

OSSEO AREA SCHOOLS

ISD  279

Comprehensive
ANNUAL FINANCIAL
REPORT

For the fiscal year ended June 30, 2016

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, 2016

INDEPENDENT SCHOOL DISTRICT NO. 279
OSSEO AREA SCHOOLS

11200 – 93rd Avenue North
Maple Grove, MN 55369

Prepared by:
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INDEPENDENT SCHOOL DISTRICT NO. 279

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SECTION I

INTRODUCTION

November 9, 2016

FISCAL YEAR 2016 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, 2016, 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, 2016. 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's Uniform Guidance. 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., has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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 20,308 students in fiscal year (FY) 2016 from a population of 145,451 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.
- In both 2015 and 2016, Maple Grove Senior High was named one of the nation's Best High Schools by U.S. News & World Report.
- Weaver Lake Elementary: A Science, Math and Technology School was named one of the nation's Top Three Elementary STEM schools in 2015.
- Garden City Elementary and Park Brook Elementary were named Minnesota Department of Education (MDE) Celebration Schools (2013).
- Woodland Elementary was named a Minnesota School of Excellence (2011) and a Family Friendly School (2009).
- Magnet schools regularly earn state and national recognition as Schools of Excellence or Schools of Distinction.
- The District's careful stewardship of taxpayer funds is recognized annually by the MDE and the Association of School Business Officials (ASBO) International.

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 and 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 Elementary 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 Middle School and Park Center Senior High offer the International Baccalaureate (IB) Middle Years and Diploma Programmes, recognized worldwide for their challenging international education and rigorous assessment programs. Brooklyn Middle School offers a full-school STEAM (STEM plus Arts) program. Osseo Senior High offers a full health science magnet program, including courses that continue the STEM emphasis.

Gifted education programs serve the academic, social, and emotional needs of gifted/talented learners. Every high school offers college-level courses through the Advanced Placement Program.

Co-curricular offerings build character, stretch minds, and challenge the body. Students have been recognized as state champions in various sports; Minnesota State High School League Academic Excellence award winners; state qualifiers in multiple sports; All-Conference musicians; and the Hennepin Theater Trust SpotLight Award.

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.

Preschool is offered at both early childhood centers and most elementary schools. Free all-day kindergarten is available at all elementary sites. High quality before- and after-school care (Kidstop) is available to all elementary and middle school students.

The District's careful stewardship of taxpayer funds has been recognized by the MDE and the ASBO International.

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

During FY 2016, the District operated 31 buildings: 3 high schools, 4 middle 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: Pre-K–5, 6–8, and 9–12. The District had a budgeted enrollment of 20,319 pupil units for FY 2016 and an actual enrollment of 20,308. The District's student enrollment for the current year is projected to increase with an estimated student enrollment of 20,448. The 7th and 9th Grade enrollments account for most of the increase. A slight decline in enrollment is projected over the next four years.

The District's school buildings were built between 1952 and 2005. Although some of the school buildings are over 50 years old, the District participates in the Long-Term Facilities Maintenance Program through the state of Minnesota, and has a 10-year spending plan of \$242 million for deferred maintenance and health and safety facility needs.

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 locally imposed fees for things like student activities, the District is dependent on the state of Minnesota for its revenue authority and state aid. Some revenue authority, such as operating referenda and building bonds, also require voter approval. For the past several biennia, the funding provided for public education in the state of Minnesota has not been sufficient to meet instructional program needs, due to increased inflationary costs and required mandates.

Minnesota's economic and budget outlook has remained relatively strong during this past fiscal year. The February 2016 forecast from Minnesota Management and Budget calls for Minnesota's expansion to continue over the next several years, but at a generally slower pace and shows a General Fund forecasted surplus for the coming biennium of \$900 million, down from \$1.2 billion in November 2015. Despite this forecasted surplus, no funding increases were anticipated because the 2016 session was not a biennial funding year. The 2016 Legislature adjourned its regular session on May 22, 2016. While the 2016 Supplemental Budget Bill included some limited provisions for education finance, such as a \$25 million state-wide appropriation for voluntary prekindergarten, at this time the FY 2017 proposed budget has not been adjusted for these provisions. As more details become known, they will be incorporated into the mid-year budget adjustment process if necessary.

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 taxpayers for funding 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

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.

The budget planning steps began in November 2015, using the **Long-Range Financial Model (LRFM) and Annual Budget Framework** and the **FY 2017 Budget Planning Timeline**. 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 is continuously refined and improved. The following key budget considerations were used during the FY 2017 budget adjustment process:

Outcomes for budget adjustment process –

- Create budget adjustment recommendations that align to World's Best Workforce goals and to our district's Mission and Strategic Plan.
- Involve school and community stakeholders in determining how to provide a quality education using available resources.
- 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 adjustments.
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 February 2016 and March 2016. The public provided input on financial priorities via the Long-Range Financial Advisory team and welisten@district279.org. The School Board approved net budget adjustments through the FY 2017 Long-Range Financial Planning (LRFP) budget process of (\$255,372) for all day kindergarten and grade span change for two years only, \$1.5 million added for strategic priorities additional needs, and FY 2017 non-LRFP process adjustments of \$450,318 for targeted class size needs for the general operating/transportation budget. Other FY 2017 LRFP budget process adjustments for other funds include (\$68,586) for the food service fund budget, and \$607,960 for the Community Service Fund on February 16, 2016.

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.

GOALS

- Each student articulates, plans for, and progresses toward his/her evolving dreams.
- Each student chooses to contribute to community in a mutually meaningful way.
- Each student demonstrates initiative and persistence to continually learn that which is important to him/her.

- Each student is ready for kindergarten.**
- Each third-grader can read at grade level.**
- Each student graduates from high school.**
- Each student is ready for college and career.**
- The achievement gap is closed on all state-mandated measures.**

** Indicates one of Minnesota's World's Best Workforce goals

STRATEGIES

- Create transformational system change to ensure equitable student achievement.
- Develop understanding and support of our district's mission and core values among members of our community.
- Engage students and families as partners to achieve our mission and strategic objectives.
- Leverage and align the talents of our employees and the assets of our system to achieve our mission and strategic objectives.

CORE VALUES

We believe that—

- lifelong learning is essential for the individual and community to thrive;
- everyone has equal intrinsic value;
- trust is essential to sustaining successful relationships and to achieving results;
- better decisions emerge when diverse perspectives are intentionally included in a collaborative process;
- everyone benefits when cultural differences are acknowledged and understood, and individuals are treated respectfully and equitably; and
- everyone can learn more.

Priority work for 2016–2017, by strategy

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

- The District has developed and engaged in the use of culturally responsive instructional strategies to ensure high levels of learning for each student.
- At every elementary site, student outcomes and measurements of achievement are aligned and Pre-K is integrated into all school processes.
- All sites have implemented research-based positive behavior intervention practices that promote equitable student achievement.
- Strategies have been implemented to interrupt the disproportionate representation of black students in special education.
- The District has expanded blended learning opportunities for educators and students and increased the skills of educators to use digital tools to promote student learning.
- The middle school model, including interdisciplinary teams, advisory, differentiated instruction, and out-of-school time programming, has been strengthened by measurement of proven middle level practices and specific action for improvement.

*Equitable student achievement means:

1. Ensuring high levels of achievement for all students, and
2. Accelerating growth for students of color and other underperforming groups, in order to
3. Close the achievement gap on all state-mandated measures.

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

- A system wide plan has been developed to support excellent customer service.

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

- The District has identified proven strategies to equitably engage and empower families to support their student's success.

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.
- Effective staff recruitment and retention practices build toward a workforce that reflects the demographics of enrolled students.
- The Enrollment and Capacity Management Framework has been implemented to increase community trust in long-range planning for enrollment and building use.

Strategy Delimiters

We will not adopt any new program or service unless it is consistent with and contributes to our mission, and is accompanied by the staff development needed for effective implementation; accept any behavior that demeans the worth of any person; and allow past practice to interfere with the consideration of new ideas.

The 2016–2017 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 assigned and unassigned components of fund balance) in the General Fund Operating Account at June 30, 2016 was 27.3 percent of total General Fund Operating Account expenditures. This amount was within the policy guidelines set by the School Board for budgetary and planning purposes.

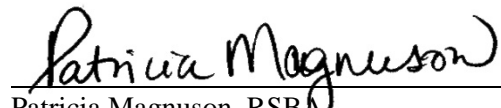
As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

AWARDS AND ACKNOWLEDGEMENTS

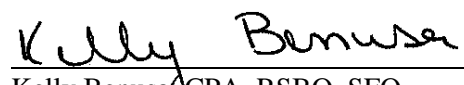
This report will be submitted to the ASBO International for consideration for the Certificate of Excellence (COE) in Financial Reporting. The District received this award as a result of its initial submission in FY 1990 and all subsequent submissions on an annual basis through FY 2015. In order to receive this award, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America 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.

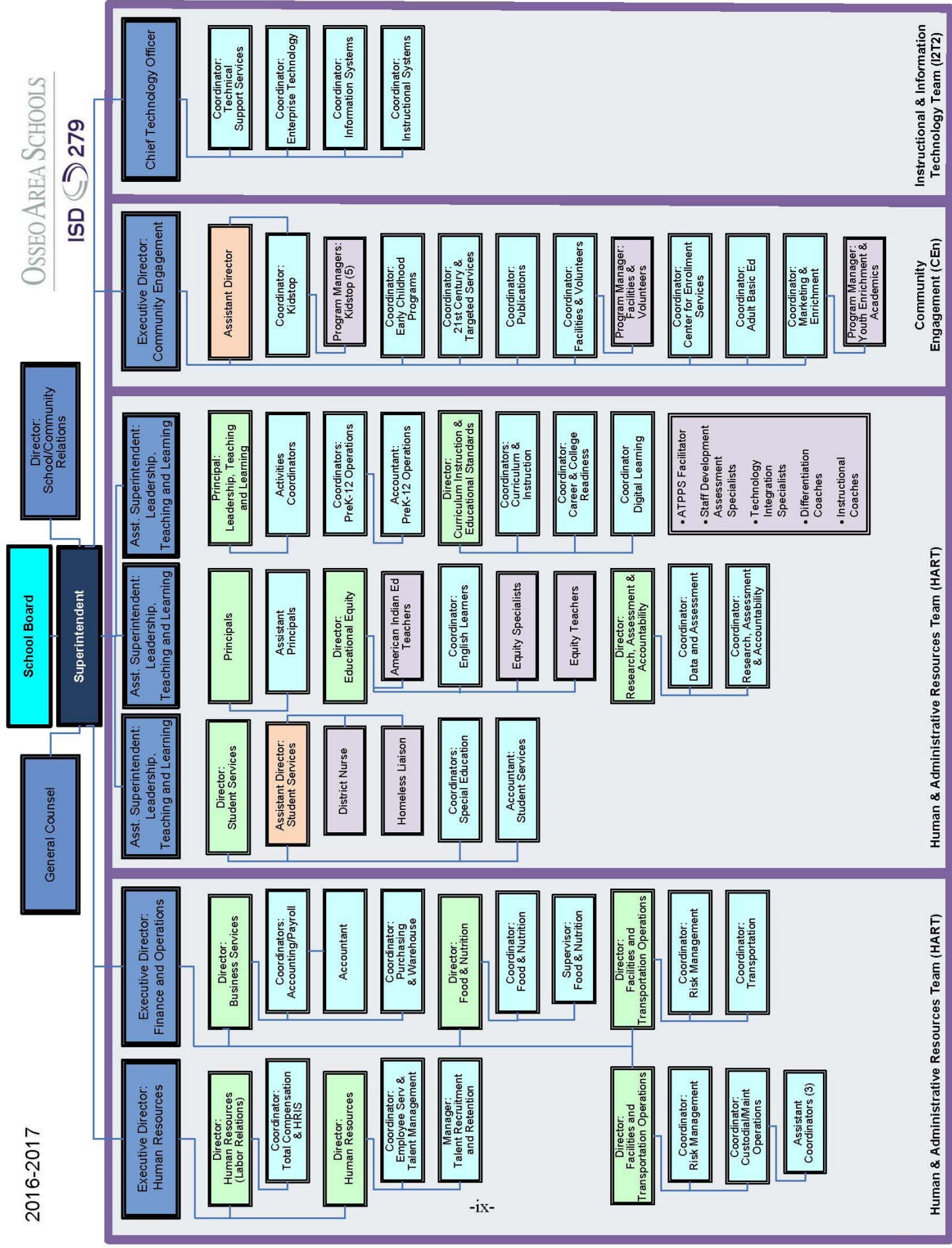
Respectfully submitted,



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, 2016

SCHOOL BOARD

	<u>Board Position</u>
Dean Henke	Chairperson
Robert Gerhart	Vice Chairperson
Jacki Gertz	Clerk
Jim Burgett	Treasurer
Jessica Craig	Director
Linda Etim	Director

ADMINISTRATION

Cabinet

Kate Maguire	Superintendent
Kim Hiel	Assistant Superintendent, Division of Leadership, Teaching, and Learning
Astein Osei	Assistant Superintendent, Division of Leadership, Teaching, and Learning
Kelli Parpart	Assistant Superintendent, Division of Leadership, Teaching, and Learning
Brian Siverson-Hall	Executive Director, Community Engagement
Patricia Magnuson, RSBA	Executive Director, Finance and Operations
Judy McDonald	Executive Director, Human Resources
Tim Wilson	Chief Technology Officer
Margaret Westin	School District General Counsel
Barbara Olson	Director, School/Community Relations

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 No. 279
Osseo Area Schools**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015**

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



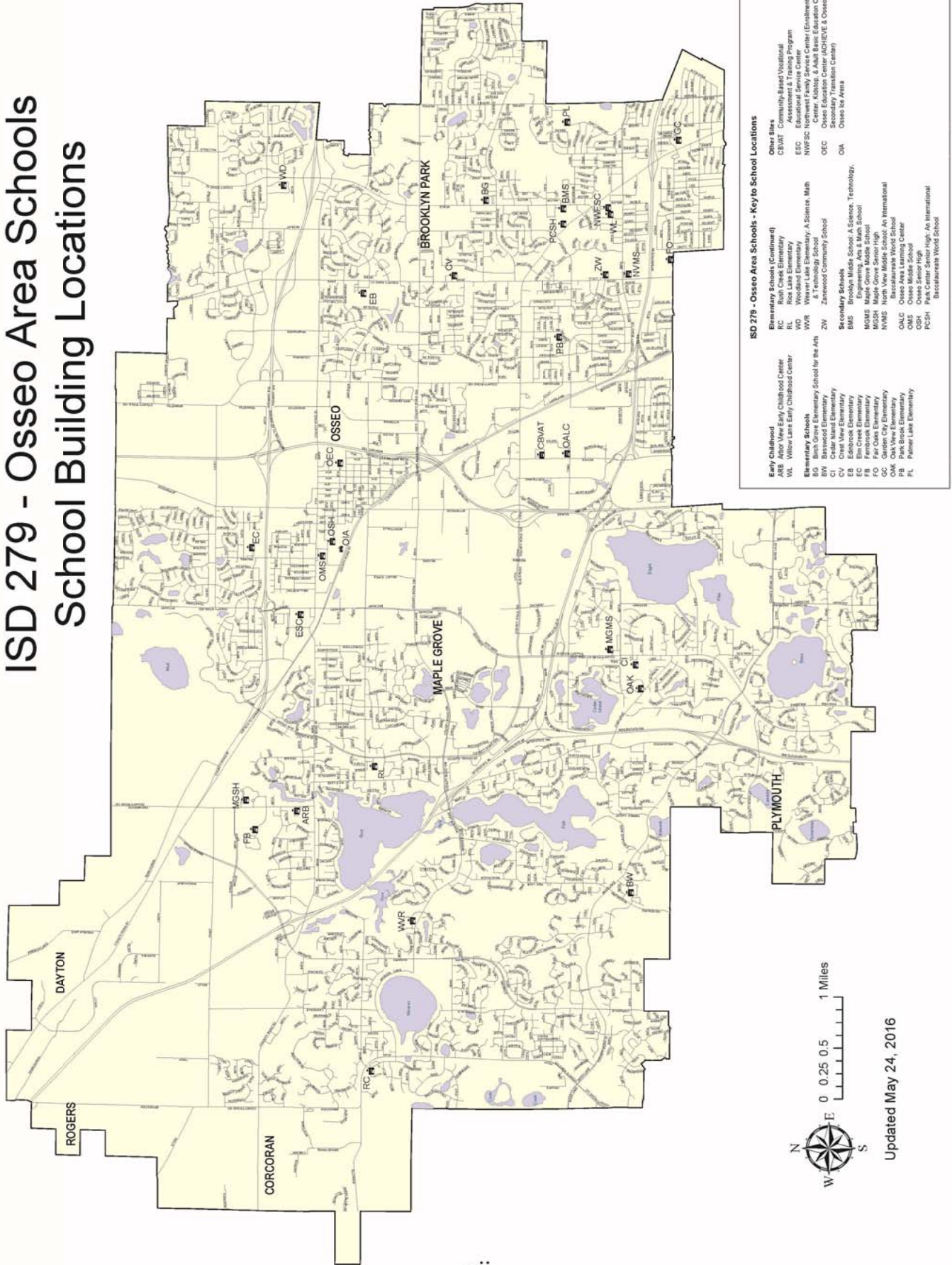
Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

ISD 279 - Osseo Area Schools School Building Locations



SECTION II

FINANCIAL

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 accompanying 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 9, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota

November 9, 2016

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

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

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, 2016. 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 2016 include the following:

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$109,861,212 (net position). The District's total net position increased by \$18,318,722 during the fiscal year ended June 30, 2016.
- Overall actual revenues in the Statement of Activities were \$320.6 million and \$18.3 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

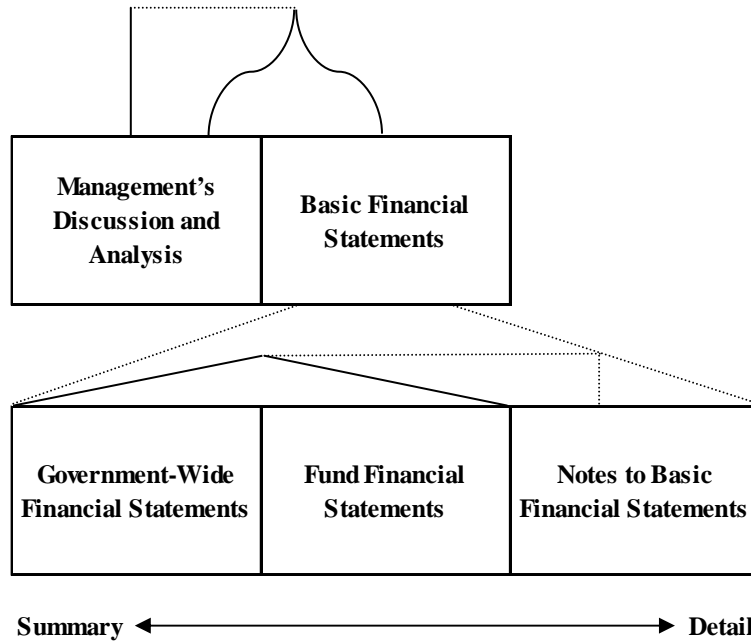


Figure B summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities and deferred inflows of resources 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, liabilities, and deferred inflows of resources, except for fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are 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—rather than 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 \$109,861,212 on June 30, 2016. This was an increase of 20.0 percent from the prior year.

