total operating expenses	<u>1,359,815</u>	<u>(515,722)</u>	<u>700,050</u>
Operating income	102,837	1,882,669	49,950
Nonoperating revenue			
Investment earnings	<u>106</u>	<u>24,005</u>	<u>329,395</u>
Change in net position	102,943	1,906,674	379,345
Net position			
Beginning of year	<u>458,003</u>	<u>2,143,217</u>	<u>11,811,074</u>
End of year	<u>\$ 560,946</u>	<u>\$ 4,049,891</u>	<u>\$ 12,190,419</u>

Totals	
2014	2013
\$ 3,579,599	\$ 6,138,946
1,359,815	1,299,119
(515,722)	2,613,436
700,050	740,694
<u>1,544,143</u>	<u>4,653,249</u>
2,035,456	1,485,697
<u>353,506</u>	<u>104,690</u>
2,388,962	1,590,387
<u>14,412,294</u>	<u>12,821,907</u>
<u><u>\$ 16,801,256</u></u>	<u><u>\$ 14,412,294</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Cash flows from operating activities			
Contributions from governmental funds	\$ 1,462,652	\$ 1,366,947	\$ 750,000
Payments for dental claims	(1,350,488)	—	—
Post-employment severance benefit payments	—	(3,720,849)	—
Net cash provided (used) by operating activities	112,164	(2,353,902)	750,000
Cash flows from noncapital financing activities			
Payment of interfund borrowing	—	—	—
Cash flows from investing activities			
Investment income received	106	24,005	324,930
Net change in cash and cash equivalents	112,270	(2,329,897)	1,074,930
Cash and cash equivalents			
Beginning of year	572,339	18,889,845	18,522,571
End of year	\$ 684,609	\$ 16,559,948	\$ 19,597,501
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 102,837	\$ 1,882,669	\$ 49,950
Adjustments to reconcile operating income to net cash provided by operating activities			
Changes in assets and liabilities			
Accounts and contracts payable	9,327	(1,241,000)	—
Post-employment severance benefits payable	—	(2,995,571)	—
Net other post-employment benefit obligation	—	—	700,050
Net cash provided (used) by operating activities	\$ 112,164	\$ (2,353,902)	\$ 750,000
Cash and cash equivalents are reported on the Statement of Net Position as follows:			
Cash and temporary investments	\$ 684,609	\$ 16,559,948	\$ —
Cash and investments held by trustee	—	—	19,597,501
Total cash and cash equivalents	\$ 684,609	\$ 16,559,948	\$ 19,597,501

Totals	
2014	2013
\$ 3,579,599	\$ 6,138,946
(1,350,488)	(1,307,473)
(3,720,849)	(2,117,824)
(1,491,738)	2,713,649
—	6,138,674
349,041	185,427
(1,142,697)	9,037,750
37,984,755	28,947,005
\$ 36,842,058	\$ 37,984,755
\$ 2,035,456	\$ 1,485,697
(1,231,673)	1,232,646
(2,995,571)	(745,388)
700,050	740,694
\$ (1,491,738)	\$ 2,713,649
\$ 17,244,557	\$ 19,462,184
19,597,501	18,522,571
\$ 36,842,058	\$ 37,984,755

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
Employee Benefit Trust Funds
Combining Statement of Fiduciary Net Position
as of June 30, 2014

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
Assets			
Investments held by trustee, at fair value	\$ 190,509	\$ 1,836,554	\$ 2,027,063
Accounts and interest receivable	—	3,237	3,237
Total assets	190,509	1,839,791	2,030,300
Liabilities			
Accounts and contracts payable	147,354	—	147,354
Due to other governmental units	—	808,233	808,233
Total liabilities	147,354	808,233	955,587
Net position			
Held in trust for employee benefits	\$ 43,155	\$ 1,031,558	\$ 1,074,713

Fiduciary Funds
Employee Benefit Trust Funds
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2014

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
Additions			
Plan members contributions	\$ 1,403,536	\$ —	\$ 1,403,536
Investment earnings	—	6,150	6,150
Total additions	1,403,536	6,150	1,409,686
Deductions			
Benefits paid to plan members	1,386,240	808,233	2,194,473
Change in net position	17,296	(802,083)	(784,787)
Net position			
Beginning of year	25,859	1,833,641	1,859,500
End of year	\$ 43,155	\$ 1,031,558	\$ 1,074,713

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
Agency Funds
Schedule of Changes in Assets and Liabilities
Year Ended June 30, 2014

	Balance – July 1, 2013	Additions	Deletions	Balance – June 30, 2014
Local collaborative time study				
Assets				
Cash and temporary investments	\$ 1,736,908	\$ 2,453	\$ –	\$ 1,739,361
Liabilities				
Due to other governmental units	\$ 1,736,908	\$ 2,453	\$ –	\$ 1,739,361
Northwest Family Service Center				
Assets				
Cash and temporary investments	\$ 126,665	\$ 247,122	\$ 247,127	\$ 126,660
Liabilities				
Due to other governmental units	\$ 126,665	\$ 247,122	\$ 247,127	\$ 126,660
Total agency funds				
Assets				
Cash and temporary investments	\$ 1,863,573	\$ 249,575	\$ 247,127	\$ 1,866,021
Liabilities				
Due to other governmental units	\$ 1,863,573	\$ 249,575	\$ 247,127	\$ 1,866,021

OSSEO AREA SCHOOLS

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Our Mission

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with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

SECTION III

STATISTICAL

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 279 – Osseo Area Schools’ (the District) comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 105,535,469	\$ 124,787,611	\$ 124,409,664	\$ 131,450,075
Restricted	7,175,670	12,617,075	14,759,910	17,721,351
Unrestricted	31,645,703	27,262,251	28,172,864	20,057,766
Total governmental activities net position	<u>\$ 144,356,842</u>	<u>\$ 164,666,937</u>	<u>\$ 167,342,438</u>	<u>\$ 169,229,192</u>

2009	2010	2011	2012	2013	2014
\$ 144,073,305	\$ 150,448,560	\$ 163,464,982	\$ 168,810,854	\$ 178,183,551	\$ 188,480,399
13,292,206	15,771,277	12,675,484	9,848,155	11,675,297	13,284,014
31,514,504	37,845,296	41,346,994	44,898,462	39,882,941	45,000,285
<u>\$ 188,880,015</u>	<u>\$ 204,065,133</u>	<u>\$ 217,487,460</u>	<u>\$ 223,557,471</u>	<u>\$ 229,741,789</u>	<u>\$ 246,764,698</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities				
Administration	\$ 8,860,354	\$ 9,742,766	\$ 9,993,084	\$ 10,063,773
District support services	6,913,381	7,839,330	7,758,332	8,083,375
Elementary and secondary regular instruction	103,110,282	101,323,546	113,139,917	118,598,218
Vocational education instruction	3,913,382	4,263,387	3,941,086	3,728,269
Special education instruction	37,556,692	40,645,883	44,143,783	45,785,607
Instructional support services	11,900,502	13,154,946	14,088,857	14,963,628
Pupil support services	13,684,700	16,638,284	22,116,462	22,161,931
Sites and buildings	14,730,947	15,429,568	16,424,757	15,964,989
Fiscal and other fixed cost programs	662,348	648,147	675,592	473,187
Food service	8,429,539	8,580,455	8,768,750	9,196,217
Community service	11,102,886	11,212,714	12,921,276	12,936,464
Depreciation expense (net of allocations to programs)	4,951,841	5,621,407	6,608,269	7,583,134
Interest and fiscal charges on debt	9,620,461	11,488,036	12,238,463	11,673,207
Total governmental activities expenses	235,437,315	246,588,469	272,818,628	281,211,999
Program revenues				
Governmental activities				
Charges for services				
Food service	4,863,520	5,023,991	4,967,714	5,129,756
Community service	6,138,828	6,389,336	7,638,000	8,138,424
All other	5,495,156	5,369,229	4,784,065	4,141,480
Operating grants and contributions	46,264,580	60,924,189	54,064,749	61,524,104
Capital grants and contributions	7,471,965	7,433,946	7,289,819	9,847,821
Total governmental activities program revenues	70,234,049	85,140,691	78,744,347	88,781,585
Net (expense) revenue	(165,203,266)	(161,447,778)	(194,074,281)	(192,430,414)
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	25,751,901	15,771,786	31,857,093	36,266,718
Property taxes, levied for community service	1,428,028	732,972	1,496,514	1,559,500
Property taxes, levied for debt service	17,612,082	19,189,590	17,725,156	17,672,387
Property taxes, levied for capital projects	1,000,000	2,417,258	2,417,258	3,496,264
General grants and aids	118,250,007	123,672,171	130,531,939	129,243,681
Gain on sale of capital assets	—	14,694,266	—	—
Other general revenues	89,671	113,958	114,092	63,633
Investment earnings	1,717,644	5,165,872	6,570,363	6,014,985
Total governmental activities	165,849,333	181,757,873	190,712,415	194,317,168
Change in net position	\$ 646,067	\$ 20,310,095	\$ (3,361,866)	\$ 1,886,754