Table 1 Summary Statement of Net Position – Governmental Activities as of June 30, 2016 and 2015		
	2016	2015
Assets		
Current and other assets	\$ 216,025,273	\$ 268,762,971
Capital assets, net of depreciation	314,983,139	310,770,680
Total assets	\$ 531,008,412	\$ 579,533,651
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	\$ 33,819,237	\$ 26,020,960
Liabilities		
Long-term liabilities	\$ 338,936,059	\$ 369,623,651
Other liabilities	11,238,958	17,130,658
Total liabilities	\$ 350,175,017	\$ 386,754,309
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 80,177,954	\$ 79,960,894
Pension plan deferments – PERA and TRA	24,613,466	47,296,918
Total deferred inflows of resources	\$ 104,791,420	\$ 127,257,812
Net position		
Net investment in capital assets	\$ 193,342,167	\$ 188,563,705
Restricted	15,552,674	15,826,198
Unrestricted	(99,033,629)	(112,847,413)
Total net position	\$ 109,861,212	\$ 91,542,490

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

Total net position increased by \$18,318,722, which reflects an increase from the current year operating results.

Current and other assets and long-term liabilities decreased due to the repayment of \$46,930,000 of outstanding general obligation bonds from an escrow account established by crossover refunding bonds issued in prior years.

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Charges for services	\$ 16,639,045	\$ 15,586,735
Operating grants and contributions	69,859,744	67,178,824
Capital grants and contributions	8,831,507	8,343,272
General revenues		
Property taxes	83,773,847	81,348,382
General grants and aids	138,867,011	136,917,820
Other	2,607,264	1,434,125
Total revenues	<u>320,578,418</u>	<u>310,809,158</u>
Expenses		
Administration	10,818,228	10,381,868
District support services	8,179,156	7,703,891
Elementary and secondary regular instruction	132,739,729	129,757,253
Vocational education instruction	3,382,640	2,577,175
Special education instruction	47,918,552	44,261,176
Instructional support services	19,542,885	18,218,530
Pupil support services	20,057,132	21,213,677
Sites and buildings	18,587,008	17,371,714
Fiscal and other fixed cost programs	529,352	607,963
Food service	12,207,490	11,239,240
Community service	16,419,921	14,421,741
Depreciation expense (net of allocation to programs)	7,814,428	7,290,078
Interest and fiscal charges on debt	4,063,175	5,557,629
Total expenses	<u>302,259,696</u>	<u>290,601,935</u>
Change in net position	18,318,722	20,207,223
Beginning of year net position	91,542,490	71,335,267
End of year net position	<u>\$ 109,861,212</u>	<u>\$ 91,542,490</u>

Change in Net Position – The District’s total revenues were \$320,578,418 for the year ended June 30, 2016. Property taxes and general grants and aids accounted for 68.7 percent (see Figure C) of total revenue for the year.

The total cost of all programs and services was \$302,259,696. The District’s expenses are predominantly related to educating and caring for students (76.7 percent) (see Figure D). The administrative activities of the District accounted for 3.6 percent of total costs.

Figure C – Sources of Revenues for Fiscal Year 2016

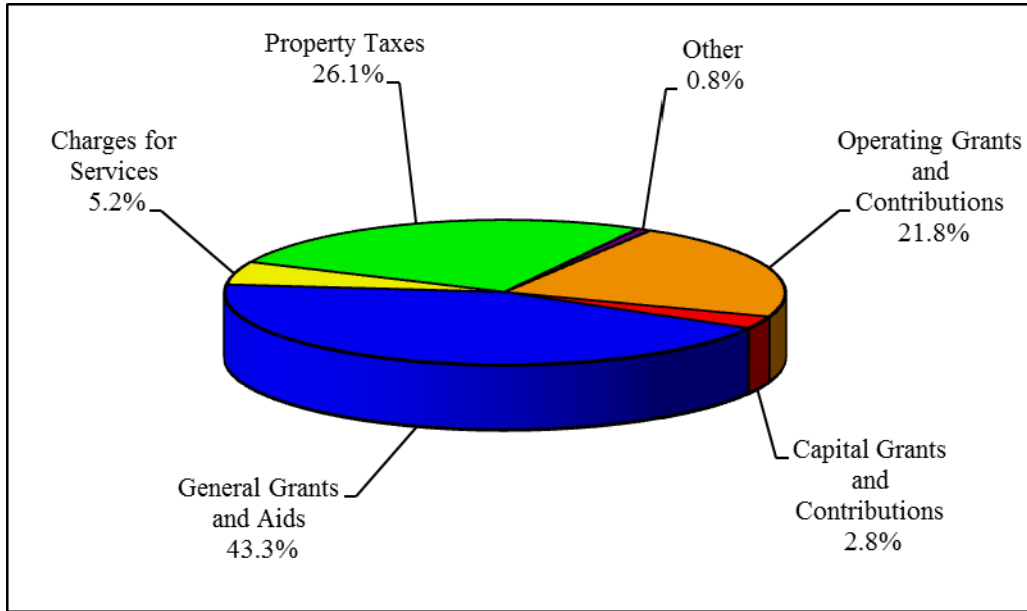
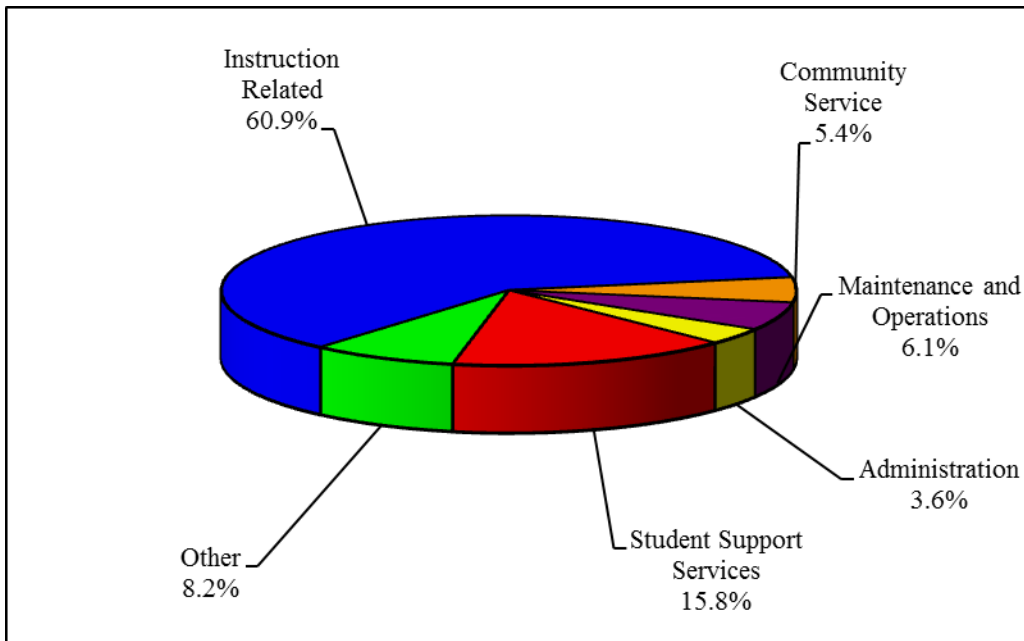


Figure D – Expenses for Fiscal Year 2016



- The cost of all *governmental* activities for fiscal year 2016 was \$302,259,696.
- Some of the cost, \$16,639,045, was paid by the users of the District's programs.
- The federal and state governments subsidized certain programs with operating grants and contributions of \$69,859,744.

- Most of the District's costs were paid for by district taxpayers and the taxpayers of our state through general grants and aids totaling \$222,640,858. This portion of governmental activities was paid for with \$83,773,847 in property taxes and \$138,867,011 of state aid based on the state-wide education aid formula.
- The elementary and secondary regular instruction and special education instruction increase is attributed to two main factors. First, Teachers Retirement Association (TRA) direct aid of \$3 million is included in expenditures from the state of Minnesota for the merger of the Minneapolis Teachers Retirement Fund Association in 2006 and the Duluth Teacher's Retirement Fund Association in 2015. A corresponding amount is recorded for revenues in the same amount. Secondly, compensatory aid related expenditures increased due to formulary enhancements.
- In the area of community service, the 13.9 percent increase is mainly due to program growth in Kidstop, 4Star Express, and School Readiness for fiscal year 2016.

<p style="text-align: center;">Table 3 Net Cost of Governmental Activities</p>						
	Total Cost of Services		Total Percent Change 2015–2016	Net Cost of Services		Total Percent Change 2015–2016
	2016	2015		2016	2015	
Administration	\$ 10,818,228	\$ 10,381,868	4.2%	\$ 10,228,479	\$ 9,726,080	5.2%
District support services	8,179,156	7,703,891	6.2%	8,266,993	7,663,020	7.9%
Elementary and secondary regular instruction	132,739,729	129,757,253	2.3%	106,523,529	107,348,042	(0.8%)
Vocational education instruction	3,382,640	2,577,175	31.3%	3,204,741	2,428,965	31.9%
Special education instruction	47,918,552	44,261,176	8.3%	20,507,766	14,685,034	39.7%
Instructional support services	19,542,885	18,218,530	7.3%	16,605,329	15,007,817	10.6%
Pupil support services	20,057,132	21,213,677	(5.5%)	17,924,721	19,267,555	(7.0%)
Sites and buildings	18,587,008	17,371,714	7.0%	9,647,802	8,793,408	9.7%
Fiscal and other fixed cost programs	529,352	607,963	(12.9%)	529,352	607,963	(12.9%)
Food service	12,207,490	11,239,240	8.6%	28,274	(101,574)	(127.8%)
Community service	16,419,921	14,421,741	13.9%	1,584,811	1,219,087	30.0%
Depreciation expense (net of allocation to programs)	7,814,428	7,290,078	7.2%	7,814,428	7,290,078	7.2%
Interest and fiscal charges on debt	4,063,175	5,557,629	(26.9%)	4,063,175	5,557,629	(26.9%)
Total	\$ 302,259,696	\$ 290,601,935	4.0%	\$ 206,929,400	\$ 199,493,104	3.7%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

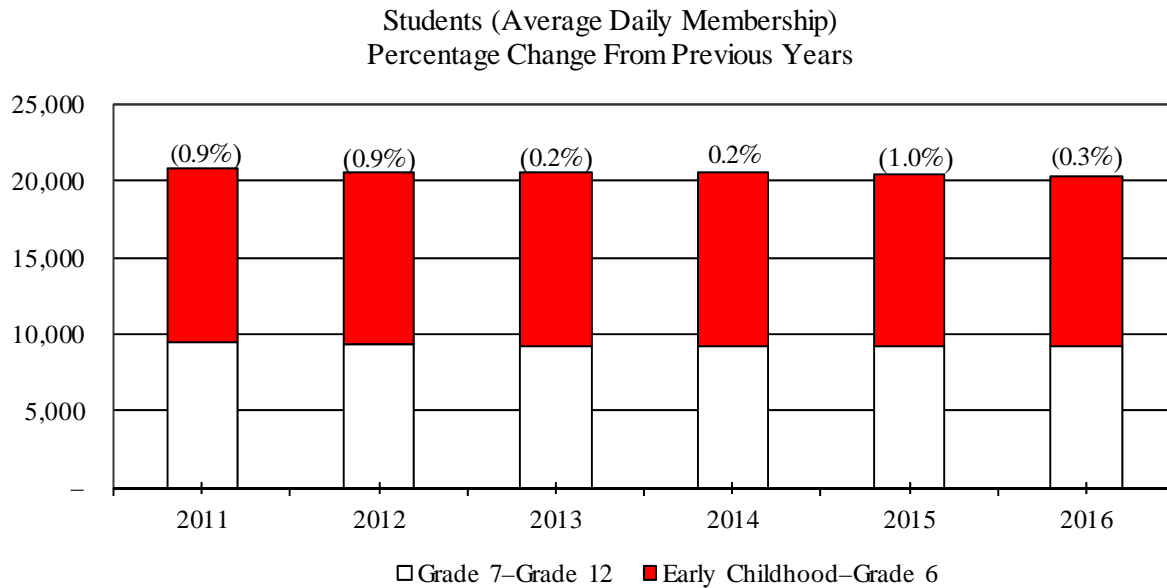
As the District completed the year, its governmental funds reported a *combined* fund balance of \$89,285,713, a decrease from last year's ending fund balance of \$136,564,558, or 34.6 percent. This is primarily due to the District repaying \$46,930,000 of bonds from an escrow account from refunding bonds during fiscal year 2016.

Revenues for the District's governmental funds were \$319,643,384, while total expenditures were \$326,273,549.

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 3.1 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 Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Local sources				
Property taxes	\$ 61,356,156	\$ 58,770,557	\$ 2,585,599	4.4%
Investment earnings	286,468	135,739	150,729	111.0%
Other	5,648,090	6,129,092	(481,002)	(7.8%)
State sources	194,656,081	190,034,147	4,621,934	2.4%
Federal sources	8,184,157	7,987,321	196,836	2.5%
Total General Fund revenue	<u>\$ 270,130,952</u>	<u>\$ 263,056,856</u>	<u>\$ 7,074,096</u>	2.7%

Total General Fund revenue increased by \$7,074,096, or 2.7 percent, in fiscal year 2016 compared with fiscal year 2015. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including the 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.

Property taxes increased in two areas. First, operating referendum allowance increased as a result of the voter-approved inflationary adjustment. Secondly, equity revenue increased due to a levy adjustment for the prior year.

The increase in state sources was due to an increase in the basic formula allowance for general education state aid and \$3 million for the TRA direct aid, referred to previously.

The following schedule presents a summary of General Fund expenditures:

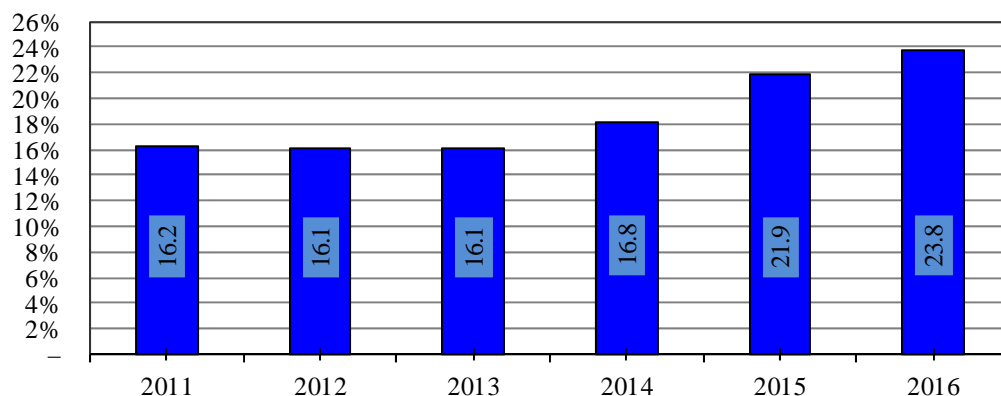
	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Salaries	\$ 155,836,566	\$ 151,118,570	\$ 4,717,996	3.1%
Employee benefits	55,627,101	52,786,287	2,840,814	5.4%
Purchased services	30,021,776	29,347,637	674,139	2.3%
Supplies, materials, and equipment	18,523,288	19,047,899	(524,611)	(2.8%)
Other expenditures	5,479,529	2,435,696	3,043,833	125.0%
Total expenditures	<u>\$ 265,488,260</u>	<u>\$ 254,736,089</u>	<u>\$ 10,752,171</u>	4.2%

Total General Fund expenditures increased \$10,752,171, or 4.2 percent, from the previous year.

In fiscal year 2016, salaries increased 3.1 percent and employee benefits increased 5.4 percent. The increase in salaries and benefits is attributed to employee contract improvements, the \$3 million in the TRA direct aid that offsets the revenue increase by the same amount, as noted previously.

Other expenditures increased by \$3,043,833 from the prior year. The increase in other expenditures can be attributed to the payment of principal and interest on various capital leases for the 2016 fiscal year.

The following graph shows the General Fund unassigned fund balance (without including any restricted account deficits) as a percentage of expenditures:



In fiscal year 2016, General Fund revenue and other financing sources were more than expenditures by \$10,924,012. Therefore, total fund balance increased to \$75,778,964 at June 30, 2016. After deducting nonspendable, assigned, and restricted amounts (including restricted account deficits), the unassigned fund balance increased from \$55,738,741 at June 30, 2015 to \$63,161,707 at June 30, 2016.

The graph on the previous page is the single best measure of overall financial health. The unassigned fund balance of \$63,161,707 at June 30, 2016 represents 23.8 percent of annual expenditures, or more than 12 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 revenues and other financing sources would exceed expenditures by \$2,194,123, the actual results for the year show an increase of \$10,924,012.

- Actual revenues were \$3,468,375 more than expected. Property tax collections were \$887,776 more than budgeted. Other revenue sources were over budget by \$795,678 due to fees from admissions and gate receipts exceeding budgeted amounts. State sources were over budget by \$2,576,312 due to the TRA direct aid of \$3 million referred to earlier; this item was slightly offset by special education state aid being less than anticipated. Federal sources were under budgeted entitlement amounts by \$873,959. These grants contain carryover provisions and will be spent down during the next fiscal year as planned.
- Actual expenditures were about \$1,019,806 over budget, or a 0.4 percent variance.
- Other financing sources were \$6,281,320 over budget, due to the issuance of several capital leases for iPads, technology equipment, and custodial and maintenance equipment.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Projects – Building Construction Fund expenditures exceeded revenues by \$10,441,364, resulting in a fund balance of \$4,952,256 at June 30, 2016. This was part of the planned spend down of prior year funding for the senior high schools to accommodate the grade span change for fiscal year 2016 through the issuance of the 2014A Capital Facility Bonds, 2015A Alternative Facilities Bonds, 2014B Certificates of Participation, and 2015B Capital Notes.

The Debt Service Fund expenditures exceeded revenues and other financing sources by \$48,082,011 in fiscal year 2016. The main decrease was from the \$46,930,000 retirement of the 2005A General Obligation School Refunding Bonds. The remaining fund balance of \$2,951,458 at June 30, 2016 is available for meeting future debt service obligations.

NONMAJOR FUNDS

Revenues exceeded expenditures in the nonmajor funds by \$320,518. The Food Service Special Revenue Fund had an increase in fund balance of \$49,006. This was more than budgeted due to increased sales over budgeted amounts for free and reduced breakfast and special events programs. The Community Service Special Revenue Fund had an increase in fund balance of \$271,512. 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 2016, 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 decreased \$36,540, resulting in a net position of \$498,334 at June 30, 2016.

The Retirement Incentive Pay Internal Service Fund change in net position decreased \$261,950, resulting in a net position of \$3,898,268 at June 30, 2016. This decrease is attributed to lower contributions required from governmental funds as a result of the projections in an independent actuarial valuation study dated March 1, 2016, 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 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, 2016, this fund has a net position of \$13,286,845. The assets held in this fund are dedicated for the purpose of paying these obligations.

The most recent independent actuarial study dated March 1, 2016, 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, 2016, this fund has a net position of \$611. The assets held in this fund are dedicated for the purpose of paying these obligations.

The most recent independent actuarial study dated March 1, 2016, 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 2016, the District had invested more than \$485 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). The major increase in capital assets can be attributed to additions at the three senior high schools for fiscal year 2016. (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 \$10.3 million as compared to a prior year depreciation expense of \$9.8 million.

Table 4
Capital Assets – Governmental Activities

	2016	2015	Total Percent Change 2015–2016
Land	\$ 8,323,417	\$ 8,323,417	–
Land improvements	31,479,888	30,394,387	3.6%
Buildings	428,532,037	406,467,020	5.4%
Furniture and equipment	10,098,560	8,798,928	14.8%
Construction in progress	6,655,427	17,292,480	(61.5%)
Less accumulated depreciation	(170,106,190)	(160,505,552)	6.0%
Total	<u>\$ 314,983,139</u>	<u>\$ 310,770,680</u>	1.4%

Debt Administration

At June 30, 2016, the District had bonded debt of \$124,445,000. 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

	2016	2015	Total Percent Change
General obligation bonds and notes payable	\$ 111,020,000	\$ 171,080,000	(35.1%)
Certificates of participation	13,425,000	14,085,000	(4.7%)
Capital leases	6,731,949	3,556,372	89.3%
Unamortized premiums on debt issued	8,901,279	10,602,876	(16.0%)
Net pension liability – PERA	38,423,195	37,345,117	2.9%
Net pension liability – TRA	141,628,218	113,378,068	24.9%
Post-employment severance benefits payable	10,216,130	11,536,482	(11.4%)
Net OPEB obligation	8,590,288	8,039,736	6.8%
Total	<u>\$ 338,936,059</u>	<u>\$ 369,623,651</u>	(8.3%)

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 \$2,046,404,386.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature approved an increase of 2 percent in the general education formula for fiscal year 2017. 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

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	\$ 129,086,388	\$ 132,652,762
Receivables		
Current taxes	41,984,849	41,501,904
Delinquent taxes	717,741	779,685
Accounts and interest	465,057	492,712
Note	441,677	424,690
Due from other governmental units	20,533,911	24,864,769
Inventory	398,433	373,514
Restricted assets – temporarily restricted		
Cash and investments for OPEB	22,222,730	20,582,190
Interest receivable for OPEB	174,487	152,092
Cash and investments for debt service	–	46,932,288
Interest receivable for debt service	–	6,365
Total restricted assets – temporarily restricted	22,397,217	67,672,935
Capital assets		
Not depreciated	14,978,844	25,615,897
Depreciated, net of accumulated depreciation	300,004,295	285,154,783
Total capital assets, net of accumulated depreciation	314,983,139	310,770,680
Total assets	531,008,412	579,533,651
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	33,819,237	26,020,960
Total assets and deferred outflows of resources	\$ 564,827,649	\$ 605,554,611
Liabilities		
Salaries payable	\$ 1,483,391	\$ 844,545
Accounts and contracts payable	4,875,176	11,772,165
Due to other governmental units	2,423,306	1,323,458
Unearned revenue	256,400	276,434
Accrued interest payable	2,200,685	2,914,056
Long-term liabilities		
Due within one year	18,265,418	63,568,315
Due in more than one year	320,670,641	306,055,336
Total long-term liabilities	338,936,059	369,623,651
Total liabilities	350,175,017	386,754,309
Deferred inflows of resources		
Property taxes levied for subsequent year	80,177,954	79,960,894
Pension plan deferments – PERA and TRA	24,613,466	47,296,918
Total deferred inflows of resources	104,791,420	127,257,812
Net position		
Net investment in capital assets	193,342,167	188,563,705
Restricted for		
Capital asset acquisition	8,899,093	8,996,637
Debt service	894,736	1,348,296
Food service	3,061,792	3,012,786
Community service	2,555,267	2,284,950
Other purposes (state funding restrictions)	141,786	183,529
Unrestricted	(99,033,629)	(112,847,413)
Total net position	109,861,212	91,542,490
Total liabilities, deferred inflows of resources, and net position	\$ 564,827,649	\$ 605,554,611

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

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

		2016			2015	
					Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Program Revenues				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Functions/Programs	Expenses					
Governmental activities						
Administration	\$ 10,818,228	\$ 471,637	\$ 118,112	\$ —	\$ (10,228,479)	\$ (9,726,080)
District support services	8,179,156	(87,812)	(25)	—	(8,266,993)	(7,663,020)
Elementary and secondary regular instruction	132,739,729	1,679,143	24,537,057	—	(106,523,529)	(107,348,042)
Vocational education instruction	3,382,640	—	177,899	—	(3,204,741)	(2,428,965)
Special education instruction	47,918,552	4,012	27,406,774	—	(20,507,766)	(14,685,034)
Instructional support services	19,542,885	1,439	2,936,117	—	(16,605,329)	(15,007,817)
Pupil support services	20,057,132	—	2,132,411	—	(17,924,721)	(19,267,555)
Sites and buildings	18,587,008	32,977	74,722	8,831,507	(9,647,802)	(8,793,408)
Fiscal and other fixed cost programs	529,352	—	—	—	(529,352)	(607,963)
Food service	12,207,490	5,018,871	7,160,345	—	(28,274)	101,574
Community service	16,419,921	9,518,778	5,316,332	—	(1,584,811)	(1,219,087)
Depreciation expense (net of allocations to programs)	7,814,428	—	—	—	(7,814,428)	(7,290,078)
Interest and fiscal charges	4,063,175	—	—	—	(4,063,175)	(5,557,629)
Total governmental activities	<u>\$302,259,696</u>	<u>\$16,639,045</u>	<u>\$69,859,744</u>	<u>\$ 8,831,507</u>	(206,929,400)	(199,493,104)
General revenues						
Taxes						
Property taxes, levied for general purposes					61,342,344	58,867,528
Property taxes, levied for community service					1,998,320	1,917,363
Property taxes, levied for debt service					17,810,240	17,940,548
Property taxes, levied for building construction					2,622,943	2,622,943
General grants and aids					138,867,011	136,917,820
Other general revenues					1,302,473	968,988
Investment earnings					1,304,791	465,137
Total general revenues					<u>225,248,122</u>	<u>219,700,327</u>
Change in net position					18,318,722	20,207,223
Net position – beginning					<u>91,542,490</u>	<u>71,335,267</u>
Net position – ending					<u>\$109,861,212</u>	<u>\$ 91,542,490</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 89,795,220	\$ 5,725,173	\$ 11,933,822
Cash and investments held by trustee	–	–	–
Receivables			
Current taxes	31,868,544	–	8,935,767
Delinquent taxes	529,765	–	171,017
Accounts and interest	214,749	18,309	–
Note	441,677	–	–
Due from other governmental units	19,738,142	–	108
Inventory	389,880	–	–
Total assets	<u>\$ 142,977,977</u>	<u>\$ 5,743,482</u>	<u>\$ 21,040,714</u>
Liabilities			
Salaries payable	\$ 978,325	\$ 1,125	\$ –
Accounts and contracts payable	3,584,355	790,101	–
Due to other governmental units	1,903,222	–	–
Unearned revenue	–	–	–
Total liabilities	<u>6,465,902</u>	<u>791,226</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	59,857,630	–	17,945,293
Unavailable revenue – note receivable	441,677	–	–
Unavailable revenue – delinquent taxes	433,804	–	143,963
Total deferred inflows of resources	<u>60,733,111</u>	<u>–</u>	<u>18,089,256</u>
Fund balances			
Nonspendable	389,880	–	–
Restricted	9,032,632	4,952,256	2,951,458
Assigned	3,628,175	–	–
Unassigned	62,728,277	–	–
Total fund balances	<u>75,778,964</u>	<u>4,952,256</u>	<u>2,951,458</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 142,977,977</u>	<u>\$ 5,743,482</u>	<u>\$ 21,040,714</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2016	2015
\$ 6,882,774	\$ 114,336,989	\$ 115,199,779
–	–	46,932,288
1,180,538	41,984,849	41,501,904
16,959	717,741	779,685
231,999	465,057	499,077
–	441,677	424,690
795,661	20,533,911	24,864,769
8,553	398,433	373,514
<u>\$ 9,116,484</u>	<u>\$ 178,878,657</u>	<u>\$ 230,575,706</u>
\$ 503,941	\$ 1,483,391	\$ 844,545
364,053	4,738,509	10,550,756
–	1,903,222	1,323,458
256,400	256,400	276,434
<u>1,124,394</u>	<u>8,381,522</u>	<u>12,995,193</u>
2,375,031	80,177,954	79,960,894
–	441,677	424,690
14,024	591,791	630,371
<u>2,389,055</u>	<u>81,211,422</u>	<u>81,015,955</u>
8,553	398,433	373,514
5,594,482	22,530,828	80,935,076
–	3,628,175	–
–	62,728,277	55,255,968
<u>5,603,035</u>	<u>89,285,713</u>	<u>136,564,558</u>
<u>\$ 9,116,484</u>	<u>\$ 178,878,657</u>	<u>\$ 230,575,706</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, 2016
(With Partial Comparative Information as of June 30, 2015)

	2016	2015
Total fund balances – governmental funds	\$ 89,285,713	\$ 136,564,558
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	485,089,329	471,276,232
Accumulated depreciation	(170,106,190)	(160,505,552)
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 and notes	(111,020,000)	(171,080,000)
Certificates of participation	(13,425,000)	(14,085,000)
Capital leases	(6,731,949)	(3,556,372)
Premium on bonds	(8,901,279)	(10,602,876)
Net pension liability – PERA	(38,423,195)	(37,345,117)
Net pension liability – TRA	(141,628,218)	(113,378,068)
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(2,200,685)	(2,914,056)
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.	17,683,447	17,389,638
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	33,819,237	26,020,960
Deferred inflows – PERA and TRA pension plans	(24,613,466)	(47,296,918)
Deferred inflows – delinquent property taxes	591,791	630,371
Certain revenues are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	441,677	424,690
Total net position – governmental activities	<u>\$ 109,861,212</u>	<u>\$ 91,542,490</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, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 61,356,156	\$ 2,622,943	\$ 17,833,813
Investment earnings	286,468	22,545	13,922
Other	5,648,090	–	–
State sources	194,656,081	–	1,076
Federal sources	8,184,157	–	–
Total revenue	270,130,952	2,645,488	17,848,811
Expenditures			
Current			
Administration	10,818,228	–	–
District support services	6,172,803	–	–
Elementary and secondary regular instruction	133,079,885	–	–
Vocational education instruction	3,380,229	–	–
Special education instruction	48,125,942	–	–
Instructional support services	19,590,144	–	–
Pupil support services	20,059,076	–	–
Sites and buildings	19,359,537	–	–
Fiscal and other fixed cost programs	529,352	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	13,086,852	–
Debt service			
Principal	3,765,743	–	13,130,000
Interest and fiscal charges	607,321	–	5,870,822
Total expenditures	265,488,260	13,086,852	19,000,822
Excess (deficiency) of revenue over expenditures	4,642,692	(10,441,364)	(1,152,011)
Other financing sources (uses)			
Refunding bonds issued	–	–	–
Debt issued	–	–	–
Premium on debt issued	–	–	–
Debt retirement from refunded bonds	–	–	(46,930,000)
Capital leases issued	6,281,320	–	–
Total other financing sources (uses)	6,281,320	–	(46,930,000)
Net change in fund balances	10,924,012	(10,441,364)	(48,082,011)
Fund balances			
Beginning of year	64,854,952	15,393,620	51,033,469
End of year	\$ 75,778,964	\$ 4,952,256	\$ 2,951,458

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2016	2015
\$ 1,999,515	\$ 83,812,427	\$ 81,224,509
25,229	348,164	169,450
15,711,506	21,359,596	20,092,851
4,255,420	198,912,577	193,878,147
7,026,463	15,210,620	14,660,370
<u>29,018,133</u>	<u>319,643,384</u>	<u>310,025,327</u>
—	10,818,228	10,381,868
—	6,172,803	5,622,720
—	133,079,885	130,841,833
—	3,380,229	2,573,885
—	48,125,942	46,296,441
—	19,590,144	18,270,519
—	20,059,076	21,259,449
—	19,359,537	17,581,741
—	529,352	607,963
12,021,733	12,021,733	11,232,077
16,420,852	16,420,852	14,465,450
255,030	13,341,882	22,990,007
—	16,895,743	13,293,208
—	6,478,143	6,032,813
<u>28,697,615</u>	<u>326,273,549</u>	<u>321,449,974</u>
320,518	(6,630,165)	(11,424,647)
—	—	42,075,000
—	—	30,685,000
—	—	6,295,789
—	(46,930,000)	—
—	6,281,320	4,759,147
<u>—</u>	<u>(40,648,680)</u>	<u>83,814,936</u>
320,518	(47,278,845)	72,390,289
<u>5,282,517</u>	<u>136,564,558</u>	<u>64,174,269</u>
<u>\$ 5,603,035</u>	<u>\$ 89,285,713</u>	<u>\$ 136,564,558</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, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016	2015
Total net change in fund balances – governmental funds	\$ (47,278,845)	\$ 72,390,289
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	14,503,994	23,484,907
Depreciation expense	(10,291,535)	(9,770,771)
A (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.	–	(9,535)
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.		
General obligation bonds payable	–	(58,675,000)
Certificates of participation	–	(14,085,000)
Capital leases	(6,281,320)	(4,759,147)
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.	293,809	588,382
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds and certificates of participation	60,720,000	11,995,000
Capital leases	3,105,743	1,298,208
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.	713,371	(502,923)
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.	1,701,597	(5,317,682)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	(1,078,078)	2,909,299
Net pension liability – TRA	(28,250,150)	21,796,947
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	7,798,277	26,020,960
Deferred inflows – PERA and TRA pension plans	22,683,452	(47,296,918)
Deferred inflows – delinquent property taxes	(38,580)	123,873
Certain revenues 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.	16,987	16,334
Change in net position – governmental activities	<u>\$ 18,318,722</u>	<u>\$ 20,207,223</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, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 56,724,717	\$ 60,468,380	\$ 61,356,156	\$ 887,776
Investment earnings	118,000	203,900	286,468	82,568
Other	2,239,500	4,852,412	5,648,090	795,678
State sources	175,134,279	192,079,769	194,656,081	2,576,312
Federal sources	—	9,058,116	8,184,157	(873,959)
Total revenue	<u>234,216,496</u>	<u>266,662,577</u>	<u>270,130,952</u>	<u>3,468,375</u>
Expenditures				
Current				
Administration	8,187,386	11,207,676	10,818,228	(389,448)
District support services	6,144,774	7,066,637	6,172,803	(893,834)
Elementary and secondary regular instruction	82,235,794	129,290,387	133,079,885	3,789,498
Vocational education instruction	2,198,613	3,509,100	3,380,229	(128,871)
Special education instruction	34,630,810	48,307,587	48,125,942	(181,645)
Instructional support services	12,194,174	18,357,029	19,590,144	1,233,115
Pupil support services	21,763,693	23,090,434	20,059,076	(3,031,358)
Sites and buildings	15,330,283	18,663,470	19,359,537	696,067
Fiscal and other fixed cost programs	42,849,099	600,000	529,352	(70,648)
Debt service				
Principal	3,697,128	3,765,744	3,765,743	(1)
Interest and fiscal charges	613,390	610,390	607,321	(3,069)
Total expenditures	<u>229,845,144</u>	<u>264,468,454</u>	<u>265,488,260</u>	<u>1,019,806</u>
Excess of revenue over expenditures	4,371,352	2,194,123	4,642,692	2,448,569
Other financing sources				
Capital leases issued	<u>—</u>	<u>—</u>	<u>6,281,320</u>	<u>6,281,320</u>
Net change in fund balances	<u>\$ 4,371,352</u>	<u>\$ 2,194,123</u>	<u>10,924,012</u>	<u>\$ 8,729,889</u>
Fund balances				
Beginning of year			<u>64,854,952</u>	
End of year			<u>\$ 75,778,964</u>	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and temporary investments	\$ 14,749,399	\$ 17,452,983
Cash and investments held by trustee	22,222,730	20,582,190
Interest receivable	<u>174,487</u>	<u>152,092</u>
Total assets	37,146,616	38,187,265
Liabilities		
Current liabilities		
Accounts and contracts payable	136,667	1,221,409
Due to other governmental units	520,084	—
Post-employment severance benefits payable	1,600,233	1,672,174
Long-term liabilities		
Net other post-employment benefit obligation	8,590,288	8,039,736
Post-employment severance benefits payable	<u>8,615,897</u>	<u>9,864,308</u>
Total liabilities	19,463,169	20,797,627
Net position		
Restricted for employee benefits	13,286,845	12,694,546
Unrestricted	<u>4,396,602</u>	<u>4,695,092</u>
Total net position	<u><u>\$ 17,683,447</u></u>	<u><u>\$ 17,389,638</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2016</u>	<u>2015</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 3,305,511	\$ 3,860,920
Operating expenses		
Dental benefit claims	1,593,256	1,515,150
Post-employment severance benefits	1,304,437	1,538,831
Other post-employment benefits	1,070,636	514,244
Total operating expenses	<u>3,968,329</u>	<u>3,568,225</u>
Operating income (loss)	(662,818)	292,695
Nonoperating revenue		
Investment earnings	<u>956,627</u>	<u>295,687</u>
Change in net position	293,809	588,382
Net position		
Beginning of year	<u>17,389,638</u>	<u>16,801,256</u>
End of year	<u><u>\$ 17,683,447</u></u>	<u><u>\$ 17,389,638</u></u>