2009	2010	2011	2012	2013	2014
\$ 9,010,266	\$ 9,990,833	\$ 9,889,383	\$ 10,010,161	\$ 9,302,245	\$ 9,575,101
7,466,464	7,470,338	7,939,090	7,846,332	7,707,269	7,526,010
110,299,265	112,598,739	117,486,457	119,863,495	120,150,495	116,638,392
3,009,509	3,414,483	2,979,308	3,483,484	2,224,938	3,141,382
41,770,841	44,629,039	45,409,052	44,724,609	46,747,032	46,401,292
13,992,893	12,435,878	15,395,191	12,333,695	12,485,545	15,078,139
19,904,914	21,266,892	20,512,419	20,217,797	21,507,907	21,381,700
15,930,494	15,167,362	13,423,282	15,331,085	16,097,883	16,537,008
406,778	323,660	338,224	338,499	515,881	531,895
9,640,003	9,834,805	10,230,489	10,795,396	10,891,333	11,330,855
13,444,016	13,819,853	13,880,502	14,095,978	14,903,788	15,230,093
6,942,870	7,173,730	7,320,312	7,694,060	7,908,028	7,141,723
11,603,663	12,218,481	8,151,200	7,214,344	5,197,263	5,198,234
263,421,976	270,344,093	272,954,909	273,948,935	275,639,607	275,711,824
5,088,224	5,171,603	4,924,319	4,829,635	4,694,700	4,681,620
8,106,834	8,126,265	8,417,053	8,722,701	8,504,086	9,559,310
5,267,724	5,142,327	4,963,175	4,196,696	2,382,531	2,084,530
57,098,030	75,496,551	66,466,389	62,160,093	61,361,045	66,776,775
8,781,111	7,663,263	7,589,202	7,521,842	8,016,685	8,295,544
84,341,923	101,600,009	92,360,138	87,430,967	84,959,047	91,397,779
(179,080,053)	(168,744,084)	(180,594,771)	(186,517,968)	(190,680,560)	(184,314,045)
43,768,195	44,627,270	63,920,940	44,688,424	48,214,311	48,483,768
1,272,495	2,500,000	2,648,450	1,835,225	1,888,383	1,922,267
18,727,775	19,240,286	19,827,193	19,362,076	20,440,190	20,463,285
2,252,863	1,690,268	2,369,678	2,700,760	2,572,515	2,631,084
128,054,844	110,986,372	103,822,810	123,399,761	122,691,081	125,732,058
–	1,242,367	–	–	491,389	895,594
46,918	20,433	52,094	7,514	383,238	733,095
4,607,786	3,622,206	1,375,933	594,219	183,771	475,803
198,730,876	183,929,202	194,017,098	192,587,979	196,864,878	201,336,954
\$ 19,650,823	\$ 15,185,118	\$ 13,422,327	\$ 6,070,011	\$ 6,184,318	\$ 17,022,909

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved				
Operating Account	\$ 234,305	\$ 256,619	\$ 327,996	\$ 506,027
Capital Expenditure Account	3,132,721	11,040,797	12,047,096	12,214,774
Unreserved – Capital Expenditure Account	(774,543)	(2,042,771)	(1,689,393)	(395,386)
Unreserved – Operating Account	37,460,651	34,934,417	25,769,032	20,088,634
Nonspendable				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Restricted				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Assigned	–	–	–	–
Unassigned				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Total General Fund	<u>\$ 40,053,134</u>	<u>\$ 44,189,062</u>	<u>\$ 36,454,731</u>	<u>\$ 32,414,049</u>
All other governmental funds				
Reserved	\$ 3,372,535	\$ 76,097,156	\$ 74,967,997	\$ 75,194,504
Unreserved, reported in				
Special revenue funds	1,552,891	1,690,982	1,521,478	2,032,961
Capital Projects – Building Construction Fund	–	(3,530,679)	59,710	–
Debt Service Fund – General Obligation Bonds	4,779,774	4,779,568	5,013,972	4,757,150
Nonspendable				
Special revenue funds	–	–	–	–
Capital Projects – Building Construction Fund	–	–	–	–
Restricted				
Special revenue funds	–	–	–	–
Capital Projects – Building Construction Fund	–	–	–	–
Debt Service Fund – General Obligation Bonds	–	–	–	–
Unassigned, reported in				
Special revenue funds	–	–	–	–
Total all other governmental funds	<u>\$ 9,705,200</u>	<u>\$ 79,037,027</u>	<u>\$ 81,563,157</u>	<u>\$ 81,984,615</u>
Unreserved/unassigned – Operating Account as a percentage of total expenditures	<u>20.2%</u>	<u>17.4%</u>	<u>11.6%</u>	<u>8.8%</u>

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

2009	2010	2011	2012	2013	2014
\$ 660,346	\$ 533,030	\$ —	\$ —	\$ —	\$ —
7,336,875	10,161,288	—	—	—	—
(55,785)	(162,696)	—	—	—	—
31,789,373	40,290,600	—	—	—	—
—	—	2,065,648	465,537	333,685	397,467
—	—	153,481	35,742	20,751	14,354
—	—	237,001	53,938	102,612	131,241
—	—	7,330,000	4,911,656	7,094,538	8,386,025
—	—	7,994,876	8,861,190	1,865,912	—
—	—	38,222,696	37,962,599	38,579,402	43,436,563
—	—	(564,624)	(682,984)	(765,889)	(590,612)
<u>\$ 39,730,809</u>	<u>\$ 50,822,222</u>	<u>\$ 55,439,078</u>	<u>\$ 51,607,678</u>	<u>\$ 47,231,011</u>	<u>\$ 51,775,038</u>
\$ 83,953,551	\$ 119,002,177	\$ —	\$ —	\$ —	\$ —
2,312,497	2,871,254	—	—	—	—
—	—	—	—	—	—
5,092,734	4,426,151	—	—	—	—
—	—	465,278	408,864	437,871	16,823
—	—	25,359	—	—	—
—	—	5,237,015	5,201,069	4,785,089	4,919,497
—	—	9,821,424	5,253,567	7,575,525	3,648,964
—	—	43,716,229	3,753,106	3,847,570	3,813,947
—	—	(64,332)	(70,745)	(2,795)	—
<u>\$ 91,358,782</u>	<u>\$ 126,299,582</u>	<u>\$ 59,200,973</u>	<u>\$ 14,545,861</u>	<u>\$ 16,643,260</u>	<u>\$ 12,399,231</u>
<u>14.0%</u>	<u>18.4%</u>	<u>17.3%</u>	<u>16.9%</u>	<u>16.7%</u>	<u>18.9%</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	2005	2006	2007	Fiscal Year 2008
Revenues				
Local sources				
Taxes	\$ 45,858,747	\$ 37,894,566	\$ 53,116,313	\$ 58,726,894
Investment earnings	1,364,224	4,539,494	5,929,166	5,494,552
Other	19,388,736	19,609,949	21,080,964	20,310,897
State sources	157,049,050	176,717,537	176,452,641	186,341,580
Federal sources	12,135,941	12,599,334	11,857,856	11,426,422
Total revenues	<u>235,796,698</u>	<u>251,360,880</u>	<u>268,436,940</u>	<u>282,300,345</u>
Expenditures				
Current				
Administration	8,832,993	9,677,102	9,927,437	10,052,596
District support services	3,837,553	4,730,043	4,918,609	5,208,267
Elementary and secondary regular instruction	95,380,665	99,534,825	109,765,803	113,381,446
Vocational education instruction	3,909,994	4,256,486	3,969,198	3,718,292
Special education instruction	37,406,229	40,322,851	44,059,232	45,643,778
Instructional support services	10,045,533	10,893,040	11,842,154	13,357,181
Pupil support services	13,664,119	16,611,977	22,087,652	22,148,423
Sites and buildings	11,675,814	13,536,960	14,362,239	14,107,319
Fiscal and other fixed cost programs	662,348	648,147	675,592	473,187
Food service	8,201,583	8,388,194	8,830,855	8,981,026
Community service	11,000,245	11,109,433	12,855,079	12,874,087
Capital outlay	35,011,757	22,712,217	13,578,636	12,022,631
Debt service				
Principal	11,376,164	12,538,980	11,334,931	11,550,524
Interest and fiscal charges	10,267,179	10,019,452	13,534,029	12,410,812
Total expenditures	<u>261,272,176</u>	<u>264,979,707</u>	<u>281,741,446</u>	<u>285,929,569</u>
Excess of revenues over (under) expenditures	(25,475,478)	(13,618,827)	(13,304,506)	(3,629,224)
Other financing sources (uses)				
Refunding bonds issued	—	67,055,000	—	—
Debt issued	—	—	5,235,000	—
Premium on debt issued	—	5,077,782	61,305	—
Proceeds from sale of assets	—	14,953,800	—	10,000
Transfers in	—	—	—	234,382
Transfers out	—	—	—	(234,382)
Debt retirement from escrow	—	—	—	—
Capital leases issued	2,970,320	—	2,800,000	—
Refunding capital leases issued	—	—	—	—
Total other financing sources (uses)	<u>2,970,320</u>	<u>87,086,582</u>	<u>8,096,305</u>	<u>10,000</u>
Net change in fund balances	<u>\$ (22,505,158)</u>	<u>\$ 73,467,755</u>	<u>\$ (5,208,201)</u>	<u>\$ (3,619,224)</u>
Debt service as a percentage of noncapital expenditures	<u>9.6%</u>	<u>9.3%</u>	<u>9.3%</u>	<u>8.7%</u>