See notes to basic financial statements

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

Statement of Cash Flows
Governmental Activities
Internal Service Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 3,305,511	\$ 3,860,920
Payments for dental claims	(1,589,998)	(1,505,404)
Post-employment severance benefit payments	<u>(3,712,789)</u>	<u>(1,424,406)</u>
Net cash flows from operating activities	(1,997,276)	931,110
Cash flows from investing activities		
Investment income received	<u>934,232</u>	<u>262,005</u>
Net change in cash and cash equivalents	(1,063,044)	1,193,115
Cash and cash equivalents		
Beginning of year	<u>38,035,173</u>	<u>36,842,058</u>
End of year	<u><u>\$ 36,972,129</u></u>	<u><u>\$ 38,035,173</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (662,818)	\$ 292,695
Adjustments to reconcile operating income to cash flows from operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	(1,084,742)	1,097,746
Due to other governmental units	520,084	—
Post-employment severance benefits payable	(1,320,352)	(973,575)
Net other post-employment benefit obligation	<u>550,552</u>	<u>514,244</u>
Net cash flows from operating activities	<u><u>\$ (1,997,276)</u></u>	<u><u>\$ 931,110</u></u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:		
Cash and temporary investments	\$ 14,749,399	\$ 17,452,983
Cash and investments held by trustee	<u>22,222,730</u>	<u>20,582,190</u>
Total cash and cash equivalents	<u><u>\$ 36,972,129</u></u>	<u><u>\$ 38,035,173</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and temporary investments	\$ —	\$ 1,997,268
Investments held by trustee, at fair value		
First American Prime Obligation Fund	291,925	
MNTrust Investment Shares Portfolio	218,894	
Total assets	510,819	
Liabilities		
Accounts and contracts payable	425,800	
Due to other governmental units	—	\$ 1,997,268
Total liabilities	425,800	
Net position		
Held in trust for employee benefits	\$ 85,019	

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

	Employee Benefit Trust Funds
Additions	
Plan member contributions	\$ 1,076,234
Investment earnings (loss)	(1,714)
Total additions	1,074,520
Deductions	
Benefits to plan members	1,357,614
Change in net position	(283,094)
Net position	
Beginning of year	368,113
End of year	\$ 85,019

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Notes to Basic Financial Statements June 30, 2016

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 and Statement of Changes in 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 expense (net of allocations to programs).” 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, compensated absences, and net pension liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

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 debt issue or levy issuance program.

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, pre-K–8 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 [IRC] § 125 Cafeteria Plan) and the Post-Employment Benefits Irrevocable Trust Fiduciary Fund (IRC § 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 Funds – The agency funds were established to account for cash and other assets held by the District as the agent for others. These funds are 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. Expenditures exceeded budgeted amounts in the General Fund by \$1,019,806.

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 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)

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

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

See Note 2 for the District's recurring fair value measurements as of June 30, 2016.

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. 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 Minnesota 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 \$4,164,799 of the property tax levy collectible in 2016 as revenue to the District in fiscal year 2016. The remaining portion of the taxes collectible in 2016 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes 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)

J. 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 acquisition 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.

K. Accounts and Contracts Payable

At June 30, 2016, accounts and contracts payable are \$4,542,405 and \$332,771, respectively, within the Statement of Net Position.

L. Long-Term Obligations

In the government-wide and proprietary fund 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.

M. 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.

N. 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)

O. 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 294 active participants being funded by the Retirement Incentive Pay Internal Service Fund.

P. Pensions

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

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

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 2016.

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. Under this plan, this fund provides coverage to participating employees and their dependents for various dental costs as described in the plan.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District makes premium payments to this fund on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss insurance premium costs and administrative service charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The District pays for claims by an individual up to \$1,000. The claims liability of \$136,667 reported in the fund at June 30, 2016 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
2015	\$ 123,663	\$ 1,515,150	\$ 1,505,404	\$ 133,409
2016	\$ 133,409	\$ 1,593,256	\$ 1,589,998	\$ 136,667

R. Deferred Outflows/Inflows of Resources

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

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

The first 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The second item, unavailable revenue from property taxes and notes receivable, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes and notes receivable 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 third item, deferred inflows of resources related to pensions, is reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

S. 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 are also considered a cash equivalent.

T. 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."

U. Net Position

In the government-wide and Internal Service Fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred 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."

V. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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.
- **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.

W. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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 the reported amounts reported in the financial statements during the reporting period. 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	\$ 106,100,586
Investments	47,710,719
Cash on hand	<u>5,900</u>
Total	<u><u>\$ 153,817,205</u></u>

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Statement of Net Position	
Cash and temporary investments	\$ 129,086,388
Statement of Net Position – restricted assets – temporarily restricted	
Cash and investments for OPEB	22,222,730
Statement of Fiduciary Net Position – Employee Benefit Trust Funds	
Investments held by trustee, at fair value	
First American Prime Obligation Fund	291,925
MNTrust Investment Shares Portfolio	218,894
Statement of Fiduciary Net Position – Agency Fund	
Cash and temporary investments	<u>1,997,268</u>
Total	<u><u>\$ 153,817,205</u></u>

B. Deposits

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

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

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

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

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

At year-end, the carrying amount of the District’s deposits was \$106,100,586, while the balance on the bank records was \$106,100,594. At June 30, 2016, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years				Total
	Rating	Agency		Less Than 1	1 to 5	5 to 10	More Than 10	
Municipal bonds	Aaa	Moody's	Level 1	\$ –	\$ 300,597	\$ –	\$ –	\$ 300,597
Municipal bonds	Aa	Moody's	Level 1	\$ 59,000	\$ 1,445,107	\$ 256,658	\$ –	1,760,765
Municipal bonds	AA	S&P	Level 1	\$ 585,528	\$ 588,742	\$ –	\$ –	1,174,270
Municipal bonds	A	Moody's	Level 1	\$ 309,420	\$ –	\$ –	\$ –	309,420
Municipal bonds	N/R	N/A	Level 1	\$ 278,229	\$ –	\$ –	\$ –	278,229
Corporate obligations	Aa	Moody's	Level 1	\$ –	\$ –	\$ 309,970	\$ –	309,970
Corporate obligations	AA	S&P	Level 1	\$ –	\$ –	\$ 417,928	\$ –	417,928
Corporate obligations	A	Moody's	Level 1	\$ –	\$ –	\$ 516,850	\$ 595,472	1,112,322
Corporate obligations	A	S&P	Level 1	\$ –	\$ 207,244	\$ 261,796	\$ 431,428	900,468
Corporate obligations	Baa	Moody's	Level 1	\$ –	\$ –	\$ 736,691	\$ 209,576	946,267
Corporate obligations	BBB	S&P	Level 1	\$ –	\$ 205,610	\$ –	\$ –	205,610
Stocks	N/A	N/A	Level 1	N/A	N/A	N/A	N/A	5,293,704
Negotiable certificates of deposit	N/A	N/A	Level 1	\$ 2,588,494	\$ 2,630,201	\$ –	\$ –	5,218,695
Investment pools/mutual funds								
Minnesota School District Liquid Asset Fund (MSDLAF)	AAA	S&P	NAV	N/A	N/A	N/A	N/A	18,322,194
First American Prime Obligations Fund Class Y	AAA	S&P	Level 1	N/A	N/A	N/A	N/A	291,925
Goldman Sachs Financial Square Prime Obligations Fund Class FST	AAA	S&P	Level 1	N/A	N/A	N/A	N/A	95,019
MNTrust Investment Shares Portfolio	AAA	S&P	NAV	N/A	N/A	N/A	N/A	10,773,336
Total investments								<u>\$ 47,710,719</u>

NAV – Investments measured at the net asset value

N/A – Not Applicable

N/R – Not Rated

The amount in investment pools/mutual funds includes amounts invested in the MNTrust Investment Shares Portfolio (MnTrust) and amounts 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). 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.

For MNTrust and MSDLAF investments valued at net asset value (NAV), there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class. Within MSDLAF, the redemption notice period is 14 days for the MAX Class.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The District 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 Trust and Revocable Internal Service 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 Minnesota 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, 2016 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 8,323,417	\$ –	\$ –	\$ –	\$ 8,323,417
Construction in progress	17,292,480	10,371,089	–	(21,008,142)	6,655,427
Total capital assets, not depreciated	25,615,897	10,371,089	–	(21,008,142)	14,978,844
Capital assets, depreciated					
Land improvements	30,394,387	1,085,501	–	–	31,479,888
Buildings	406,467,020	1,056,875	–	21,008,142	428,532,037
Furniture and equipment	8,798,928	1,990,529	(690,897)	–	10,098,560
Total capital assets, depreciated	445,660,335	4,132,905	(690,897)	21,008,142	470,110,485
Less accumulated depreciation for					
Land improvements	(19,584,398)	(1,187,529)	–	–	(20,771,927)
Buildings	(134,257,017)	(8,570,640)	–	–	(142,827,657)
Furniture and equipment	(6,664,137)	(533,366)	690,897	–	(6,506,606)
Total accumulated depreciation	(160,505,552)	(10,291,535)	690,897	–	(170,106,190)
Net capital assets, depreciated	285,154,783	(6,158,630)	–	21,008,142	300,004,295
Total capital assets, net	<u>\$ 310,770,680</u>	<u>\$ 4,212,459</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 314,983,139</u>

Depreciation expense for the year ended June 30, 2016 was charged to the following governmental functions:

District support services	\$ 2,112,363
Elementary and secondary regular instruction	66,602
Vocational education instruction	2,856
Special education instruction	5,137
Instructional support services	46,178
Food service	213,580
Community service	30,391
Depreciation expense (net of allocations to programs)	<u>7,814,428</u>
Total depreciation expense	<u>\$ 10,291,535</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds and Notes

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

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds and notes including refunding bonds					
2006A Alternative Facilities Bonds	12/28/2006	3.85%	\$ 5,235,000	02/01/2017	\$ 670,000
2009A Taxable OPEB Bonds	01/07/2009	6.00%	\$ 16,000,000	02/01/2022	13,485,000
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	21,545,000
2011A Alternative Facilities Bonds	04/27/2011	4.00%–4.13%	\$ 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
2014A Capital Facilities Bonds	11/18/2014	2.00%–3.00%	\$ 5,770,000	02/01/2029	5,135,000
2015A Alternative Facilities Bonds	05/06/2015	2.00%–3.00%	\$ 9,355,000	02/01/2025	9,355,000
2015B Capital Notes	05/06/2015	2.00%–3.00%	\$ 1,475,000	02/01/2025	1,310,000
2015C Refunding Bonds	05/06/2015	2.00%–5.00%	\$ 42,075,000	02/01/2021	35,365,000
Total general obligation bonds and notes					<u>\$ 111,020,000</u>

B. Certificates of Participation

The District currently has the following certificates of participation outstanding:

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
2014B Certificates of Participation	11/18/2014	2.00%–4.00%	\$ 14,085,000	02/01/2030	\$ 13,425,000

C. Description of Long-Term Liabilities

General Obligation Bonds and Notes – 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.

In May 2015, the District issued \$42,075,000 of General Obligation School Building Refunding Bonds, Series 2015C. The proceeds of this issue and interest earned thereon were used to refund, in advance of their stated maturities, the 2016 through 2021 maturities of the District's 2005A Refunding Bonds, on the August 1, 2015 call date of the refunded issue. This advance "crossover refunding" reduced the District's total future debt service payments by approximately \$5,145,992 and resulted in present value savings of approximately \$4,901,289.

Certificates of Participation – In November 2014, the District sold \$14,085,000 of certificates of participation to finance the construction of additions to several high school sites. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable – The District entered into capital lease agreements to finance equipment purchases, which call for monthly principal and interest payments through July 2018 with interest rates ranging from zero percent to 2.71 percent. These leases are paid by the General Fund. Amortization of the leased equipment required to be capitalized is included in depreciation. At June 30, 2016, the capitalized assets under capital lease have been recorded at \$1,285,885 (the present value of future minimum lease payments as of the inception dates of the leases).

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.

Net Pension Liability and Net OPEB Obligation – The details of these liabilities are discussed elsewhere in these notes. Such benefits are financed by the governmental funds and the Post-Employment Benefits Revocable Trust Fund, respectively.

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire general obligation bonds and notes, certificates of participation, and capital leases:

Year Ending June 30,	General Obligation Bonds and Notes		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 12,840,000	\$ 4,810,719	\$ 770,000	\$ 470,925	\$ 3,055,185	\$ 78,654
2018	13,455,000	4,176,606	785,000	455,525	3,090,279	43,560
2019	14,125,000	3,496,656	810,000	431,975	586,485	5,278
2020	16,965,000	2,782,506	835,000	407,675	–	–
2021	17,805,000	2,010,831	860,000	382,625	–	–
2022–2026	34,470,000	2,363,688	4,795,000	1,415,525	–	–
2027–2030	1,360,000	82,350	4,570,000	403,038	–	–
	<u>\$ 111,020,000</u>	<u>\$ 19,723,356</u>	<u>\$ 13,425,000</u>	<u>\$ 3,967,288</u>	<u>\$ 6,731,949</u>	<u>\$ 127,492</u>

E. Changes in Long-Term Liabilities

	June 30, 2015	Additions	Retirements	June 30, 2016	Due Within One Year
Long-term liabilities					
General obligation bonds and notes	\$ 171,080,000	\$ –	\$ 60,060,000	\$ 111,020,000	\$ 12,840,000
Certificates of participation	14,085,000	–	660,000	13,425,000	770,000
Capital leases	3,556,372	6,281,320	3,105,743	6,731,949	3,055,185
Unamortized premiums on debt issued	10,602,876	–	1,701,597	8,901,279	–
Net pension liability – PERA	37,345,117	9,404,789	8,326,711	38,423,195	–
Net pension liability – TRA	113,378,068	40,909,716	12,659,566	141,628,218	–
Post-employment severance benefits payable	11,536,482	(57,499)	1,262,853	10,216,130	1,600,233
Net OPEB obligation	8,039,736	1,590,551	1,039,999	8,590,288	–
	<u>\$ 369,623,651</u>	<u>\$ 58,128,877</u>	<u>\$ 88,816,469</u>	<u>\$ 338,936,059</u>	<u>\$ 18,265,418</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, 2016, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 389,880	\$ –	\$ –	\$ 8,553	\$ 398,433
Restricted					
Operating capital	8,890,846	–	–	–	8,890,846
Gifted and talented	109,120	–	–	–	109,120
Safe schools crime levy	32,666	–	–	–	32,666
Alternative facilities program	–	4,122,952	–	–	4,122,952
Capital facility bonds	–	452,290	–	–	452,290
Capital notes	–	377,014	–	–	377,014
Food service	–	–	–	3,053,239	3,053,239
Community education	–	–	–	982,178	982,178
Early childhood family education programs	–	–	–	933,716	933,716
School readiness	–	–	–	535,106	535,106
Adult basic education	–	–	–	90,243	90,243
General debt service	–	–	2,557,674	–	2,557,674
Other post-employment benefits bonds debt service	–	–	393,784	–	393,784
Total restricted	9,032,632	4,952,256	2,951,458	5,594,482	22,530,828
Assigned					
Subsequent year budget	3,628,175	–	–	–	3,628,175
Unassigned					
Health and safety restricted account deficit	(343,907)	–	–	–	(343,907)
Capital projects levy restricted account deficit	(89,523)	–	–	–	(89,523)
Unassigned	63,161,707	–	–	–	63,161,707
Total unassigned	62,728,277	–	–	–	62,728,277
Total	\$ 75,778,964	\$ 4,952,256	\$ 2,951,458	\$ 5,603,035	\$ 89,285,713

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 5.0 percent of the District's General Fund operating expenditure budget, excluding operating capital programs. At June 30, 2016, the unassigned fund balance of the General Fund was 25.8 percent of the fiscal 2016 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 dependent 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 dependents 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.

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	\$ 1,733,900
Interest on net OPEB obligation	321,589
Adjustment to ARC	(464,938)
Annual OPEB cost	<u>1,590,551</u>
Contributions made	<u>1,039,999</u>
Increase in net OPEB obligation	550,552
Net OPEB obligation – beginning of year	<u>8,039,736</u>
Net OPEB obligation – end of year	<u><u>\$ 8,590,288</u></u>

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)

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:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 1,781,275	\$ 1,081,225	60.7 %	\$ 7,525,492
2015	\$ 1,579,997	\$ 1,065,753	67.5 %	\$ 8,039,736
2016	\$ 1,590,551	\$ 1,039,999	65.4 %	\$ 8,590,288

D. Funded Status and Funding Progress

On March 1, 2016, the most recent actuarial valuation date, the plan was 1.6 percent funded. The actuarial accrued liability for benefits was \$18,189,955, and the actuarial value of assets was \$291,393, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,898,562. The covered payroll (annual payroll of active employees covered by the plan) was \$159,990,178, and the ratio of the UAAL to the covered payroll was 11.2 percent.

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

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, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.75 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, and an annual healthcare cost trend rate of 6.60 percent initially, reduced by decrements to an ultimate rate of 4.40 percent after 60 years. Both rates included a 2.75 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, 2016 was 30 years.

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)

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, 2016:

Retirees and beneficiaries receiving benefits	202
Active plan members	<u>2,887</u>
Total members	<u><u>3,089</u></u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded status, or have fallen below 80 percent, are given 1 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2 percent. After the TRA funded ratio exceeds 90 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

1. GERS Benefits

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.5 percent for the Coordinated Plan.

The District's contributions to the GERF for the year ended June 30, 2016 were \$3,460,530. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Year Ended June 30,			
	2015		2016	
	Employee	Employer	Employee	Employer
Basic Plan	11.0%	11.5%	11.0%	11.5%
Coordinated Plan	7.5%	7.5%	7.5%	7.5%

The District's contributions to the TRA for the year ended June 30, 2016 were \$8,933,086. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

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

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

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

E. Pension Costs

1. GERS Pension Costs

At June 30, 2016, the District reported a liability of \$38,423,195 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the District's proportion was 0.7414 percent, which was a decrease of 0.0536 percent from its proportion measured as of June 30, 2014.

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

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

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9 percent. The Legislature has since set the discount rate in statute at 8 percent. Beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB Statement No. 68 accounting requirements will be increased to 8 percent to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the District recognized pension expense of \$3,443,570 for its proportionate share of the GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 356,327	\$ 1,937,182
Changes in actuarial assumptions	2,392,863	–
Differences between projected and actual investment earnings	–	3,420,375
Changes in proportion	–	2,175,038
District's contributions to the GERF subsequent to the measurement date	3,460,530	–
Total	<u>\$ 6,209,720</u>	<u>\$ 7,532,595</u>

A total of \$3,460,530 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	\$ (1,439,382)
2018	\$ (1,439,382)
2019	\$ (2,813,977)
2020	\$ 909,336

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**2. TRA Pension Costs**

At June 30, 2016, the District reported a liability of \$141,628,218 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 2.2895 percent at the end of the measurement period and 2.4605 percent for the beginning of the period.

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

District's proportionate share of net pension liability	\$ 141,628,218
State's proportionate share of the net pension liability associated with the District	\$ 17,371,855

For the year ended June 30, 2016, the District recognized pension expense of \$7,837,589. It also recognized \$3,071,120 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,788,988	\$ –
Changes in actuarial assumptions	10,887,443	–
Difference between projected and actual investment earnings	–	12,689,965
Changes in proportion	–	4,390,906
District's contributions to the TRA subsequent to the measurement date	8,933,086	–
Total	<u>\$ 27,609,517</u>	<u>\$ 17,080,871</u>

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

A total of \$8,933,086 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2017	\$ (1,739,998)
2018	\$ (1,739,998)
2019	\$ (1,739,998)
2020	\$ 6,815,554

F. Actuarial Assumptions

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

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

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

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

The actuarial assumptions used in the June 30, 2015, valuation for the TRA were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.0 percent annually with no increase to 2.5 percent projected. The prior year valuation assumed a 2.5 percent increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERF and 8.0 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

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

G. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent for the GERS and 8 percent for the TRA. This is a decrease from the discount rate at the prior measurement date of 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2016 contribution rates, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.9%	7.9%	8.9%
District's proportionate share of the GERF net pension liability	\$ 60,414,921	\$ 38,423,195	\$ 20,261,409
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	\$ 215,576,481	\$ 141,628,218	\$ 79,916,257

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

I. Pension Plan Fiduciary Net Position

Detailed information about the GERF's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

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

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent 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 dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements in the 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 dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – LEASE ARRANGEMENTS

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of approximately \$522,153 for operating leases during the year ended June 30, 2016. 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:

Year Ending June 30,	Amount
2017	\$ 234,237
2018	27,533
	<u>\$ 261,770</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, 2016, the District had commitments totaling approximately \$3.2 million under various construction contracts for which the work was not yet completed.

NOTE 11 – SUBSEQUENT EVENTS

Capital Lease

In July 2016, the District entered into a capital lease for technology equipment totaling \$959,875 with payments over three years. The lease matures in July 2019.

Bond Issue

In November 2016, the District issued \$50,745,000 of General Obligation Facilities Maintenance Bonds, Series 2016A. The bonds bear interest rates ranging from 2.75 to 4.00 percent and have a final maturity of February 1, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.7950%	\$ 37,345,117	\$ 41,705,669	89.54%	78.70%
06/30/2016	06/30/2015	0.7414%	\$ 38,423,195	\$ 42,823,653	89.72%	78.20%

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	06/30/2015	\$ 3,211,774	\$ 3,211,774	\$ —	\$ 42,823,653	7.50%
06/30/2016	06/30/2016	\$ 3,460,530	\$ 3,460,530	\$ —	\$ 46,140,396	7.50%

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

Note 2: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 279

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	2.4605%	\$ 113,378,068	\$ 7,976,017	\$ 121,354,085	\$ 112,313,831	101.0%	81.5%
06/30/2016	06/30/2015	2.2895%	\$ 141,628,218	\$ 17,371,855	\$ 159,000,073	\$ 116,202,693	121.9%	76.8%

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	06/30/2015	\$ 8,713,050	\$ 8,713,050	\$ —	\$ 116,202,693	7.5%
06/30/2016	06/30/2016	\$ 8,933,896	\$ 8,933,896	\$ —	\$ 119,107,808	7.5%

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

Note 2: **Change of Assumptions.** The annual cost of living adjustment for the June 30, 2015 valuation assumed 2 percent. The prior year valuation used 2 percent with an increase to 2.5 percent commencing in 2034. The discount rate used to measure the total pension liability was 8 percent. This is a decrease from the discount rate at the prior measurement date of 8.3 percent. Details, if necessary, can be obtained from the TRA's CAFR.

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

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Plan
Schedule of Funding Progress and Schedule of Employer Contributions
June 30, 2016

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
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 %
March 1, 2016	\$ 18,189,955	\$ 291,393	\$ 17,898,562	1.6 %	\$ 159,990,178	11.2 %

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,928,903	89.4 %	\$ 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
2015	\$ 1,714,176	62.2 %	\$ 8,039,736
2016	\$ 1,733,900	60.0 %	\$ 8,590,288

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds

Combining Balance Sheet

as of June 30, 2016

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

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2016	2015
Assets				
Cash and temporary investments	\$ 3,240,646	\$ 3,642,128	\$ 6,882,774	\$ 6,349,561
Receivables				
Current taxes	—	1,180,538	1,180,538	969,168
Delinquent taxes	—	16,959	16,959	18,579
Accounts and interest	8,466	223,533	231,999	200,871
Due from other governmental units	289,982	505,679	795,661	721,574
Inventory	8,553	—	8,553	12,779
Total assets	<u>\$ 3,547,647</u>	<u>\$ 5,568,837</u>	<u>\$ 9,116,484</u>	<u>\$ 8,272,532</u>
Liabilities				
Salaries payable	\$ 60,689	\$ 443,252	\$ 503,941	\$ 379,746
Accounts and contracts payable	168,766	195,287	364,053	358,056
Unearned revenue	256,400	—	256,400	276,434
Total liabilities	<u>485,855</u>	<u>638,539</u>	<u>1,124,394</u>	<u>1,014,236</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	—	2,375,031	2,375,031	1,960,560
Unavailable revenue – delinquent taxes	—	14,024	14,024	15,219
Total deferred inflows of resources	<u>—</u>	<u>2,389,055</u>	<u>2,389,055</u>	<u>1,975,779</u>
Fund balances				
Nonspendable for inventory	8,553	—	8,553	12,779
Restricted	3,053,239	2,541,243	5,594,482	5,269,738
Total fund balances	<u>3,061,792</u>	<u>2,541,243</u>	<u>5,603,035</u>	<u>5,282,517</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,547,647</u>	<u>\$ 5,568,837</u>	<u>\$ 9,116,484</u>	<u>\$ 8,272,532</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2016	2015
Revenue				
Local sources				
Property taxes	\$ —	\$ 1,999,515	\$ 1,999,515	\$ 1,914,828
Investment earnings	10,248	14,981	25,229	8,138
Other	5,054,596	10,656,910	15,711,506	13,963,759
State sources	583,386	3,672,034	4,255,420	3,843,338
Federal sources	6,541,234	485,229	7,026,463	6,673,049
Total revenue	<u>12,189,464</u>	<u>16,828,669</u>	<u>29,018,133</u>	<u>26,403,112</u>
Expenditures				
Current				
Food service	12,021,733	—	12,021,733	11,232,077
Community service	—	16,420,852	16,420,852	14,465,450
Capital outlay	118,725	136,305	255,030	359,388
Total expenditures	<u>12,140,458</u>	<u>16,557,157</u>	<u>28,697,615</u>	<u>26,056,915</u>
Net change in fund balances	49,006	271,512	320,518	346,197
Fund balances				
Beginning of year	<u>3,012,786</u>	<u>2,269,731</u>	<u>5,282,517</u>	<u>4,936,320</u>
End of year	<u>\$ 3,061,792</u>	<u>\$ 2,541,243</u>	<u>\$ 5,603,035</u>	<u>\$ 5,282,517</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 3,240,646	\$ 3,206,404
Receivables		
Accounts and interest	8,466	2,745
Due from other governmental units	289,982	234,369
Inventory	<u>8,553</u>	<u>12,779</u>
Total assets	<u>\$ 3,547,647</u>	<u>\$ 3,456,297</u>
Liabilities		
Salaries payable	\$ 60,689	\$ 33,184
Accounts and contracts payable	168,766	133,893
Unearned revenue	<u>256,400</u>	<u>276,434</u>
Total liabilities	<u>485,855</u>	<u>443,511</u>
Fund balances		
Nonspendable for inventory	8,553	12,779
Restricted	<u>3,053,239</u>	<u>3,000,007</u>
Total fund balances	<u>3,061,792</u>	<u>3,012,786</u>
Total liabilities and fund balances	<u>\$ 3,547,647</u>	<u>\$ 3,456,297</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 9,000	\$ 10,248	\$ 1,248	\$ 5,749
Other – primarily meal sales	4,960,858	5,054,596	93,738	4,600,505
State sources	582,153	583,386	1,233	574,070
Federal sources	6,278,809	6,541,234	262,425	6,166,240
Total revenue	<u>11,830,820</u>	<u>12,189,464</u>	<u>358,644</u>	<u>11,346,564</u>
Expenditures				
Current				
Salaries	4,150,123	4,112,618	(37,505)	3,891,733
Employee benefits	1,192,546	1,057,994	(134,552)	1,079,040
Purchased services	1,147,331	1,099,572	(47,759)	1,043,090
Supplies and materials	5,545,578	5,743,568	197,990	5,210,373
Other expenditures	–	7,981	7,981	7,841
Capital outlay	<u>150,000</u>	<u>118,725</u>	<u>(31,275)</u>	<u>228,947</u>
Total expenditures	<u>12,185,578</u>	<u>12,140,458</u>	<u>(45,120)</u>	<u>11,461,024</u>
Net change in fund balances	<u>\$ (354,758)</u>	<u>49,006</u>	<u>\$ 403,764</u>	<u>(114,460)</u>
Fund balances				
Beginning of year		<u>3,012,786</u>		<u>3,127,246</u>
End of year		<u>\$ 3,061,792</u>		<u>\$ 3,012,786</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 3,642,128	\$ 3,143,157
Receivables		
Current taxes	1,180,538	969,168
Delinquent taxes	16,959	18,579
Accounts and interest	223,533	198,126
Due from other governmental units	<u>505,679</u>	<u>487,205</u>
Total assets	<u><u>\$ 5,568,837</u></u>	<u><u>\$ 4,816,235</u></u>
Liabilities		
Salaries payable	\$ 443,252	\$ 346,562
Accounts and contracts payable	<u>195,287</u>	<u>224,163</u>
Total liabilities	638,539	570,725
Deferred inflows of resources		
Property taxes levied for subsequent year	2,375,031	1,960,560
Unavailable revenue – delinquent taxes	<u>14,024</u>	<u>15,219</u>
Total deferred inflows of resources	2,389,055	1,975,779
Fund balances		
Restricted for community education programs	982,178	1,302,924
Restricted for early childhood family education programs	933,716	635,441
Restricted for school readiness	535,106	205,092
Restricted for adult basic education	<u>90,243</u>	<u>126,274</u>
Total fund balances	<u><u>2,541,243</u></u>	<u><u>2,269,731</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 5,568,837</u></u>	<u><u>\$ 4,816,235</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,965,832	\$ 1,999,515	\$ 33,683	\$ 1,914,828
Investment earnings	2,500	14,981	12,481	2,389
Other – primarily tuition and fees	11,017,358	10,656,910	(360,448)	9,363,254
State sources	3,642,095	3,672,034	29,939	3,269,268
Federal sources	609,319	485,229	(124,090)	506,809
Total revenue	<u>17,237,104</u>	<u>16,828,669</u>	<u>(408,435)</u>	<u>15,056,548</u>
Expenditures				
Current				
Salaries	10,134,715	9,876,045	(258,670)	8,661,120
Employee benefits	2,855,752	2,808,549	(47,203)	2,317,038
Purchased services	2,881,659	2,551,585	(330,074)	2,246,876
Supplies and materials	1,186,532	1,132,127	(54,405)	1,175,083
Other expenditures	83,356	52,546	(30,810)	65,333
Capital outlay	234,306	136,305	(98,001)	130,441
Total expenditures	<u>17,376,320</u>	<u>16,557,157</u>	<u>(819,163)</u>	<u>14,595,891</u>
Net change in fund balances	<u>\$ (139,216)</u>	271,512	<u>\$ 410,728</u>	460,657
Fund balances				
Beginning of year		<u>2,269,731</u>		<u>1,809,074</u>
End of year		<u>\$ 2,541,243</u>		<u>\$ 2,269,731</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 89,795,220	\$ 76,033,324
Receivables		
Current taxes	31,868,544	31,621,469
Delinquent taxes	529,765	560,303
Accounts and interest	214,749	278,583
Notes receivable	441,677	424,690
Due from other governmental units	19,738,142	24,143,127
Inventory	<u>389,880</u>	<u>360,735</u>
Total assets	<u><u>\$ 142,977,977</u></u>	<u><u>\$ 133,422,231</u></u>
Liabilities		
Salaries payable	\$ 978,325	\$ 463,049
Accounts and contracts payable	3,584,355	5,958,929
Due to other governmental units	<u>1,903,222</u>	<u>1,323,458</u>
Total liabilities	6,465,902	7,745,436
Deferred inflows of resources		
Property taxes levied for subsequent year	59,857,630	59,949,537
Unavailable revenue – notes receivable	441,677	424,690
Unavailable revenue – delinquent taxes	<u>433,804</u>	<u>447,616</u>
Total deferred inflows of resources	60,733,111	60,821,843
Fund balances (deficits)		
Nonspendable for inventory	389,880	360,735
Restricted for operating capital	8,890,846	9,054,720
Restricted for gifted and talented	109,120	145,292
Restricted for safe schools crime levy	32,666	38,237
Assigned for subsequent year budget	3,628,175	–
Unassigned – health and safety restricted account deficit	(343,907)	(477,346)
Unassigned – capital projects levy restricted account deficit	(89,523)	(5,427)
Unassigned	<u>63,161,707</u>	<u>55,738,741</u>
Total fund balances	<u><u>75,778,964</u></u>	<u><u>64,854,952</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 142,977,977</u></u>	<u><u>\$ 133,422,231</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 60,468,380	\$ 61,356,156	\$ 887,776	\$ 58,770,557
Investment earnings	203,900	286,468	82,568	135,739
Other	4,852,412	5,648,090	795,678	6,129,092
State sources	192,079,769	194,656,081	2,576,312	190,034,147
Federal sources	9,058,116	8,184,157	(873,959)	7,987,321
Total revenue	266,662,577	270,130,952	3,468,375	263,056,856
Expenditures				
Current				
Administration				
Salaries	8,020,275	8,002,738	(17,537)	7,472,871
Employee benefits	2,514,436	2,359,355	(155,081)	2,443,812
Purchased services	246,013	142,707	(103,306)	168,088
Supplies and materials	71,065	80,887	9,822	82,761
Capital expenditures	14,000	2,795	(11,205)	2,063
Other expenditures	341,887	229,746	(112,141)	212,273
Total administration	11,207,676	10,818,228	(389,448)	10,381,868
District support services				
Salaries	4,392,748	4,254,191	(138,557)	4,107,325
Employee benefits	1,487,622	1,398,054	(89,568)	1,335,981
Purchased services	305,371	(106,229)	(411,600)	(286,109)
Supplies and materials	351,426	205,226	(146,200)	254,301
Capital expenditures	226,865	176,650	(50,215)	125,259
Other expenditures	302,605	244,911	(57,694)	85,963
Total district support services	7,066,637	6,172,803	(893,834)	5,622,720
Elementary and secondary regular instruction				
Salaries	88,653,424	89,330,126	676,702	86,116,115
Employee benefits	31,164,204	31,775,204	611,000	30,101,729
Purchased services	4,722,182	4,956,185	234,003	4,059,061
Supplies and materials	2,966,723	2,693,284	(273,439)	3,960,582
Capital expenditures	1,472,037	3,978,889	2,506,852	6,217,161
Other expenditures	311,817	346,197	34,380	387,185
Total elementary and secondary regular instruction	129,290,387	133,079,885	3,789,498	130,841,833

(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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,973,891	2,041,121	67,230	1,595,753
Employee benefits	738,912	705,750	(33,162)	534,960
Purchased services	427,767	262,539	(165,228)	306,113
Supplies and materials	127,259	143,943	16,684	78,954
Capital expenditures	239,689	225,312	(14,377)	54,152
Other expenditures	1,582	1,564	(18)	3,953
Total vocational education instruction	3,509,100	3,380,229	(128,871)	2,573,885
Special education instruction				
Salaries	31,172,642	30,579,062	(593,580)	30,128,388
Employee benefits	11,775,304	11,728,444	(46,860)	11,786,775
Purchased services	4,771,768	5,363,368	591,600	3,777,662
Supplies and materials	339,469	222,769	(116,700)	276,610
Capital expenditures	61,594	74,427	12,833	78,310
Other expenditures	186,810	157,872	(28,938)	248,696
Total special education instruction	48,307,587	48,125,942	(181,645)	46,296,441
Instructional support services				
Salaries	10,454,531	10,284,910	(169,621)	10,470,187
Employee benefits	3,431,631	3,220,387	(211,244)	2,770,317
Purchased services	997,064	956,292	(40,772)	1,019,699
Supplies and materials	1,401,210	1,236,433	(164,777)	1,275,587
Capital expenditures	1,988,582	3,815,476	1,826,894	2,609,065
Other expenditures	84,011	76,646	(7,365)	125,664
Total instructional support services	18,357,029	19,590,144	1,233,115	18,270,519
Pupil support services				
Salaries	5,284,746	5,052,263	(232,483)	5,128,801
Employee benefits	2,032,728	1,889,231	(143,497)	1,785,840
Purchased services	15,537,924	13,012,842	(2,525,082)	14,162,980
Supplies and materials	180,895	77,166	(103,729)	168,551
Capital expenditures	53,936	25,374	(28,562)	11,647
Other expenditures	205	2,200	1,995	1,630
Total pupil support services	23,090,434	20,059,076	(3,031,358)	21,259,449