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

2009	2010	2011	2012	2013	2014
\$ 65,613,628	\$ 68,129,655	\$ 88,854,246	\$ 68,998,755	\$ 73,229,773	\$ 52,139,640
4,180,823	3,081,100	951,880	242,195	79,081	122,297
21,500,746	21,011,030	21,475,142	21,287,557	19,433,552	20,774,516
178,308,918	159,688,952	153,387,645	172,738,587	173,713,412	203,939,595
12,634,021	31,906,832	21,357,251	16,812,098	14,886,402	15,145,733
282,238,136	283,817,569	286,026,164	280,079,192	281,342,220	292,121,781
9,008,356	9,988,924	9,887,474	10,010,161	9,302,245	9,575,101
6,597,460	5,386,523	5,925,326	5,738,350	5,628,062	5,437,320
118,327,117	110,571,064	115,476,010	121,086,618	121,609,632	118,710,180
3,009,143	3,414,117	2,983,259	3,518,848	2,222,082	3,138,526
45,242,029	44,620,521	45,407,700	44,716,402	46,755,363	46,402,897
14,720,337	12,401,998	15,591,201	12,364,771	12,502,018	15,006,315
20,377,010	21,265,279	20,510,806	20,217,797	21,507,907	21,381,700
23,592,865	19,336,434	19,803,684	17,436,926	19,041,698	18,914,056
406,778	323,660	338,224	338,499	515,881	531,895
9,475,675	9,551,844	9,987,972	10,517,361	10,634,472	11,127,023
13,348,656	13,714,124	13,762,170	13,963,156	14,742,075	15,201,013
2,048,070	7,109,133	6,811,326	7,644,310	7,123,098	6,886,511
12,557,332	13,161,297	12,730,000	14,221,944	14,626,680	15,289,675
11,862,190	12,771,091	11,320,100	9,277,293	6,881,284	6,343,571
290,573,018	283,616,009	290,535,252	291,052,436	293,092,497	293,945,783
(8,334,882)	201,560	(4,509,088)	(10,973,244)	(11,750,277)	(1,824,002)
—	52,375,000	5,775,000	—	—	—
24,945,000	—	8,685,000	—	6,625,000	—
80,809	5,384,227	370,331	—	7,155	—
—	5,236,426	15,004	—	2,838,854	2,124,000
208,660	—	—	—	—	—
(208,660)	—	—	—	—	—
—	(17,165,000)	(75,415,000)	(37,895,000)	—	—
—	—	2,597,000	381,732	—	—
—	—	—	—	—	—
25,025,809	45,830,653	(57,972,665)	(37,513,268)	9,471,009	2,124,000
\$ 16,690,927	\$ 46,032,213	\$ (62,481,753)	\$ (48,486,512)	\$ (2,279,268)	\$ 299,998
8.5%	9.4%	8.7%	8.3%	7.5%	7.5%

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Expenditures by Program
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2005	\$ 8,832,993 4.8%	\$ 3,837,553 2.1%	\$ 95,380,665 51.4%	\$ 3,909,994 2.1%	\$ 37,406,229 20.2%
2006	9,677,102 4.8%	4,730,043 2.4%	99,534,825 49.7%	4,256,486 2.1%	40,322,851 20.1%
2007	9,927,437 4.5%	4,918,609 2.2%	109,765,803 49.5%	3,969,198 1.8%	44,059,232 19.9%
2008	10,052,596 4.4%	5,208,267 2.3%	113,381,446 49.7%	3,718,292 1.6%	45,643,778 20.0%
2009	8,999,895 4.0%	6,058,214 2.7%	115,806,205 50.9%	2,985,960 1.3%	45,205,282 19.8%
2010	9,979,526 4.6%	5,245,557 2.4%	108,739,133 49.8%	3,405,199 1.6%	44,613,682 20.4%
2011	9,874,328 4.5%	5,063,114 2.3%	112,961,341 51.0%	2,973,611 1.3%	45,401,988 20.5%
2012	10,003,428 4.4%	5,214,235 2.3%	117,955,040 52.4%	3,484,305 1.5%	44,680,840 19.9%
2013	9,281,897 4.0%	5,449,851 2.4%	119,645,813 52.0%	2,172,192 0.9%	46,746,603 20.3%
2014	9,560,101 4.1%	4,824,781 2.1%	116,517,752 50.6%	3,110,026 1.4%	46,398,074 20.2%

<u>Instructional Support Services</u>		<u>Pupil Support Services</u>		<u>Sites and Buildings</u>		<u>Fiscal and Other Fixed Cost Programs</u>		<u>Total</u>		<u>Percent Increase (Decrease) From Prior Year</u>
\$	10,045,533 5.4%	\$	13,664,119 7.4%	\$	11,675,814 6.3%	\$	662,348 0.3%	\$	185,415,248 100.0%	9.7%
	10,893,040 5.5%		16,611,977 8.3%		13,536,960 6.8%		648,147 0.3%		200,211,431 100.0%	8.0%
	11,842,154 5.3%		22,087,652 10.0%		14,362,239 6.5%		675,592 0.3%		221,607,916 100.0%	10.7%
	13,357,181 5.9%		22,148,423 9.7%		14,107,319 6.2%		473,187 0.2%		228,090,489 100.0%	2.9%
	13,760,634 6.0%		20,370,175 8.9%		14,143,153 6.2%		406,778 0.2%		227,736,296 100.0%	(0.2%)
	11,675,311 5.4%		21,265,279 9.7%		13,157,337 6.0%		323,660 0.1%		218,404,684 100.0%	(4.1%)
	10,806,374 4.9%		20,510,261 9.3%		13,479,877 6.1%		338,224 0.1%		221,409,118 100.0%	1.4%
	9,798,501 4.4%		20,216,904 9.0%		13,252,957 5.9%		338,499 0.2%		224,944,709 100.0%	1.6%
	11,342,939 4.9%		21,506,904 9.3%		13,696,405 6.0%		515,881 0.2%		230,358,485 100.0%	2.4%
	13,867,690 6.0%		21,381,700 9.3%		13,956,139 6.1%		531,895 0.2%		230,148,158 100.0%	(0.1%)

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Year Ended June 30,	Local Property Tax Levies (1)	State Revenue (1)	Federal Revenue	Other Local and Miscellaneous	Total
2005	\$ 25,818,637 14%	\$ 146,326,783 78%	\$ 8,267,337 4%	\$ 7,413,171 4%	\$ 187,825,928 100%
2006	15,668,894 8%	165,288,912 84%	8,516,856 4%	8,232,849 4%	197,707,511 100%
2007	31,598,901 15%	165,853,043 78%	7,372,899 3%	7,689,065 4%	212,513,908 100%
2008	36,023,837 16%	172,935,695 78%	7,006,205 3%	6,622,385 3%	222,588,122 100%
2009	43,470,958 19%	165,720,993 74%	7,978,772 4%	6,585,131 3%	223,755,854 100%
2010	44,661,262 20%	148,358,068 66%	26,935,136 12%	5,593,167 2%	225,547,633 100%
2011	63,977,647 28%	142,872,500 62%	15,979,803 7%	6,275,759 3%	229,105,709 100%
2012	44,965,114 20%	161,516,194 72%	11,021,029 5%	6,265,415 3%	223,767,752 100%
2013	48,294,901 21%	162,587,636 73%	8,630,373 4%	4,383,922 2%	223,896,832 100%
2014	27,849,067 12%	191,674,840 82%	8,805,345 4%	4,902,566 2%	233,231,818 100%

- (1) Basic general education revenue in the General Fund is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The state periodically changes the mix of property tax and state aid revenue with no net effect on total revenue.

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2005	2006	2007	2008
Revenue				
General Fund				
Operating Account	\$ 187,825,928	\$ 197,707,511	\$ 212,513,908	\$ 222,588,122
Capital Expenditure Account	8,241,156	8,707,146	9,307,362	11,318,906
Special revenue funds				
Food Service	8,555,527	8,952,943	9,284,843	9,640,510
Community Service	10,987,418	11,144,346	13,077,544	13,657,891
Debt service funds				
Debt Service Account – General				
Obligation Bonds	18,920,729	20,477,291	18,941,917	18,753,734
Debt Service Account – Other				
Post-Employment Benefits Bonds	–	–	–	–
Total revenue	<u>\$ 234,530,758</u>	<u>\$ 246,989,237</u>	<u>\$ 263,125,574</u>	<u>\$ 275,959,163</u>
Expenditures				
General Fund				
Operating Account	\$ 185,415,248	\$ 200,211,431	\$ 221,607,916	\$ 228,090,489
Capital Expenditure Account	11,458,912	17,021,098	10,747,685	9,632,839
Special revenue funds				
Food Service	8,613,587	8,791,714	9,461,753	9,121,744
Community Service	11,109,721	11,217,250	12,920,891	12,929,848
Debt service funds				
Debt Service Account – General				
Obligation Bonds	20,019,858	20,477,497	18,794,993	19,010,556
Debt Service Account – Other				
Post-Employment Benefits Bonds	–	–	–	–
Total expenditures	<u>\$ 236,617,326</u>	<u>\$ 257,718,990</u>	<u>\$ 273,533,238</u>	<u>\$ 278,785,476</u>

2009	2010	2011	2012	2013	2014
\$ 223,755,854	\$ 225,547,633	\$ 229,105,709	\$ 223,767,752	\$ 223,896,832	\$ 233,231,818
10,653,126	9,341,486	8,822,827	8,429,276	9,042,349	9,267,986
9,934,674	10,295,493	10,421,017	10,609,307	11,008,927	11,079,495
13,390,804	13,416,748	13,834,024	14,103,160	14,334,020	15,289,169
19,478,520	19,166,032	19,617,297	19,279,004	19,503,802	19,639,753
1,515	876,986	999,343	1,000,072	980,645	978,083
<u>\$ 277,214,493</u>	<u>\$ 278,644,378</u>	<u>\$ 282,800,217</u>	<u>\$ 277,188,571</u>	<u>\$ 278,766,575</u>	<u>\$ 289,486,304</u>
\$ 227,736,296	\$ 218,404,684	\$ 221,409,118	\$ 224,944,709	\$ 230,358,485	\$ 230,148,158
15,191,424	10,560,929	14,514,566	11,465,451	9,708,191	9,931,619
9,680,730	9,741,558	10,091,851	10,706,589	10,749,330	11,318,737
13,432,902	13,816,380	13,856,582	14,104,651	14,912,640	15,333,772
19,479,210	19,805,100	19,958,431	19,859,761	19,524,714	19,691,009
—	1,024,450	960,450	960,450	960,450	960,450
<u>\$ 285,520,562</u>	<u>\$ 273,353,101</u>	<u>\$ 280,790,998</u>	<u>\$ 282,041,611</u>	<u>\$ 286,213,810</u>	<u>\$ 287,383,745</u>

OSSEO AREA SCHOOLS

ISD  279

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue per Student
Year Ended June 30, 2014
(Modified Accrual Basis of Accounting)

	Hennepin County Average	ISD No. 279
General education formula revenue per pupil unit (1)		
General education (includes transportation)	\$ 5,302	\$ 5,302
Referendum	1,429	1,454
Gifted and talented, extended, compensatory, and LEP	606	704
Operating capital	211	204
Supplemental, equity, and other	226	302
General education formula revenue per pupil unit (property tax and state aid)	<u>\$ 7,774</u>	<u>\$ 7,966</u>
General Fund – Operating Account revenue per student (2)		
General education formula revenue per student (property tax and state aid)		\$ 8,511
Less Capital Expenditure Account		<u>(402)</u>
General education formula revenue per student – General Fund Operating Account		8,109
State categorical revenue (special education, secondary vocational, cooperation, and other)		<u>2,558</u>
Total property tax and state aid revenue		10,667
Federal revenue (special education, Title I, and other)		428
Other local revenue – interest, participation fees, and other		<u>238</u>
Total General Fund – Operating Account revenue per student		<u>\$ 11,333</u>

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

(2) Average daily membership (ADM) is a measure of student attendance.

Source: General education formula revenue per pupil unit is from the Minnesota Department of Education.

INDEPENDENT SCHOOL DISTRICT NO. 279

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>
2005	\$ 11,148,047,300	\$ 85,704,800	\$ 11,233,752,100
2006	12,437,223,500	87,635,200	12,524,858,700
2007	13,792,479,900	93,196,000	13,885,675,900
2008	14,938,565,700	92,621,600	15,031,187,300
2009	14,948,296,100	94,114,500	15,042,410,600
2010	14,173,173,200	95,121,100	14,268,294,300
2011	13,032,638,800	101,798,900	13,134,437,700
2012	11,833,845,856	105,372,900	11,939,218,756
2013	11,073,727,012	116,771,700	11,190,498,712
2014	11,124,552,594	120,485,200	11,245,037,794

Source: Hennepin County Department of Property Tax and Public Records

<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 11,571,167,500	97.1 %
12,765,496,800	98.1
14,068,304,000	98.7
15,142,401,100	99.3
15,106,544,900	99.6
14,290,474,500	99.8
13,157,941,200	99.8
12,694,768,500	94.0
11,981,778,000	93.4
12,032,929,900	93.5

OSSEO AREA SCHOOLS

ISD  279

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INDEPENDENT SCHOOL DISTRICT NO. 279

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

Fiscal Year	Property Tax				Total
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	
2005	\$ 25,818,637	\$ 1,428,028	\$ 1,000,000	\$ 17,612,082	\$ 45,858,747
2006	15,668,894	726,825	2,417,258	19,081,589	37,894,566
2007	31,598,901	1,484,987	2,417,258	17,615,167	53,116,313
2008	36,023,837	1,559,673	3,496,264	17,647,120	58,726,894
2009	43,470,958	1,264,260	2,252,863	18,625,547	65,613,628
2010	44,661,262	1,692,225	2,500,000	19,276,168	68,129,655
2011	63,977,647	2,650,091	2,369,678	19,856,830	88,854,246
2012	44,965,114	1,844,014	2,700,760	19,488,867	68,998,755
2013	48,294,901	1,890,869	2,572,515	20,471,488	73,229,773
2014	27,849,067	1,053,994	2,631,084	20,605,495	52,139,640