(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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	6,573,799	6,292,155	(281,644)	6,099,130
Employee benefits	2,759,897	2,550,676	(209,221)	2,026,873
Purchased services	5,288,248	4,904,720	(383,528)	5,532,180
Supplies and materials	2,607,809	2,004,672	(603,137)	2,589,988
Capital expenditures	1,383,717	3,559,985	2,176,268	1,262,908
Other expenditures	50,000	47,329	(2,671)	70,662
Total sites and buildings	18,663,470	19,359,537	696,067	17,581,741
Fiscal and other fixed cost programs				
Purchased services	600,000	529,352	(70,648)	607,963
Debt service				
Principal	3,765,744	3,765,743	(1)	1,298,208
Interest and fiscal charges	610,390	607,321	(3,069)	1,462
Total debt service	4,376,134	4,373,064	(3,070)	1,299,670
Total expenditures	264,468,454	265,488,260	1,019,806	254,736,089
Excess of revenue over expenditures	2,194,123	4,642,692	2,448,569	8,320,767
Other financing sources				
Capital leases issued	—	6,281,320	6,281,320	4,759,147
Net change in fund balances	\$ 2,194,123	10,924,012	\$ 8,729,889	13,079,914
Fund balances				
Beginning of year		64,854,952		51,775,038
End of year		\$ 75,778,964		\$ 64,854,952

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	2016	2015
Assets		
Cash and temporary investments	\$ 80,673,325	\$ 66,279,871
Receivables		
Current taxes	31,868,544	31,621,469
Delinquent taxes	529,765	560,303
Accounts and interest	170,981	226,404
Due from other governmental units	19,714,820	24,101,710
Inventory	347,972	349,941
Total assets	<u>\$ 133,305,407</u>	<u>\$ 123,139,698</u>
Liabilities		
Salaries payable	\$ 978,325	\$ 446,699
Accounts and contracts payable	2,892,017	4,700,177
Due to other governmental units	1,863,991	1,323,458
Total liabilities	<u>5,734,333</u>	<u>6,470,334</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	59,857,630	59,949,537
Unavailable revenue – delinquent taxes	433,804	447,616
Total deferred inflows of resources	<u>60,291,434</u>	<u>60,397,153</u>
Fund balances		
Nonspendable for inventory	347,972	349,941
Restricted for gifted and talented	109,120	145,292
Restricted for safe schools crime levy	32,666	38,237
Assigned for subsequent year budget	3,628,175	–
Unassigned	63,161,707	55,738,741
Total fund balances	<u>67,279,640</u>	<u>56,272,211</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 133,305,407</u>	<u>\$ 123,139,698</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 55,338,946	\$ 56,353,162	\$ 1,014,216	\$ 53,770,557
Investment earnings	200,000	275,516	75,516	131,857
Other	4,284,127	5,164,607	880,480	5,434,612
State sources	183,263,544	185,858,768	2,595,224	181,828,908
Federal sources	9,058,116	8,184,157	(873,959)	7,987,321
Total revenue	252,144,733	255,836,210	3,691,477	249,153,255
Expenditures				
Current				
Administration				
Salaries	8,020,275	8,002,738	(17,537)	7,472,871
Employee benefits	2,514,436	2,359,355	(155,081)	2,443,812
Purchased services	246,013	142,707	(103,306)	168,088
Supplies and materials	71,065	80,887	9,822	82,761
Other expenditures	341,887	229,746	(112,141)	212,273
Total administration	11,193,676	10,815,433	(378,243)	10,379,805
District support services				
Salaries	4,316,894	4,178,337	(138,557)	4,033,243
Employee benefits	1,467,097	1,377,530	(89,567)	1,315,310
Purchased services	(172,082)	(554,511)	(382,429)	(750,397)
Supplies and materials	320,426	205,226	(115,200)	254,301
Capital expenditures	70,000	70,000	–	–
Other expenditures	302,605	244,911	(57,694)	85,963
Total district support services	6,304,940	5,521,493	(783,447)	4,938,420
Elementary and secondary regular instruction				
Salaries	88,653,424	89,330,126	676,702	86,116,115
Employee benefits	31,164,204	31,775,204	611,000	30,101,729
Purchased services	4,722,182	4,956,185	234,003	4,059,061
Supplies and materials	2,503,738	2,253,723	(250,015)	1,998,912
Capital expenditures	319,042	532,409	213,367	164,040
Other expenditures	311,817	346,197	34,380	387,185
Total elementary and secondary regular instruction	127,674,407	129,193,844	1,519,437	122,827,042

(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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,973,891	2,041,121	67,230	1,595,753
Employee benefits	738,912	705,750	(33,162)	534,960
Purchased services	427,767	262,539	(165,228)	306,113
Supplies and materials	112,047	100,536	(11,511)	67,138
Capital expenditures	12,645	12,644	(1)	21,383
Other expenditures	1,582	1,564	(18)	3,953
Total vocational education instruction	3,266,844	3,124,154	(142,690)	2,529,300
Special education instruction				
Salaries	31,172,642	30,579,062	(593,580)	30,128,388
Employee benefits	11,775,304	11,728,444	(46,860)	11,786,775
Purchased services	4,771,768	5,363,368	591,600	3,777,662
Supplies and materials	339,469	222,769	(116,700)	276,610
Capital expenditures	53,526	68,598	15,072	59,564
Other expenditures	186,810	157,872	(28,938)	248,696
Total special education instruction	48,299,519	48,120,113	(179,406)	46,277,695
Instructional support services				
Salaries	9,277,442	9,223,198	(54,244)	9,853,939
Employee benefits	3,018,201	2,853,773	(164,428)	2,560,588
Purchased services	952,049	814,781	(137,268)	1,016,199
Supplies and materials	631,687	503,611	(128,076)	581,218
Capital expenditures	—	—	—	2,384
Other expenditures	84,011	76,646	(7,365)	125,664
Total instructional support services	13,963,390	13,472,009	(491,381)	14,139,992
Pupil support services				
Salaries	5,284,746	5,052,263	(232,483)	5,128,801
Employee benefits	2,032,728	1,889,231	(143,497)	1,785,840
Purchased services	15,537,924	13,012,842	(2,525,082)	14,162,980
Supplies and materials	180,895	77,166	(103,729)	168,551
Capital expenditures	—	96	96	—
Other expenditures	205	2,200	1,995	1,630
Total pupil support services	23,036,498	20,033,798	(3,002,700)	21,247,802

(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, 2016
 (With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		2015
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	6,336,544	6,121,411	(215,133)
Employee benefits	2,685,243	2,486,328	(198,915)
Purchased services	3,846,911	3,478,831	(368,080)
Supplies and materials	2,557,809	1,932,015	(625,794)
Total sites and buildings	15,426,507	14,018,585	(1,407,922)
Fiscal and other fixed cost programs			
Purchased services	600,000	529,352	(70,648)
Total expenditures	249,765,781	244,828,781	(4,937,000)
Net change in fund balances	\$ 2,378,952	11,007,429	\$ 8,628,477
Fund balances			
Beginning of year		56,272,211	43,965,271
End of year		\$ 67,279,640	\$ 56,272,211

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 – Capital Expenditure Account
Comparative Balance Sheet
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 9,121,895	\$ 9,753,453
Receivables		
Accounts and interest	43,768	52,179
Notes receivable	441,677	424,690
Due from other governmental units	23,322	41,417
Inventory	<u>41,908</u>	<u>10,794</u>
Total assets	<u><u>\$ 9,672,570</u></u>	<u><u>\$ 10,282,533</u></u>
Liabilities		
Salaries payable	\$ –	\$ 16,350
Accounts and contracts payable	692,338	1,258,752
Due to other governmental units	<u>39,231</u>	<u>–</u>
Total liabilities	<u>731,569</u>	<u>1,275,102</u>
Deferred inflows of resources		
Unavailable revenue – notes receivable	441,677	424,690
Fund balances (deficits)		
Nonspendable for inventory	41,908	10,794
Restricted for operating capital	8,890,846	9,054,720
Unassigned – capital projects levy restricted account deficit	(89,523)	(5,427)
Unassigned – health and safety restricted account deficit	<u>(343,907)</u>	<u>(477,346)</u>
Total fund balances	<u>8,499,324</u>	<u>8,582,741</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 9,672,570</u></u>	<u><u>\$ 10,282,533</u></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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 5,129,434	\$ 5,002,994	\$ (126,440)	\$ 5,000,000
Investment earnings	3,900	10,952	7,052	3,882
Other	568,285	483,483	(84,802)	694,480
State sources	8,816,225	8,797,313	(18,912)	8,205,239
Total revenue	14,517,844	14,294,742	(223,102)	13,903,601
Expenditures				
Current				
Administration				
Capital expenditures	14,000	2,795	(11,205)	2,063
District support services				
Salaries	75,854	75,854	–	74,082
Employee benefits	20,525	20,524	(1)	20,671
Purchased services	477,453	448,282	(29,171)	464,288
Supplies and materials	31,000	–	(31,000)	–
Capital expenditures	156,865	106,650	(50,215)	125,259
Total district support services	761,697	651,310	(110,387)	684,300
Elementary and secondary regular instruction				
Supplies and materials	462,985	439,561	(23,424)	1,961,670
Capital expenditures	1,152,995	3,446,480	2,293,485	6,053,121
Total elementary and secondary regular instruction	1,615,980	3,886,041	2,270,061	8,014,791
Vocational education instruction				
Supplies and materials	15,212	43,407	28,195	11,816
Capital expenditures	227,044	212,668	(14,376)	32,769
Total vocational education services	242,256	256,075	13,819	44,585
Special education instruction				
Capital expenditures	8,068	5,829	(2,239)	18,746

(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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Instructional support services				
Salaries	1,177,089	1,061,712	(115,377)	616,248
Employee benefits	413,430	366,614	(46,816)	209,729
Purchased services	45,015	141,511	96,496	3,500
Supplies and materials	769,523	732,822	(36,701)	694,369
Capital expenditures	1,988,582	3,815,476	1,826,894	2,606,681
Total instructional support services	4,393,639	6,118,135	1,724,496	4,130,527
Pupil support services				
Capital expenditures	53,936	25,278	(28,658)	11,647
Sites and buildings				
Salaries	237,255	170,744	(66,511)	229,414
Employee benefits	74,654	64,348	(10,306)	68,415
Purchased services	1,441,337	1,425,889	(15,448)	1,987,132
Supplies and materials	50,000	72,657	22,657	64,914
Capital expenditures	1,383,717	3,559,985	2,176,268	1,262,908
Other expenditures	50,000	47,329	(2,671)	70,662
Total sites and buildings	3,236,963	5,340,952	2,103,989	3,683,445
Debt service				
Principal	3,765,744	3,765,743	(1)	1,298,208
Interest and fiscal charges	610,390	607,321	(3,069)	1,462
Total debt service	4,376,134	4,373,064	(3,070)	1,299,670
Total expenditures	14,702,673	20,659,479	5,956,806	17,889,774
Excess (deficiency) of revenue over expenditures	(184,829)	(6,364,737)	(6,179,908)	(3,986,173)
Other financing sources				
Capital leases issued	—	6,281,320	6,281,320	4,759,147
Net change in fund balances	\$ (184,829)	(83,417)	\$ 101,412	772,974
Fund balances				
Beginning of year		8,582,741		7,809,767
End of year		\$ 8,499,324		\$ 8,582,741

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 5,725,173	\$ 19,615,883
Receivables		
Accounts and interest	<u>18,309</u>	<u>13,258</u>
Total assets	<u><u>\$ 5,743,482</u></u>	<u><u>\$ 19,629,141</u></u>
Liabilities		
Salaries payable	\$ 1,125	\$ 1,750
Accounts and contracts payable	<u>790,101</u>	<u>4,233,771</u>
Total liabilities	<u>791,226</u>	<u>4,235,521</u>
Fund balances		
Restricted for alternative facilities program	4,122,952	7,776,636
Restricted for building projects funded by certificates of participation	–	3,244,042
Restricted for building projects funded by capital facility bonds	452,290	2,910,980
Restricted for building projects funded by capital notes	<u>377,014</u>	<u>1,461,962</u>
Total fund balances	<u><u>4,952,256</u></u>	<u><u>15,393,620</u></u>
Total liabilities and fund balances	<u><u>\$ 5,743,482</u></u>	<u><u>\$ 19,629,141</u></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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue		
Local sources		
Property taxes	\$ 2,622,943	\$ 2,622,943
Investment earnings	22,545	11,989
Total revenue	<u>2,645,488</u>	<u>2,634,932</u>
Expenditures		
Capital outlay		
Salaries	515,338	187,912
Employee benefits	158,937	62,518
Purchased services	1,163	79,125
Capital expenditures	<u>12,411,414</u>	<u>22,301,064</u>
Total capital outlay	<u>13,086,852</u>	<u>22,630,619</u>
Debt service		
Interest and fiscal charges	<u>–</u>	<u>99,433</u>
Total expenditures	<u>13,086,852</u>	<u>22,730,052</u>
Excess (deficiency) of revenue over expenditures	(10,441,364)	(20,095,120)
Other financing sources		
Debt issued	–	30,685,000
Premium on debt issued	<u>–</u>	<u>1,154,776</u>
Total other financing sources	<u>–</u>	<u>31,839,776</u>
Net change in fund balances	(10,441,364)	11,744,656
Fund balances		
Beginning of year	<u>15,393,620</u>	<u>3,648,964</u>
End of year	<u><u>\$ 4,952,256</u></u>	<u><u>\$ 15,393,620</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
Balance Sheet by Account
as of June 30, 2016
(With Comparative Totals as of June 30, 2015)

	General Obligation Bonds	Other Post-Employment Benefits Bonds	Totals	
			2016	2015
Assets				
Cash and temporary investments	\$ 10,404,075	\$ 1,529,747	\$ 11,933,822	\$ 13,201,011
Cash and investments held by trustee	—	—	—	46,932,288
Receivables				
Current taxes	7,803,939	1,131,828	8,935,767	8,911,267
Delinquent taxes	154,213	16,804	171,017	200,803
Accounts and interest	—	—	—	6,365
Due from other governmental units	94	14	108	68
Total assets	<u>\$ 18,362,321</u>	<u>\$ 2,678,393</u>	<u>\$ 21,040,714</u>	<u>\$ 69,251,802</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 15,674,037	\$ 2,271,256	\$ 17,945,293	\$ 18,050,797
Unavailable revenue – delinquent taxes	130,610	13,353	143,963	167,536
Total deferred inflows of resources	<u>15,804,647</u>	<u>2,284,609</u>	<u>18,089,256</u>	<u>18,218,333</u>
Fund balances				
Restricted for general debt service	2,557,674	—	2,557,674	3,797,916
Restricted for bond refunding	—	—	—	46,938,653
Restricted for OPEB bonds debt service	—	393,784	393,784	296,900
Total fund balances	<u>2,557,674</u>	<u>393,784</u>	<u>2,951,458</u>	<u>51,033,469</u>
Total deferred inflows of resources and fund balances	<u>\$ 18,362,321</u>	<u>\$ 2,678,393</u>	<u>\$ 21,040,714</u>	<u>\$ 69,251,802</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	General Obligation Bonds	Other Post-Employment Benefits Bonds	Total	
			2016	2015
Revenue				
Local sources				
Property taxes	\$ 15,555,671	\$ 2,278,142	\$ 17,833,813	\$ 17,916,181
Investment earnings	7,847	6,075	13,922	13,584
State sources	859	217	1,076	662
Total revenue	15,564,377	2,284,434	17,848,811	17,930,427
Expenditures				
Debt service				
Principal	11,830,000	1,300,000	13,130,000	11,995,000
Interest and fiscal agent fees	4,983,272	887,550	5,870,822	5,931,918
Total expenditures	16,813,272	2,187,550	19,000,822	17,926,918
Excess (deficiency) of revenue over expenditures	(1,248,895)	96,884	(1,152,011)	3,509
Other financing sources (uses)				
Refunding bonds issued	—	—	—	42,075,000
Premium on debt issued	—	—	—	5,141,013
Debt retirement from refunding bonds	(46,930,000)	—	(46,930,000)	—
Total other financing sources (uses)	(46,930,000)	—	(46,930,000)	47,216,013
Net change in fund balances	(48,178,895)	96,884	(48,082,011)	47,219,522
Fund balances				
Beginning of year	50,736,569	296,900	51,033,469	3,813,947
End of year	\$ 2,557,674	\$ 393,784	\$ 2,951,458	\$ 51,033,469

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, 2016
 (With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 15,504,423	\$ 15,555,671	\$ 51,248	\$ 15,626,101
Investment earnings	16,000	7,847	(8,153)	10,403
State sources	779	859	80	627
Total revenue	15,521,202	15,564,377	43,175	15,637,131
Expenditures				
Debt service				
Principal retirement	11,830,000	11,830,000	—	10,780,000
Interest and fiscal agent fees	5,104,638	4,983,272	(121,366)	4,971,468
Total expenditures	16,934,638	16,813,272	(121,366)	15,751,468
Excess (deficiency) of revenue over expenditures	(1,413,436)	(1,248,895)	164,541	(114,337)
Other financing sources (uses)				
Refunding bonds issued	—	—	—	42,075,000
Premium on debt issuance	—	—	—	5,141,013
Debt retirement from refunding bonds	(46,930,000)	(46,930,000)	—	—
Total other financing sources (uses)	(46,930,000)	(46,930,000)	—	47,216,013
Net change in fund balances	\$ (48,343,436)	(48,178,895)	\$ 164,541	47,101,676
Fund balances				
Beginning of year		50,736,569		3,634,893
End of year		\$ 2,557,674		\$ 50,736,569