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Property Classification	City	Tax Capacity	Rank	2014	
					Property Valuation	
					Percentage of Tax Capacity Value	Market Value
The Shoppes at Arbor Lakes	Commercial	Maple Grove	\$ 1,217,988	1	1.0 %	\$ 60,936,900
Target Corporation	Commercial	Brooklyn Park	1,144,136	2	1.0	57,244,300
KIR Maple Grove, LP	Commercial	Maple Grove	964,012	3	0.8	48,238,100
Boston Scientific Scimed, Inc.	Industrial	Maple Grove	882,652	4	0.8	44,170,100
KIMCO Realty Corporation	Commercial	Maple Grove	652,856	5	0.6	32,680,300
DDRA Maple Grove XNG, LLC	Commercial	Maple Grove	601,044	6	0.5	30,089,700
Fairview Hospital	Commercial	Maple Grove	546,450	7	0.5	27,360,000
Weidner Property Management	Apartment	Plymouth	538,475	8	0.5	43,078,000
Excel Energy	Utility	Maple Grove	474,432	9	0.4	23,721,600
BPP, LLC	Industrial	Brooklyn Park	461,050	10	0.4	23,090,000
Prudential RE Investors	Commercial	Plymouth	—	—	—	—
CSHV Stoneleigh, LLC	Apartment		—	—	—	—
Prudential Financial, Inc.	Commercial	Plymouth	—	—	—	—
JPI Communities	Apartment		—	—	—	—
Protein Design Labs, Inc.	Industrial		—	—	—	—
Total for 10 largest principal taxpayers			<u>\$ 7,483,095</u>		<u>6.5 %</u>	<u>\$ 390,609,000</u>

Note: Minnesota's tax capacity system includes class rates whereby commercial, industrial, and utility properties pay taxes based on a higher percentage of market value than homeowners.

Source: Hennepin County Department of Property Tax and Public Records

2005			
Property Valuation			
Tax Capacity	Rank	Percentage of Tax Capacity Value	Market Value
\$ -	-	- %	\$ -
833,650	2	0.8	41,720,000
827,818	3	0.8	41,428,400
445,250	5	0.4	22,300,000
-	-	-	-
533,074	4	0.5	26,691,200
-	-	-	-
-	-	-	-
-	-	-	-
359,250	8	0.3	18,000,000
1,519,250	1	1.4	76,000,000
415,150	6	0.4	33,212,000
368,770	7	0.3	18,476,000
346,150	9	0.3	27,692,000
328,210	10	0.3	16,448,000
<u>\$ 5,976,572</u>		<u>5.5 %</u>	<u>\$ 321,967,600</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

	<u>Year Collectible</u>	<u>General Fund</u>	<u>Community Service Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Levy All Funds</u>
Levies					
	2005	\$ 27,840,135	\$ 1,515,971	\$ 20,317,551	\$ 49,673,657
	2006	32,817,224	1,577,345	18,593,022	52,987,591
	2007	41,388,874	1,624,729	18,455,532	61,469,135
	2008	45,634,995	1,337,173	19,738,957	66,711,125
	2009	47,218,603	1,664,357	20,085,324	68,968,284
	2010	46,861,625	1,691,197	20,701,420	69,254,242
	2011	47,820,241	1,875,058	20,446,632	70,141,931
	2012	48,571,280	1,783,976	20,796,263	71,151,519
	2013	51,110,640	1,810,052	20,705,227	73,625,919
	2014	61,625,634	1,836,956	18,197,021	81,659,611
Net tax rates					
Tax capacity rate					
	2005	6.507 %	1.238 %	16.591 %	24.336 %
	2006	6.893	1.167	13.755	21.815
	2007	10.312	1.088	12.358	23.758
	2008	7.275	0.789	11.646	19.710
	2009	7.926	1.003	12.104	21.033
	2010	8.188	1.072	13.121	22.381
	2011	9.087	1.271	13.859	24.217
	2012	8.792	1.275	14.863	24.930
	2013	11.044	1.361	15.568	27.973
	2014	14.823	1.375	13.621	29.819
Market value rate					
	2005	0.159 %	— %	— %	0.159 %
	2006	0.170	—	—	0.170
	2007	0.172	—	—	0.172
	2008	0.205	—	—	0.205
	2009	0.205	—	—	0.205
	2010	0.211	—	—	0.211
	2011	0.230	—	—	0.230
	2012	0.252	—	—	0.252
	2013	0.268	—	—	0.268
	2014	0.309	—	—	0.309

(1) A portion of the total spread levy is paid through various property tax credits for residential homestead properties which are paid through state aids.

Note: In fiscal 2012, a portion of the property tax credits was eliminated and replaced with permanent state aid.

Source: Hennepin County Department of Property Tax and Public Records

Less Homestead and Agricultural Credit Aid (HACA) and Fiscal Disparities	Net Levy	Less Referendum Spread on Market Value	Remaining Amount Spread on Tax Capacity Value	Property Tax Credits (1)
\$ (4,978,838)	\$ 44,694,819	\$ (17,879,892)	\$ 26,814,927	\$ (1,517,549)
(5,130,129)	47,857,462	(21,224,667)	26,632,795	(1,327,290)
(5,521,124)	55,948,011	(23,654,517)	32,293,494	(1,345,808)
(6,509,728)	60,201,397	(30,565,648)	29,635,749	(1,102,357)
(7,119,449)	61,848,835	(30,549,468)	31,299,367	(1,109,074)
(8,295,564)	60,958,678	(29,877,170)	31,081,508	(1,261,264)
(8,986,473)	61,155,458	(30,004,643)	31,150,815	(1,365,729)
(9,187,341)	61,964,178	(31,586,126)	30,378,052	(1,402)
(9,538,081)	64,087,838	(31,703,793)	32,384,045	—
(9,799,243)	71,860,368	(36,803,819)	35,056,549	—

INDEPENDENT SCHOOL DISTRICT NO. 279

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	Municipalities				
		Hassan Township	Brooklyn Center	Brooklyn Park	Corcoran	Dayton
Tax capacity rate	2005	22.291%	50.487%	36.860%	27.966%	40.771%
Market value rate	2005	–	0.04220%	0.03117%	–	–
Tax capacity rate	2006	24.878%	46.934%	37.741%	29.275%	42.524%
Market value rate	2006	–	0.03872%	0.02107%	–	–
Tax capacity rate	2007	24.264%	44.292%	35.254%	30.703%	44.446%
Market value rate	2007	–	0.03579%	0.02402%	–	–
Tax capacity rate	2008	21.972%	43.896%	37.744%	30.213%	43.004%
Market value rate	2008	–	0.03346%	0.02163%	–	–
Tax capacity rate	2009	21.306%	47.521%	39.652%	30.677%	43.804%
Market value rate	2009	–	0.03387%	0.02310%	–	–
Tax capacity rate	2010	22.883%	51.095%	44.157%	32.995%	50.867%
Market value rate	2010	–	0.03799%	0.02464%	–	–
Tax capacity rate	2011	27.886%	57.217%	50.309%	37.041%	48.567%
Market value rate	2011	–	0.04126%	0.02768%	–	–
Tax capacity rate	2012	–	64.359%	56.087%	39.617%	57.817%
Market value rate	2012	–	0.04326%	0.02950%	–	–
Tax capacity rate	2013	–	71.074%	61.311%	46.111%	64.169%
Market value rate	2013	–	0.04702%	0.02791%	–	–
Tax capacity rate	2014	–	74.133%	60.469%	49.743%	65.600%
Market value rate	2014	–	–	0.02847%	–	–

N/A – Not Available

(1) The miscellaneous other levy includes AVTI, mosquito control, park/museum, metro transit and other metro services, and county parks bonds, and interest. These miscellaneous levies vary slightly between municipalities.

Note 1: Information for the City of Rogers was not available for fiscal 2011.

Note 2: Information for Hassan Township will not be included after fiscal 2011 due to it no longer being part of ISD No. 279 in fiscal 2012.

Source: Hennepin County Department of Property Tax and Public Records

Maple Grove	Osseo	Plymouth	Rogers	ISD No. 279	Hennepin County	Miscellaneous Other (1)	Total Maple Grove Resident
30.677% 0.00855%	33.056% —	23.132% 0.00854%	— —	24.336% 0.15982%	44.172% —	7.522% —	106.707% 0.16837%
30.272% 0.00763%	30.102% —	23.197% 0.00792%	— —	21.815% 0.17045%	41.016% —	7.021% —	100.124% 0.17808%
30.169% 0.00749%	36.055% —	23.280% 0.00731%	— —	23.758% 0.17155%	39.110% —	7.210% —	100.247% 0.17904%
29.318% —	42.416% —	22.887% 0.00693%	— —	19.710% 0.20475%	38.571% —	7.312% —	94.911% 0.20475%
31.259% —	46.580% —	24.368% 0.00701%	— —	21.033% 0.20487%	40.413% —	7.111% —	99.816% 0.20487%
33.845% —	45.978% —	25.495% 0.00726%	— —	22.381% 0.21123%	42.640% —	8.133% —	106.999% 0.211%
36.714% —	55.419% —	26.944% 0.01032%	N/A N/A	24.217% 0.23032%	45.840% —	9.095% —	115.866% 0.230%
39.450% —	64.130% —	28.146% 0.01057%	41.183% —	24.930% 0.25181%	48.231% —	9.423% —	122.034% 0.252%
42.142% —	77.832% —	29.243% 0.00596%	38.291% —	27.973% 0.26813%	49.461% —	10.383% —	129.959% 0.268%
42.267% —	76.941% —	29.547% 0.00585%	40.541% —	29.819% 0.30947%	49.959% —	10.429% —	132.474% 0.309%

INDEPENDENT SCHOOL DISTRICT NO. 279

Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Collection Calendar Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collected	Delinquent Tax Collections
2004	\$ 45,607,443	\$ 45,150,142	99.0 %	\$ 457,301
2005	49,673,657	48,938,217	98.5	735,440
2006	52,987,591	51,989,768	98.1	944,382
2007	61,465,876	59,939,916	97.5	1,538,638
2008	66,711,125	65,207,245	97.7	1,328,451
2009	68,968,284	67,710,766	98.2	1,139,712
2010	69,254,242	69,353,449	98.7	777,865
2011	70,141,931	70,136,709	99.1	478,387
2012	71,151,519	70,892,827	99.1	379,042
2013	73,625,919	73,140,009	99.3	N/A
2014 (1)	81,659,611	N/A	N/A	N/A

Reconciliation of current tax collections with property tax revenue

Collections on property tax levy collectible in 2013	\$ 73,140,009
Less tax shift allocation of the levy collectible in 2013 to fiscal year 2013	(2) (25,954,668)
Add tax shift allocation of the referendum levy collectible in 2014 to fiscal year 2014	(2) 4,223,126
Property tax delinquencies, abatements, and county apportionment	<u>731,173</u>
Total local property tax revenue – fiscal year 2014	<u><u>\$ 52,139,640</u></u>

N/A – Not Applicable

- (1) Only a portion of calendar year 2014 taxes are collectible by June 30, 2014. A total of \$41,612,773 of 2014 taxes were collected by June 30, 2014.
- (2) The state of Minnesota calculates the tax shift allocation based on various portions of the total tax levy.

Source: Hennepin County Department of Property Tax and Public Records

<u>Total Tax Collections</u>		<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>June 30, 2014 Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
\$	45,607,443	100.0 %	\$ —	— %
	49,673,657	100.0	—	—
	52,934,150	99.9	—	—
	61,478,554	100.0	—	—
	66,535,696	99.7	—	—
	68,850,478	99.8	(83,412)	—
	70,131,314	100.0	(99,207)	—
	70,615,096	100.0	5,222	—
	71,271,869	100.0	258,692	0.4
	73,140,009	99.3	485,910	0.7
	N/A	N/A	—	N/A
			<u>\$ 567,205</u>	

INDEPENDENT SCHOOL DISTRICT NO. 279

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Total Government
	General Obligation Bonds	Capital Leases	
2005	\$ 191,215,000	\$ 5,345,752	\$ 196,560,752
2006	247,445,000	3,579,084	251,024,084
2007	243,050,000	4,674,153	247,724,153
2008	233,000,000	3,173,629	236,173,629
2009	246,945,000	1,616,297	248,561,297
2010	270,610,000	—	270,610,000
2011	196,925,000	2,597,000	199,522,000
2012	145,755,000	2,031,788	147,786,788
2013	138,715,000	1,070,108	139,785,108
2014	124,400,000	95,433	124,495,433

N/A – Not Available

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

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

Percentage of Personal Income (1)	Per Capita (1)
3.0 %	\$ 1,502
3.6	1,901
3.2	1,858
2.8	1,771
3.0	1,831
3.2	1,980
2.5	1,476
1.8	1,080
N/A	1,007
N/A	885

INDEPENDENT SCHOOL DISTRICT NO. 279

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

June 30,	Outstanding Bonded Debt	Balance on Hand – Debt Service Fund	Net Bonded Debt	Taxable Tax Capacity	Ratio of Net Debt to Tax Capacity Value
2005	\$ 191,215,000	\$ 4,779,774	\$ 186,435,226	\$ 110,186,257	169.2 %
2006	247,445,000	78,681,383	168,763,617	122,084,778	138.2
2007	243,050,000	77,437,018	165,612,982	135,926,824	121.8
2008	233,000,000	76,650,169	156,349,831	150,358,956	104.0
2009	246,945,000	76,455,727	170,489,273	148,810,762	114.6
2010	270,610,000	115,524,154	155,085,846	138,874,529	111.7
2011	196,925,000	43,716,229	153,208,771	128,632,017	119.1
2012	145,755,000	3,753,106	142,001,894	121,853,398	116.5
2013	138,715,000	3,847,570	134,867,430	115,768,941	116.5
2014	124,400,000	3,813,947	120,586,053	117,564,467	102.6

(1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.

Note: The legal debt limit for a school district in Minnesota is 15 percent of the actual value of all taxable property within the District. As of June 30, 2014, the legal limit was \$1,783,879,819. Outstanding bonded debt as of June 30, 2014 was \$124,400,000, leaving a margin of \$1,659,479,819.

Source: Hennepin County Department of Property Tax and Public Records

Estimated Population (1)	Net Debt per Capita
130,872	\$ 1,425
132,047	1,278
133,327	1,242
133,327	1,173
135,770	1,256
136,700	1,134
135,140	1,134
136,896	1,037
138,789	972
140,680	857

OSSEO AREA SCHOOLS

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Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

Direct and Overlapping Debt
as of June 30, 2014

Taxing Unit	Tax Collection Calendar Year – 2013 Taxable Net Tax Capacity	General Obligation Bonded Debt (1)	Debt Applicable to Tax Capacity in ISD No. 279 (2)	
			Percent	Amount
Direct debt				
Independent School District No. 279	\$ 135,179,525	\$ 124,400,000	100.00 %	\$ 124,400,000
Overlapping debt				
Hennepin County	1,233,679,768	735,600,000	9.53	70,102,680
Cities				
Brooklyn Center	12,548,679	17,470,000	28.06	4,902,082
Brooklyn Park	46,975,738	16,840,000	74.27	12,507,068
Corcoran	5,815,022	5,167,000	6.96	359,623
Dayton	4,138,458	306,000	14.25	43,605
Maple Grove	70,633,006	81,350,000	91.77	74,654,895
Osseo	1,497,003	2,915,000	100.00	2,915,000
Plymouth	91,080,165	18,345,000	12.97	2,379,347
Rogers	14,443,898	4,920,000	0.21	10,332
Others				
Three Rivers Park District	908,192,495	74,395,000	12.94	9,626,713
Metropolitan Council	2,698,832,744	219,230,000	0.46	1,008,458
Total overlapping debt				<u>178,509,803</u>
Total direct and debt outstanding				<u>\$ 302,909,803</u>

(1) Excludes tax and aid anticipation debt, revenue debt, and general obligation debt supported by revenue.