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Bonds Debt Service Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2016
 (With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 2,287,332	\$ 2,278,142	\$ (9,190)	\$ 2,290,080
Investment earnings	2,000	6,075	4,075	3,181
State sources	212	217	5	35
Total revenue	<u>2,289,544</u>	<u>2,284,434</u>	<u>(5,110)</u>	<u>2,293,296</u>
Expenditures				
Debt service				
Principal retirement	1,300,000	1,300,000	–	1,215,000
Interest and fiscal agent fees	<u>888,100</u>	<u>887,550</u>	<u>(550)</u>	<u>960,450</u>
Total expenditures	<u>2,188,100</u>	<u>2,187,550</u>	<u>(550)</u>	<u>2,175,450</u>
Net change in fund balances	<u>\$ 101,444</u>	<u>96,884</u>	<u>\$ (4,560)</u>	<u>117,846</u>
Fund balances				
Beginning of year		<u>296,900</u>		<u>179,054</u>
End of year		<u>\$ 393,784</u>		<u>\$ 296,900</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Assets			
Current assets			
Cash and temporary investments	\$ 635,001	\$ 14,114,398	\$ —
Cash and investments held by trustee	—	—	22,222,730
Interest receivable	—	—	174,487
Total assets	<u>635,001</u>	<u>14,114,398</u>	<u>22,397,217</u>
Liabilities			
Current liabilities			
Accounts and contracts payable	136,667	—	—
Due to other governmental units	—	—	520,084
Post-employment severance benefits payable	—	1,600,233	—
Long-term liabilities			
Net other post-employment benefits obligation	—	—	8,590,288
Post-employment severance benefits payable	—	8,615,897	—
Total liabilities	<u>136,667</u>	<u>10,216,130</u>	<u>9,110,372</u>
Net position			
Restricted for employee benefits	—	—	13,286,845
Unrestricted	<u>498,334</u>	<u>3,898,268</u>	<u>—</u>
Total net position	<u><u>\$ 498,334</u></u>	<u><u>\$ 3,898,268</u></u>	<u><u>\$ 13,286,845</u></u>

Totals			
	2016		2015
\$	14,749,399	\$	17,452,983
	22,222,730		20,582,190
	174,487		152,092
	<u>37,146,616</u>		<u>38,187,265</u>
	136,667		1,221,409
	520,084		—
	1,600,233		1,672,174
	8,590,288		8,039,736
	8,615,897		9,864,308
	<u>19,463,169</u>		<u>20,797,627</u>
	13,286,845		12,694,546
	4,396,602		4,695,092
	<u>17,683,447</u>		<u>17,389,638</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Operating revenue			
Contributions from governmental funds	\$ 1,555,511	\$ 1,000,000	\$ 750,000
Operating expenses			
Dental benefit claims	1,593,256	—	—
Post-employment severance benefits	—	1,304,437	—
Other post-employment benefits	—	—	1,070,636
Total operating expenses	<u>1,593,256</u>	<u>1,304,437</u>	<u>1,070,636</u>
Operating income (loss)	(37,745)	(304,437)	(320,636)
Nonoperating revenue			
Investment earnings	<u>1,205</u>	<u>42,487</u>	<u>912,935</u>
Change in net position	(36,540)	(261,950)	592,299
Net position			
Beginning of year	<u>534,874</u>	<u>4,160,218</u>	<u>12,694,546</u>
End of year	<u>\$ 498,334</u>	<u>\$ 3,898,268</u>	<u>\$ 13,286,845</u>

Totals	
2016	2015
\$ 3,305,511	\$ 3,860,920
1,593,256	1,515,150
1,304,437	1,538,831
1,070,636	514,244
<u>3,968,329</u>	<u>3,568,225</u>
(662,818)	292,695
<u>956,627</u>	<u>295,687</u>
293,809	588,382
<u>17,389,638</u>	<u>16,801,256</u>
<u>\$ 17,683,447</u>	<u>\$ 17,389,638</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund
Cash flows from operating activities			
Contributions from governmental funds	\$ 1,555,511	\$ 1,000,000	\$ 750,000
Payments for dental claims	(1,589,998)	—	—
Post-employment severance benefit payments	—	(3,712,789)	—
Net cash flows from operating activities	(34,487)	(2,712,789)	750,000
Cash flows from investing activities			
Investment income received	1,205	42,487	890,540
Net change in cash and cash equivalents	(33,282)	(2,670,302)	1,640,540
Cash and cash equivalents			
Beginning of year	668,283	16,784,700	20,582,190
End of year	\$ 635,001	\$ 14,114,398	\$ 22,222,730
Reconciliation of operating income to net cash flows from operating activities			
Operating income (loss)	\$ (37,745)	\$ (304,437)	\$ (320,636)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets and liabilities			
Accounts and contracts payable	3,258	(1,088,000)	—
Due to other governmental units	—	—	520,084
Post-employment severance benefits payable	—	(1,320,352)	—
Net other post-employment benefits obligation	—	—	550,552
Net cash flows from operating activities	\$ (34,487)	\$ (2,712,789)	\$ 750,000
Cash and cash equivalents are reported on the Statement of Net Position as follows:			
Cash and temporary investments	\$ 635,001	\$ 14,114,398	\$ —
Cash and investments held by trustee	—	—	22,222,730
Total cash and cash equivalents	\$ 635,001	\$ 14,114,398	\$ 22,222,730

Totals	
2016	2015
\$ 3,305,511	\$ 3,860,920
(1,589,998)	(1,505,404)
(3,712,789)	(1,424,406)
(1,997,276)	931,110
934,232	262,005
(1,063,044)	1,193,115
38,035,173	36,842,058
\$ 36,972,129	\$ 38,035,173
\$ (662,818)	\$ 292,695
(1,084,742)	1,097,746
520,084	—
(1,320,352)	(973,575)
550,552	514,244
\$ (1,997,276)	\$ 931,110
\$ 14,749,399	\$ 17,452,983
22,222,730	20,582,190
\$ 36,972,129	\$ 38,035,173

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
Employee Benefit Trust Funds
Combining Statement of Fiduciary Net Position
as of June 30, 2016

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
Assets			
Investments held by trustee, at fair value	\$ 218,894	\$ 291,925	\$ 510,819
Liabilities			
Accounts and contracts payable	134,486	291,314	425,800
Net position			
Held in trust for employee benefits	\$ 84,408	\$ 611	\$ 85,019

Fiduciary Funds
Employee Benefit Trust Funds
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
Additions			
Plan members contributions	\$ 1,076,234	\$ —	\$ 1,076,234
Investment earnings (loss)	—	(1,714)	(1,714)
Total additions	1,076,234	(1,714)	1,074,520
Deductions			
Benefits paid to plan members	1,066,300	291,314	1,357,614
Change in net position	9,934	(293,028)	(283,094)
Net position			
Beginning of year	74,474	293,639	368,113
End of year	\$ 84,408	\$ 611	\$ 85,019

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2016

	Balance – July 1, 2015	Additions	Deletions	Balance – June 30, 2016
Local collaborative time study				
Assets				
Cash and temporary investments	<u>\$ 1,663,154</u>	<u>\$ –</u>	<u>\$ 34,711</u>	<u>\$ 1,628,443</u>
Liabilities				
Due to other governmental units	<u>\$ 1,663,154</u>	<u>\$ –</u>	<u>\$ 34,711</u>	<u>\$ 1,628,443</u>
Northwest Family Service Center				
Assets				
Cash and temporary investments	<u>\$ 239,427</u>	<u>\$ 342,147</u>	<u>\$ 212,749</u>	<u>\$ 368,825</u>
Liabilities				
Due to other governmental units	<u>\$ 239,427</u>	<u>\$ 342,147</u>	<u>\$ 212,749</u>	<u>\$ 368,825</u>
Total agency funds				
Assets				
Cash and temporary investments	<u>\$ 1,902,581</u>	<u>\$ 342,147</u>	<u>\$ 247,460</u>	<u>\$ 1,997,268</u>
Liabilities				
Due to other governmental units	<u>\$ 1,902,581</u>	<u>\$ 342,147</u>	<u>\$ 247,460</u>	<u>\$ 1,997,268</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.**

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			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 124,409,664	\$ 131,450,075	\$ 144,073,305	\$ 150,448,560
Restricted	14,759,910	17,721,351	13,292,206	15,771,277
Unrestricted	28,172,864	20,057,766	31,514,504	37,845,296
Total governmental activities net position	<u>\$ 167,342,438</u>	<u>\$ 169,229,192</u>	<u>\$ 188,880,015</u>	<u>\$ 204,065,133</u>

Note: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$175.4 million.

2011	2012	2013	2014	2015	2016
\$ 163,464,982	\$ 168,810,854	\$ 178,183,551	\$ 188,480,399	\$ 188,563,705	\$ 193,342,167
12,675,484	9,848,155	11,675,297	13,284,014	15,826,198	15,552,674
41,346,994	44,898,462	39,882,941	45,000,285	(112,847,413)	(99,033,629)
<u>\$ 217,487,460</u>	<u>\$ 223,557,471</u>	<u>\$ 229,741,789</u>	<u>\$ 246,764,698</u>	<u>\$ 91,542,490</u>	<u>\$ 109,861,212</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities				
Administration	\$ 9,993,084	\$ 10,063,773	\$ 9,010,266	\$ 9,990,833
District support services	7,758,332	8,083,375	7,466,464	7,470,338
Elementary and secondary regular instruction	113,139,917	118,598,218	110,299,265	112,598,739
Vocational education instruction	3,941,086	3,728,269	3,009,509	3,414,483
Special education instruction	44,143,783	45,785,607	41,770,841	44,629,039
Instructional support services	14,088,857	14,963,628	13,992,893	12,435,878
Pupil support services	22,116,462	22,161,931	19,904,914	21,266,892
Sites and buildings	16,424,757	15,964,989	15,930,494	15,167,362
Fiscal and other fixed cost programs	675,592	473,187	406,778	323,660
Food service	8,768,750	9,196,217	9,640,003	9,834,805
Community service	12,921,276	12,936,464	13,444,016	13,819,853
Depreciation expense (net of allocations to programs)	6,608,269	7,583,134	6,942,870	7,173,730
Interest and fiscal charges on debt	12,238,463	11,673,207	11,603,663	12,218,481
Total governmental activities expenses	272,818,628	281,211,999	263,421,976	270,344,093
Program revenues				
Governmental activities				
Charges for services				
Food service	4,967,714	5,129,756	5,088,224	5,171,603
Community service	7,638,000	8,138,424	8,106,834	8,126,265
All other	4,784,065	4,141,480	5,267,724	5,142,327
Operating grants and contributions	54,064,749	61,524,104	57,098,030	75,496,551
Capital grants and contributions	7,289,819	9,847,821	8,781,111	7,663,263
Total governmental activities program revenues	78,744,347	88,781,585	84,341,923	101,600,009
Net (expense) revenue	(194,074,281)	(192,430,414)	(179,080,053)	(168,744,084)
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	31,857,093	36,266,718	43,768,195	44,627,270
Property taxes, levied for community service	1,496,514	1,559,500	1,272,495	2,500,000
Property taxes, levied for debt service	17,725,156	17,672,387	18,727,775	19,240,286
Property taxes, levied for capital projects	2,417,258	3,496,264	2,252,863	1,690,268
General grants and aids	130,531,939	129,243,681	128,054,844	110,986,372
Other general revenues	114,092	63,633	46,918	20,433
Gain on sale of capital assets	—	—	—	1,242,367
Investment earnings	6,570,363	6,014,985	4,607,786	3,622,206
Total governmental activities	190,712,415	194,317,168	198,730,876	183,929,202
Change in net position	\$ (3,361,866)	\$ 1,886,754	\$ 19,650,823	\$ 15,185,118

2011	2012	2013	2014	2015	2016
\$ 9,889,383	\$ 10,010,161	\$ 9,302,245	\$ 9,575,101	\$ 10,381,868	\$ 10,818,228
7,939,090	7,846,332	7,707,269	7,526,010	7,703,891	8,179,156
117,486,457	119,863,495	120,150,495	116,638,392	129,757,253	132,739,729
2,979,308	3,483,484	2,224,938	3,141,382	2,577,175	3,382,640
45,409,052	44,724,609	46,747,032	46,401,292	44,261,176	47,918,552
15,395,191	12,333,695	12,485,545	15,078,139	18,218,530	19,542,885
20,512,419	20,217,797	21,507,907	21,381,700	21,213,677	20,057,132
13,423,282	15,331,085	16,097,883	16,537,008	17,371,714	18,587,008
338,224	338,499	515,881	531,895	607,963	529,352
10,230,489	10,795,396	10,891,333	11,330,855	11,239,240	12,207,490
13,880,502	14,095,978	14,903,788	15,230,093	14,421,741	16,419,921
7,320,312	7,694,060	7,908,028	7,141,723	7,290,078	7,814,428
8,151,200	7,214,344	5,197,263	5,198,234	5,557,629	4,063,175
272,954,909	273,948,935	275,639,607	275,711,824	290,601,935	302,259,696
4,924,319	4,829,635	4,694,700	4,681,620	4,554,115	5,018,871
8,417,053	8,722,701	8,504,086	9,559,310	8,675,018	9,518,778
4,963,175	4,196,696	2,382,531	2,084,530	2,357,602	2,101,396
66,466,389	62,160,093	61,361,045	66,776,775	67,178,824	69,859,744
7,589,202	7,521,842	8,016,685	8,295,544	8,343,272	8,831,507
92,360,138	87,430,967	84,959,047	91,397,779	91,108,831	95,330,296
(180,594,771)	(186,517,968)	(190,680,560)	(184,314,045)	(199,493,104)	(206,929,400)
63,920,940	44,688,424	48,214,311	48,483,768	58,867,528	61,342,344
2,648,450	1,835,225	1,888,383	1,922,267	1,917,363	1,998,320
19,827,193	19,362,076	20,440,190	20,463,285	17,940,548	17,810,240
2,369,678	2,700,760	2,572,515	2,631,084	2,622,943	2,622,943
103,822,810	123,399,761	122,691,081	125,732,058	136,917,820	136,529,823
52,094	7,514	383,238	895,594	968,988	3,639,661
—	—	491,389	733,095	—	—
1,375,933	594,219	183,771	475,803	465,137	1,304,791
194,017,098	192,587,979	196,864,878	201,336,954	219,700,327	225,248,122
\$ 13,422,327	\$ 6,070,011	\$ 6,184,318	\$ 17,022,909	\$ 20,207,223	\$ 18,318,722

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved				
Operating Account	\$ 327,996	\$ 506,027	\$ 660,346	\$ 533,030
Capital Expenditure Account	12,047,096	12,214,774	7,336,875	10,161,288
Unreserved – Capital Expenditure Account	(1,689,393)	(395,386)	(55,785)	(162,696)
Unreserved – Operating Account	25,769,032	20,088,634	31,789,373	40,290,600
Nonspendable				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Restricted				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Assigned	–	–	–	–
Unassigned				
Operating Account	–	–	–	–
Capital Expenditure Account	–	–	–	–
Total General Fund	<u>\$ 36,454,731</u>	<u>\$ 32,414,049</u>	<u>\$ 39,730,809</u>	<u>\$ 50,822,222</u>
All other governmental funds				
Reserved	\$ 74,967,997	\$ 75,194,504	\$ 83,953,551	\$ 119,002,177
Unreserved, reported in				
Special revenue funds	1,521,478	2,032,961	2,312,497	2,871,254
Capital Projects – Building Construction Fund	59,710	–	–	–
Debt Service Fund – General Obligation Bonds	5,013,972	4,757,150	5,092,734	4,426,151
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>\$ 81,563,157</u>	<u>\$ 81,984,615</u>	<u>\$ 91,358,782</u>	<u>\$ 126,299,582</u>
Unreserved/unassigned – Operating Account as a percentage of total expenditures	<u>11.6%</u>	<u>8.8%</u>	<u>14.0%</u>	<u>18.4%</u>

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

2011	2012	2013	2014	2015	2016
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2,065,648	465,537	333,685	397,467	349,941	347,972
153,481	35,742	20,751	14,354	10,794	41,908
237,001	53,938	102,612	131,241	183,529	141,786
7,330,000	4,911,656	7,094,538	8,386,025	9,054,720	8,890,846
7,994,876	8,861,190	1,865,912	—	—	3,628,175
38,222,696	37,962,599	38,579,402	43,436,563	55,738,741	63,161,707
(564,624)	(682,984)	(765,889)	(590,612)	(482,773)	(433,430)
<u>\$ 55,439,078</u>	<u>\$ 51,607,678</u>	<u>\$ 47,231,011</u>	<u>\$ 51,775,038</u>	<u>\$ 64,854,952</u>	<u>\$ 75,778,964</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
465,278	408,864	437,871	16,823	12,779	8,553
25,359	—	—	—	—	—
5,237,015	5,201,069	4,785,089	4,919,497	5,269,738	5,594,482
9,821,424	5,253,567	7,575,525	3,648,964	15,393,620	4,952,256
43,716,229	3,753,106	3,847,570	3,813,947	51,033,469	2,951,458
(64,332)	(70,745)	(2,795)	—	—	—
<u>\$ 59,200,973</u>	<u>\$ 14,545,861</u>	<u>\$ 16,643,260</u>	<u>\$ 12,399,231</u>	<u>\$ 71,709,606</u>	<u>\$ 13,506,749</u>
<u>17.3%</u>	<u>16.9%</u>	<u>16.7%</u>	<u>18.9%</u>	<u>23.5%</u>	<u>25.8%</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Local sources				
Taxes	\$ 53,116,313	\$ 58,726,894	\$ 65,613,628	\$ 68,129,655
Investment earnings	5,929,166	5,494,552	4,180,823	3,081,100
Other	21,080,964	20,310,897	21,500,746	21,011,030
State sources	176,452,641	186,341,580	178,308,918	159,688,952
Federal sources	11,857,856	11,426,422	12,634,021	31,906,832
Total revenues	268,436,940	282,300,345	282,238,136	283,817,569
Expenditures				
Current				
Administration	9,927,437	10,052,596	9,008,356	9,988,924
District support services	4,918,609	5,208,267	6,597,460	5,386,523
Elementary and secondary regular instruction	109,765,803	113,381,446	118,327,117	110,571,064
Vocational education instruction	3,969,198	3,718,292	3,009,143	3,414,117
Special education instruction	44,059,232	45,643,778	45,242,029	44,620,521
Instructional support services	11,842,154	13,357,181	14,720,337	12,401,998
Pupil support services	22,087,652	22,148,423	20,377,010	21,265,279
Sites and buildings	14,362,239	14,107,319	23,592,865	19,336,434
Fiscal and other fixed cost programs	675,592	473,187	406,778	323,660
Food service	8,830,855	8,981,026	9,475,675	9,551,844
Community service	12,855,079	12,874,087	13,348,656	13,714,124
Capital outlay	13,578,636	12,022,631	2,048,070	7,109,133
Debt service				
Principal	11,334,931	11,550,524	12,557,332	13,161,297
Interest and fiscal charges	13,534,029	12,410,812	11,862,190	12,771,091
Total expenditures	281,741,446	285,929,569	290,573,018	283,616,009
Excess (deficiency) of revenues over expenditures	(13,304,506)	(3,629,224)	(8,334,882)	201,560
Other financing sources (uses)				
Refunding bonds issued	—	—	—	52,375,000
Debt issued	5,235,000	—	24,945,000	—
Premium on debt issued	61,305	—	80,809	5,384,227
Proceeds from sale of assets	—	10,000	—	5,236,426
Transfers in	—	234,382	208,660	—
Transfers out	—	(234,382)	(208,660)	—
Debt retirement from refunding bonds	—	—	—	(17,165,000)
Capital leases issued	2,800,000	—	—	—
Total other financing sources (uses)	8,096,305	10,000	25,025,809	45,830,653
Net change in fund balances	\$ (5,208,201)	\$ (3,619,224)	\$ 16,690,927	\$ 46,032,213
Debt service as a percentage of noncapital expenditures	9.3%	8.7%	8.5%	9.4%