(2) The percent overlap is based on the percentage of tax capacity of the individual entities in the District.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Debt limit	\$1,678,127,730	\$1,867,820,509	\$2,068,305,180	\$2,239,241,543
Total net debt applicable to limit	191,215,000	247,445,000	243,050,000	233,000,000
Legal debt margin	<u>\$1,486,912,730</u>	<u>\$1,620,375,509</u>	<u>\$1,825,255,180</u>	<u>\$2,006,241,543</u>
Total net debt applicable to the limit as a percentage of debt limit	11.39%	13.25%	11.75%	10.41%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Hennepin County Department of Property Tax and Public Records

2009	2010	2011	2012	2013	2014
\$2,236,745,318	\$2,121,656,719	\$1,954,105,770	\$ 1,881,545,183	\$ 1,773,605,673	\$ 1,783,879,819
246,945,000	270,610,000	196,925,000	145,755,000	138,715,000	124,400,000
<u>\$1,989,800,318</u>	<u>\$1,851,046,719</u>	<u>\$1,757,180,770</u>	<u>\$ 1,735,790,183</u>	<u>\$ 1,634,890,673</u>	<u>\$ 1,659,479,819</u>
11.04%	12.75%	10.08%	7.75%	7.82%	6.97%

Legal Debt Margin Calculation for Fiscal Year 2014

Market value	\$11,892,532,125
Debt limit (15% of market value)	1,783,879,819
Debt applicable to limit General obligation bonds	<u>124,400,000</u>
Legal debt margin	<u>\$ 1,659,479,819</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Deferred Tax Levies for Future Bond Debt Service
as of June 30, 2014

Tax Collection Calendar Year	Deferred Tax Levies
2015	\$ 18,660,443
2016	18,654,937
2017	18,641,956
2018	18,624,880
2019	20,866,079
2020	20,930,733
2021	13,358,868
2022	11,420,594
Total amount to be levied in future years	<u>141,158,490</u>
2014	Amount levied for collection in 2014 and included in property taxes levied for subsequent year at June 30, 2014
	<u>18,197,021</u>
Total deferred tax levies for future bond debt service	<u><u>\$ 159,355,511</u></u>

Note: These levies are subject to reduction based on excess fund balance limitations in accordance with Minnesota Statute § 475.61.

Source: Debt service levy schedules in the various bond issues of the District

INDEPENDENT SCHOOL DISTRICT NO. 279

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (1)	Unemployment Rate (4)
2005	130,872	\$ 6,597,519,264	\$ 50,412	36.8	21,771	4.1 %
2006	132,047	6,985,946,535	52,905	37.4	21,942	4.0
2007	133,327	7,791,763,207	58,441	37.5	22,086	4.6
2008	133,327	8,302,938,925	62,275	38.0	21,770	5.4
2009	135,770	8,370,356,270	61,651	37.0	21,010	8.1
2010	136,700	8,383,537,600	61,328	38.0	20,964	7.3
2011	135,140	7,902,446,640	58,476	37.7	20,772	6.4
2012	136,896	8,094,112,896	59,126	37.8	20,591	5.6
2013	138,789	N/A	N/A	N/A	20,549	5.1
2014	140,680	N/A	N/A	N/A	20,580	N/A

N/A – Not Available

Data sources:

- (1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.
- (2) Admin Minnesota – Department of Administration.
- (3) Admin Minnesota – Department of Administration, State Demographic Center.
- (4) Bureau of Labor Statistics and Minnesota Department of Economic Security.

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Employers
Current Year and Eight Years Ago

Employer	2014		2006	
	Employees	Rank	Employees	Rank
Independent School District No. 279	2,895	1	3,020	2
Boston Scientific Scimed, Inc.	2,800	2	3,600	1
Target Corporation	1,500	3	1,125	4
Medtronic	901	4	420	8
Prudential Insurance Company	848	5	1,600	3
Maple Grove Hospital	760	6	—	—
United Parcel Services	664	7	900	5
Walmart	644	8	—	—
North Hennepin Community College	500	9	—	—
Data Recognition Corp.	457	10	—	—
Egan McKay	—	—	660	6
Caterpillar Paving Products	—	—	519	7
City of Brooklyn Park	—	—	371	9
Banta Catalog Minneapolis	—	—	350	10
Total	11,969		12,565	

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

Source: Infogroup (www.salesgenie.com)

INDEPENDENT SCHOOL DISTRICT NO. 279

Building Permits Issued by Major Cities
Last Ten Fiscal Years

Calendar Year	Total Permits		New Residential Permits (1)	
	Number	Value	Number	Value
City of Brooklyn Park				
2004	2,423	\$ 152,400,610	500	\$ 108,469,254
2005	4,670	195,235,861	452	128,379,786
2006	1,919	129,012,246	409	90,623,883
2007	1,015	96,292,834	153	41,331,831
2008	980	50,018,009	133	25,822,197
2009	7,917	95,103,237	109	21,736,225
2010	7,737	53,706,735	68	11,608,882
2011	7,460	74,491,011	78	17,373,799
2012	2,034	124,367,945	143	33,322,357
2013	1,772	114,821,218	168	36,561,609
City of Maple Grove				
2004	3,364	\$ 205,542,325	419	\$ 121,974,847
2005	3,288	188,495,852	307	92,444,299
2006	6,417	242,714,299	275	87,566,460
2007	3,354	191,651,545	219	76,172,797
2008	6,310	187,187,396	224	84,702,911
2009	3,658	116,525,754	219	72,121,817
2010	2,655	136,034,855	284	83,993,912
2011	2,345	149,181,591	226	69,984,374
2012	2,136	120,446,202	231	77,225,361
2013	2,110	202,041,119	265	127,675,752

(1) Includes single-family, duplexes, quad homes, townhomes, multi-unit, and condominiums; excludes apartment complexes.

Note: The District includes portions of eight municipalities. The table above includes the two largest municipalities within the District and is representative of growth in the area. These cities maintain building permit information on a calendar year.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Employees by Classification
Last Ten Fiscal Years

Year Ended June 30,	Employees			
	Administrators/ Management (1)	Teachers	Clerical	Educational Support Professionals/ Laundry/Water Safety Instruction
2005	124	1,573	129	676
2006	127	1,570	129	665
2007	122	1,594	121	702
2008	128	1,662	122	687
2009	123	1,470	113	732
2010	130	1,467	111	742
2011	132	1,468	110	760
2012	134	1,467	112	783
2013	132	1,487	108	780
2014	137	1,482	110	738
Percent increase (decrease) over 10 years	10.5%	(5.8%)	(14.7%)	9.2%

- (1) Superintendent, school executives, principals, secondary school building assistant principals, principals on special assignment, directors, coordinators, managers, supervisors, and secondary school building business managers and administrative assistants.

Source: The District's Human Resources Department

Food Service	Custodians	Health Services/ Early Childhood/ Other Employees	Total Employees	Total Students (ADM)
169	152	220	3,043	21,771
170	153	207	3,021	21,943
178	158	230	3,105	22,083
177	159	227	3,162	21,770
152	150	150	2,890	21,010
146	145	144	2,885	20,964
153	145	138	2,906	20,772
160	146	136	2,938	20,591
166	142	124	2,939	20,549
161	142	125	2,895	20,580
(4.7%)	(6.6%)	(43.2%)	(4.9%)	(5.5%)

INDEPENDENT SCHOOL DISTRICT NO. 279

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Total population	130,872	132,047	133,327	133,327
Percent of staff with degrees				
Bachelor	100%	100%	100%	100%
Masters	64%	64%	71%	72%
ACT information				
Average ACT score	22.4	22.4	22.4	22.2
Percent students taking ACT	61%	61%	53%	57%
National merit				
Commended	8	8	6	8
Finalists and semifinalists	7	7	8	2
AP Scholars	N/A	N/A	N/A	46

N/A – Not Available

Source: Schoolhouse Magazine

2009	2010	2011	2012	2013	2014
135,770	136,700	135,140	136,896	138,789	140,680
100%	100%	100%	100%	100%	100%
72%	75%	74%	76%	76%	74%
22.5	22.4	22.6	22.5	22.3	22.3
57%	60%	60%	63%	63%	65%
11	16	14	14	9	11
4	1	2	3	4	2
62	98	106	117	128	150

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Capital assets				
Land	\$ 7,219,924	\$ 6,960,390	\$ 6,960,390	\$ 6,966,686
Land improvements	19,352,305	19,747,238	20,269,853	20,663,242
Buildings	276,745,721	309,369,056	358,419,880	364,898,006
Equipment	12,350,320	13,190,905	12,762,515	12,616,184
Construction in progress	68,523,260	47,872,593	2,182,553	780,430
Total capital assets	<u>\$ 384,191,530</u>	<u>\$ 397,140,182</u>	<u>\$ 400,595,191</u>	<u>\$ 405,924,548</u>
Capital assets by function and activity				
Administration	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
District support services	114,585,445	114,619,590	114,629,654	114,660,822
Elementary and secondary regular instruction	692,942	787,427	824,284	894,873
Vocational education instruction	27,185	27,185	27,185	27,185
Special education instruction	257,782	289,187	289,187	289,187
Instructional support services	4,481,626	4,735,553	4,296,548	3,865,508
Pupil support services	—	—	—	59,647
Food service	2,892,880	3,230,896	4,088,825	4,185,739
Sites and buildings	260,261,695	272,448,483	275,431,447	280,916,020
Community service	972,880	982,766	988,966	1,006,472
Total capital assets by function and activity	<u>\$ 384,191,530</u>	<u>\$ 397,140,182</u>	<u>\$ 400,595,191</u>	<u>\$ 405,924,548</u>

Source: The District's Business Services Department

2009	2010	2011	2012	2013	2014
\$ 10,702,198	\$ 10,691,698	\$ 10,691,698	\$ 10,691,698	\$ 8,344,233	\$ 8,323,417
21,658,286	25,070,461	26,321,967	27,843,458	28,968,868	29,488,070
367,767,521	369,466,103	377,938,760	387,290,466	395,241,051	398,977,319
10,230,574	10,460,750	10,739,471	10,652,175	10,954,314	8,573,540
1,560,542	2,037,404	2,726,381	391,975	1,026,401	2,513,199
<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>	<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>	<u>\$ 444,534,867</u>	<u>\$ 447,875,545</u>
\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
114,660,821	113,078,539	113,232,033	112,276,960	112,323,903	111,389,026
1,021,287	1,094,002	1,099,553	905,208	908,265	983,647
27,185	27,185	31,811	64,681	64,681	64,681
289,187	289,187	296,042	271,043	288,451	297,094
902,640	910,440	1,173,720	1,217,309	1,321,797	1,336,797
59,647	59,647	59,647	59,647	59,647	59,647
4,888,338	4,479,013	5,057,239	5,151,404	5,211,253	5,256,134
289,029,995	296,726,190	306,404,239	315,824,027	323,220,971	327,331,102
1,020,926	1,043,118	1,044,898	1,080,398	1,116,804	1,138,322
<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>	<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>	<u>\$ 444,534,867</u>	<u>\$ 447,875,545</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Average Class Size
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>ISD No. 279 Staffing Ratio</u>
2005	30.36
2006	30.25
2007	29.37
2008	29.30
2009	29.94
2010	29.65
2011	29.13
2012	27.97
2013	27.52
2014	27.63

Note: This is the government-wide teacher staffing ratio for regular instructional classrooms.

Source: The District's Division of Leadership, Teaching, and Learning

INDEPENDENT SCHOOL DISTRICT NO. 279

School Facilities
as of June 30, 2014

Facility	Use	Constructed	Acres	Square Footage	Enrollment (1)
Arbor View Early Childhood Center	School	1983/2001	5.00	27,000	58
Basswood Elementary	School	1995/2002	36.00	102,648	1,081
Birch Grove for the Arts	School	1966/1991/2004	15.00	74,314	549
Cedar Island Elementary	School	1970	23.16	66,871	469
Crest View Elementary	School	1960/1990/1999/2003	16.00	59,208	383
Edinbrook Elementary	School	1988/2002	20.00	106,406	857
Elm Creek Elementary	School	1980	15.00	84,300	574
Fair Oaks Elementary	School	1962/1991/2004	13.16	75,129	408
Fernbrook Elementary	School	1988/2003	43.00	105,440	911
Garden City Elementary	School	1959/1994/2004	10.00	55,153	405
Oak View Elementary	School	1991	22.00	98,600	489
Palmer Lake Elementary	School	1964/1991/2005	15.00	74,463	676
Park Brook Elementary	School	1959/1994/2004	10.00	55,011	316
Rice Lake Elementary	School	1980	15.42	84,300	729
Rush Creek Elementary	School	1995/2002	29.00	102,648	986
Weaver Lake Science, Math & Technology	School	1991	29.08	98,600	754
Willow Lane ECSE	School	1956/1957/1987	11.10	42,796	152
Woodland Elementary	School	2002	19.00	101,555	989
Zanewood Community School	School	1967/2002	9.21	81,843	497
Brooklyn Junior High	School	1963/1969/1980/2003	28.57	176,104	919
Maple Grove Junior High	School	1990/2003	46.62	275,680	1,621
North View Junior High	School	1970/1986/2002/2007	26.04	186,448	745
Osseo Junior High	School	1966/1969/2002/2004	19.89	194,507	1,141
Maple Grove Senior High	School	1996/2002/2004	110.00	335,872	1,590
Osseo Senior High	School	1952/1957/1960/1962/1964/1966/ 1975/1988/2002	43.63	373,000	1,412
Park Center Senior High IB World School	School	1964/1966/1971/1975/1987/1988/ 2002/2003	31.00	398,774	1,283
Osseo Area Learning Center	School	2000	5.00	47,108	175
Educational Service Center/ warehouse/maintenance	Office/maintenance/ warehouse	1969/1975/1980/2005	17.76	121,100	—
New ice arena	Sports	1990/2005	3.62	32,640	—
Old ice arena	Sports	1974	—	34,840	—
Adult Education Center	Adult education	2005	—	25,538	—
Osseo Education Center	Special Education	1954/1957/1987/2005	11.00	46,144	45
Timberland Properties	CBVAT	Leased	—	12,249	—
Dane Technologies, Inc.	Special education	Leased	—	11,800	65
Total				<u>3,768,089</u>	<u>20,279</u>

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

Source: The District's Operations Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance
2005	21,118	2,629,008	172	15,285	72.4 %
2006	21,285	2,662,435	172	15,479	72.7
2007	21,420	2,701,115	171	15,796	73.7
2008	21,116	2,661,288	172	15,473	73.3
2009	20,379	2,537,579	187	13,570	66.6
2010	20,339	2,583,066	205	12,600	61.9
2011	20,141	2,591,135	195	13,288	66.0
2012	19,966	2,550,155	194	13,145	65.8
2013	19,919	2,483,379	196	12,670	63.6
2014	19,963	2,422,337	191	12,682	63.5

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

Source: The District's Food Service Department

Free Lunch		Reduced Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
658,151	25.0 %	191,721	7.3 %
719,035	27.0	198,177	7.4
752,637	27.9	221,013	8.2
778,238	29.2	218,726	8.2
763,322	30.1	225,006	8.9
856,214	33.1	223,857	8.7
904,757	34.9	256,310	9.9
915,804	35.9	238,826	9.4
970,729	39.1	211,094	8.5
964,628	39.8	230,208	9.5

INDEPENDENT SCHOOL DISTRICT NO. 279

Students
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (For Students Served or Tuition Paid)					
	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary	Secondary	Total	
					Number	Percent Increase (Decrease)
2005	246	1,454	9,608	10,463	21,771	0.1 %
2006	261	1,415	9,702	10,565	21,943	0.8
2007	276	1,508	9,755	10,544	22,083	0.6
2008	282	1,421	9,677	10,390	21,770	(1.4)
2009	283	1,332	9,424	9,971	21,010	(3.5)
2010	315	1,435	9,449	9,765	20,964	(0.2)
2011	313	1,377	9,635	9,447	20,772	(0.9)
2012	341	1,436	9,487	9,327	20,591	(0.9)
2013	339	1,444	9,548	9,218	20,549	(0.2)
2014	342	1,525	9,495	9,218	20,580	0.2

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

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

	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2005 through 2007	Various	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	Various	0.612	1.115	1.060	1.300

Source: Minnesota Department of Education

Total Pupil Units	
Number	Percent Increase (Decrease)
25,140	– %
25,375	0.9
25,476	0.4
25,231	(1.0)
24,361	(3.4)
24,217	(0.6)
23,969	(1.0)
23,715	(1.1)
23,648	(0.3)
23,642	–

OSSEO AREA SCHOOLS

ISD  279

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