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

2011	2012	2013	2014	2015	2016
\$ 88,854,246	\$ 68,998,755	\$ 73,229,773	\$ 52,139,640	\$ 81,224,509	\$ 83,812,427
951,880	242,195	79,081	122,297	169,450	348,164
21,475,142	21,287,557	19,433,552	20,774,516	20,092,851	21,359,596
153,387,645	172,738,587	173,713,412	203,939,595	193,878,147	198,912,577
21,357,251	16,812,098	14,886,402	15,145,733	14,660,370	15,210,620
286,026,164	280,079,192	281,342,220	292,121,781	310,025,327	319,643,384
9,887,474	10,010,161	9,302,245	9,575,101	10,381,868	10,818,228
5,925,326	5,738,350	5,628,062	5,437,320	5,622,720	6,172,803
115,476,010	121,086,618	121,609,632	118,710,180	130,841,833	133,079,885
2,983,259	3,518,848	2,222,082	3,138,526	2,573,885	3,380,229
45,407,700	44,716,402	46,755,363	46,402,897	46,296,441	48,125,942
15,591,201	12,364,771	12,502,018	15,006,315	18,270,519	19,590,144
20,510,806	20,217,797	21,507,907	21,381,700	21,259,449	20,059,076
19,803,684	17,436,926	19,041,698	18,914,056	17,581,741	19,359,537
338,224	338,499	515,881	531,895	607,963	529,352
9,987,972	10,517,361	10,634,472	11,127,023	11,232,077	12,021,733
13,762,170	13,963,156	14,742,075	15,201,013	14,465,450	16,420,852
6,811,326	7,644,310	7,123,098	6,886,511	22,990,007	13,341,882
12,730,000	14,221,944	14,626,680	15,289,675	13,293,208	16,895,743
11,320,100	9,277,293	6,881,284	6,343,571	6,032,813	6,478,143
290,535,252	291,052,436	293,092,497	293,945,783	321,449,974	326,273,549
(4,509,088)	(10,973,244)	(11,750,277)	(1,824,002)	(11,424,647)	(6,630,165)
5,775,000	—	—	—	42,075,000	—
8,685,000	—	6,625,000	—	30,685,000	—
370,331	—	7,155	—	6,295,789	—
15,004	—	2,838,854	2,124,000	—	—
—	—	—	—	—	—
—	—	—	—	—	—
(75,415,000)	(37,895,000)	—	—	—	(46,930,000)
2,597,000	381,732	—	—	4,759,147	6,281,320
(57,972,665)	(37,513,268)	9,471,009	2,124,000	83,814,936	(40,648,680)
\$ (62,481,753)	\$ (48,486,512)	\$ (2,279,268)	\$ 299,998	\$ 72,390,289	\$ (47,278,845)
8.7%	8.3%	7.5%	7.5%	6.5%	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
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%
2015	10,379,805 4.4%	4,938,420 2.1%	122,827,042 51.8%	2,529,300 1.1%	46,277,695 19.5%
2016	10,815,433 4.4%	5,521,493 2.3%	129,193,844 52.8%	3,124,154 1.3%	48,120,113 19.6%

<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>
\$ 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%)
14,139,992 6.0%	21,247,802 9.0%	13,898,296 5.9%	607,963 0.2%	236,846,315 100.0%	2.9%
13,472,009 5.5%	20,033,798 8.2%	14,018,585 5.7%	529,352 0.2%	244,828,781 100.0%	3.4%

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
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%
2015	53,770,557 22%	181,828,908 73%	7,987,321 3%	5,566,469 2%	249,153,255 100%
2016	56,353,162 22%	185,858,768 73%	8,184,157 3%	5,440,123 2%	255,836,210 100%

- (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			
	2007	2008	2009	2010
Revenue				
General Fund				
Operating Account	\$ 212,513,908	\$ 222,588,122	\$ 223,755,854	\$ 225,547,633
Capital Expenditure Account	9,307,362	11,318,906	10,653,126	9,341,486
Special revenue funds				
Food Service	9,284,843	9,640,510	9,934,674	10,295,493
Community Service	13,077,544	13,657,891	13,390,804	13,416,748
Debt service funds				
Debt Service Account – General				
Obligation Bonds	18,941,917	18,753,734	19,478,520	19,166,032
Debt Service Account – Other				
Post-Employment Benefits Bonds	–	–	1,515	876,986
Total revenue	<u>\$ 263,125,574</u>	<u>\$ 275,959,163</u>	<u>\$ 277,214,493</u>	<u>\$ 278,644,378</u>
Expenditures				
General Fund				
Operating Account	\$ 221,607,916	\$ 228,090,489	\$ 227,736,296	\$ 218,404,684
Capital Expenditure Account	10,747,685	9,632,839	15,191,424	10,560,929
Special revenue funds				
Food Service	9,461,753	9,121,744	9,680,730	9,741,558
Community Service	12,920,891	12,929,848	13,432,902	13,816,380
Debt service funds				
Debt Service Account – General				
Obligation Bonds	18,794,993	19,010,556	19,479,210	19,805,100
Debt Service Account – Other				
Post-Employment Benefits Bonds	–	–	–	1,024,450
Total expenditures	<u>\$ 273,533,238</u>	<u>\$ 278,785,476</u>	<u>\$ 285,520,562</u>	<u>\$ 273,353,101</u>

2011	2012	2013	2014	2015	2016
\$ 229,105,709	\$ 223,767,752	\$ 223,896,832	\$ 233,231,818	\$ 249,153,255	\$ 255,836,210
8,822,827	8,429,276	9,042,349	9,267,986	13,903,601	14,294,742
10,421,017	10,609,307	11,008,927	11,079,495	11,346,564	12,189,464
13,834,024	14,103,160	14,334,020	15,289,169	15,056,548	16,828,669
19,617,297	19,279,004	19,503,802	19,639,753	15,637,131	15,564,377
999,343	1,000,072	980,645	978,083	2,293,296	2,284,434
<u>\$ 282,800,217</u>	<u>\$ 277,188,571</u>	<u>\$ 278,766,575</u>	<u>\$ 289,486,304</u>	<u>\$ 307,390,395</u>	<u>\$ 316,997,896</u>
\$ 221,409,118	\$ 224,944,709	\$ 230,358,485	\$ 230,148,158	\$ 236,846,315	\$ 244,828,781
14,514,566	11,465,451	9,708,191	9,931,619	17,889,774	20,659,479
10,091,851	10,706,589	10,749,330	11,318,737	11,461,024	12,140,458
13,856,582	14,104,651	14,912,640	15,333,772	14,595,891	16,557,157
19,958,431	19,859,761	19,524,714	19,691,009	15,751,468	16,813,272
960,450	960,450	960,450	960,450	2,175,450	2,187,550
<u>\$ 280,790,998</u>	<u>\$ 282,041,611</u>	<u>\$ 286,213,810</u>	<u>\$ 287,383,745</u>	<u>\$ 298,719,922</u>	<u>\$ 313,186,697</u>

OSSEO AREA SCHOOLS

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**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, 2016
(Modified Accrual Basis of Accounting)

	Hennepin County Average	ISD No. 279
General education formula revenue per pupil unit (1)		
General education (includes transportation)	\$ 5,948	\$ 5,948
Referendum	1,333	1,585
Gifted and talented, extended, compensatory, and English learner	691	830
Operating capital	232	224
Supplemental, equity, and other	559	545
General education formula revenue per pupil unit (property tax and state aid)	\$ 8,763	\$ 9,132
General Fund – Operating Account revenue per student (2)		
General education formula revenue per student (property tax and state aid)		\$ 11,027
Less Capital Expenditure Account		(679)
General education formula revenue per student – General Fund Operating Account		10,348
State categorical revenue (special education, secondary vocational, cooperation, and other)		1,579
Total property tax and state aid revenue		11,927
Federal revenue (special education, Title I, and other)		403
Other local revenue – interest, participation fees, and other		268
Total General Fund – Operating Account revenue per student		\$ 12,598

- (1) Pupil units or adjusted pupil units (APU) 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>
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
2015	12,260,171,126	126,039,300	12,386,210,426
2016	13,072,587,948	131,212,400	13,203,800,348

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>
\$ 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
13,117,972,200	94.4
13,913,604,700	94.9

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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				
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total
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
2015	58,770,557	1,914,828	2,622,943	17,916,181	81,224,509
2016	61,356,156	1,999,515	2,622,943	17,833,813	83,812,427

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

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Property Classification	City	Tax Capacity	Rank	2016	
					Property Valuation	
					Percentage of Tax Capacity Value	Market Value
Target Corporation	Commercial	Brooklyn Park	\$ 1,646,020	1	1.2 %	\$ 82,301,000
KIR Maple Grove, LP	Commercial	Maple Grove	1,389,484	2	1.0	69,511,700
Prisa Arbor Lakes, LLC	Commercial	Maple Grove	1,290,704	3	0.9	64,572,700
Boston Scientific Scimed, Inc.	Industrial	Maple Grove	795,280	4	0.6	39,801,500
KIMCO Realty Corporation	Commercial	Maple Grove	701,158	5	0.5	35,095,400
Weidner Property Management	Apartment	Plymouth	624,633	6	0.5	49,970,600
DDRA Maple Grove XNG, LLC	Commercial	Maple Grove	601,620	7	0.4	30,118,500
Fairview Hospital	Commercial	Maple Grove	525,150	8	0.4	26,295,000
BPP, LLC	Industrial	Brooklyn Park	507,666	9	0.4	25,420,800
Mept Plymouth, LLC	Apartment	Plymouth	478,500	10	0.3	38,280,000
Cousins Properties, Inc.	Commercial	Maple Grove	—	—	—	—
Prudential RE Investors	Commercial	Plymouth	—	—	—	—
Excel Energy	Utility	Maple Grove	—	—	—	—
CSHV Stoneleigh, LLC	Apartment	Plymouth	—	—	—	—
Protein Design Labs, Inc.	Industrial	Brooklyn Park	—	—	—	—
Prudential Financial, Inc.	Commercial	Plymouth	—	—	—	—
JPI Communities	Apartment	Plymouth	—	—	—	—
Total for 10 largest principal taxpayers			<u>\$ 8,560,215</u>		<u>6.2 %</u>	<u>\$461,367,200</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

2007				
Property Valuation				
Tax Capacity	Rank	Percentage of Tax Capacity Value		Market Value
\$ 889,436	3	0.7 %	\$	44,509,300
942,752	2	0.7		47,175,100
—	—	—		—
464,596	5	0.3		23,267,300
—	—	—		—
—	—	—		—
574,792	4	0.4		28,777,100
—	—	—		—
—	—	—		—
—	—	—		—
1,759,250	1	1.3		88,000,000
—	—	—		—
452,968	6	0.3		22,648,400
428,688	7	0.3		34,295,000
378,060	8	0.3		18,940,500
368,770	9	0.3		18,476,000
357,438	10	0.3		28,595,000
<u>\$ 6,616,750</u>		<u>4.9 %</u>		<u>\$354,683,700</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					
	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
	2015	64,037,957	1,960,560	18,050,797	84,049,314
	2016	64,021,060	2,375,031	17,945,293	84,341,384
Net tax rates					
Tax capacity rate					
	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
	2015	13.693	1.319	12.144	27.156
	2016	13.348	1.510	11.409	26.267
Market value rate					
	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
	2015	0.294	—	—	0.294
	2016	0.278	—	—	0.278

(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)
\$ (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	—
(10,726,997)	73,322,317	(38,109,021)	35,213,296	—
(9,941,590)	74,399,794	(37,953,980)	36,445,814	—

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	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%	—	—
Tax capacity rate	2015	—	70.026%	56.136%	45.311%	57.029%
Market value rate	2015	—	—	0.02589%	—	—
Tax capacity rate	2016	—	71.775%	55.251%	45.691%	57.150%
Market value rate	2016	—	—	0.02399%	—	—

N/A – Not Available

(1) The miscellaneous other levy includes AVTI, mosquito control, park/museum, metro transit, other metro services, 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
30.169% 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%
39.651% —	72.935% —	27.847% 0.00698%	40.377% —	27.156% 0.29426%	46.398% —	9.651% —	122.856% 0.294%
39.196% —	70.645% —	27.330% 0.00531%	37.879% —	26.267% 0.27820%	45.356% —	9.449% —	120.268% 0.278%

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
2007	\$ 61,469,135	\$ 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	68,476,113	98.9	732,460
2011	70,141,931	70,116,516	100.0	397,828
2012	71,151,519	71,070,094	99.9	163,309
2013	73,625,919	73,513,909	99.8	187,551
2014	81,659,611	81,494,375	99.8	193,243
2015	84,049,314	83,715,659	99.6	N/A
2016 (1)	84,341,384	N/A	N/A	N/A

Reconciliation of current tax collections with property tax revenue

Collections on property tax levy collectible in 2015		\$ 83,715,659
Less tax shift allocation of the levy collectible in 2015 to fiscal year 2015	(2)	(4,090,033)
Add tax shift allocation of the referendum levy collectible in 2016 to fiscal year 2016	(2)	4,164,799
Property tax delinquencies, abatements, and county apportionment		<u>22,002</u>
Total local property tax revenue – fiscal year 2016		<u><u>\$ 83,812,427</u></u>

N/A – Not Applicable

(1) Only a portion of calendar year 2016 taxes are collectible by June 30, 2016. A total of \$42,356,535 of 2016 taxes were collected by June 30, 2016.

(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, 2016 Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
\$	61,478,554	100.0 %	\$ —	— %
	66,535,696	99.7	—	—
	68,850,478	99.8	—	—
	69,253,978	100.0	—	—
	70,514,344	100.0	25,415	0.0
	71,233,403	100.1	81,425	0.1
	73,701,460	100.1	112,010	0.2
	81,687,618	100.0	165,236	0.2
	83,715,659	99.6	333,655	0.4
	N/A	N/A	—	N/A
			<u>\$ 717,741</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 and Notes	Certificates of Participation	Capital Leases	
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
2015	171,080,000	14,085,000	3,556,372	188,721,372
2016	111,020,000	13,425,000	6,731,949	131,176,949

N/A – Not Available

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

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

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
3.2 %	\$ 1,858
2.8	1,771
3.0	1,831
3.2	1,980
2.5	1,476
1.8	1,080
1.7	1,007
1.5	885
N/A	1,327
N/A	902

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	Unamortized Premiums	Balance on Hand – Debt Service Fund	Net Bonded Debt	Taxable Tax Capacity
2007	\$ 243,050,000	\$ –	\$ 77,437,018	\$ 165,612,982	\$ 135,926,824
2008	233,000,000	–	76,650,169	156,349,831	150,358,956
2009	246,945,000	445,982	76,455,727	170,935,255	148,810,762
2010	270,610,000	10,034,581	115,524,154	165,120,427	138,874,529
2011	196,925,000	8,722,303	43,716,229	161,931,074	128,632,017
2012	145,755,000	7,685,146	3,753,106	149,687,040	121,853,398
2013	138,715,000	6,172,040	3,847,570	141,039,470	115,768,941
2014	124,400,000	5,285,194	3,813,947	125,871,247	117,564,467
2015	185,165,000	10,602,876	51,033,469	144,734,407	129,670,410
2016	124,445,000	8,901,279	2,951,458	130,394,821	138,751,338

(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, 2016, the legal limit was \$2,046,404,386. Outstanding bonded debt as of June 30, 2016 was \$124,445,000, leaving a margin of \$1,921,959,386.

Source: Hennepin County Department of Property Tax and Public Records

Ratio of Net Debt to Tax Capacity Value	Estimated Population (1)	Net Debt per Capita
121.8 %	133,327	\$ 1,242
104.0	133,327	1,173
114.9	135,770	1,259
118.9	136,700	1,208
125.9	135,140	1,198
122.8	136,896	1,093
121.8	138,789	1,016
107.1	140,680	895
111.6	142,167	1,018
94.0	145,451	896

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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

Direct and Overlapping Debt
as of June 30, 2016

Taxing Unit	Tax Collection Calendar Year – 2015 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	\$ 156,333,069	\$ 124,445,000	100.00 %	\$ 124,445,000
Overlapping debt				
Hennepin County	1,354,654,515	706,625,000	10.24	72,358,400
Cities				
Brooklyn Center	15,064,622	20,885,000	30.31	6,330,244
Brooklyn Park	57,782,583	22,085,000	74.66	16,488,661
Corcoran	7,204,057	5,116,000	6.78	346,865
Dayton	5,125,974	2,295,000	14.60	335,070
Maple Grove	81,074,802	63,095,000	91.51	57,738,235
Osseo	1,880,823	4,460,000	100.00	4,460,000
Plymouth	104,170,860	13,910,000	13.16	1,830,556
Rogers	17,404,459	6,470,000	0.18	11,646
Others				
Three Rivers Park District	993,958,266	63,510,000	13.96	8,865,996
Metropolitan Council	2,917,151,726	206,020,000	0.52	1,071,304
Total overlapping debt				<u>169,836,976</u>
Total direct and debt outstanding				<u>\$ 294,281,976</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			
	2007	2008	2009	2010
Debt limit	\$2,068,305,180	\$2,239,241,543	\$2,236,745,318	\$2,121,656,719
Total net debt applicable to limit	243,050,000	233,000,000	246,945,000	270,610,000
Legal debt margin	<u>\$1,825,255,180</u>	<u>\$2,006,241,543</u>	<u>\$1,989,800,318</u>	<u>\$1,851,046,719</u>
Total net debt applicable to the limit as a percentage of debt limit	11.75%	10.41%	11.04%	12.75%

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

2011	2012	2013	2014	2015	2016
\$1,954,105,770	\$ 1,881,545,183	\$ 1,773,605,673	\$ 1,783,879,819	\$ 1,942,619,831	\$ 2,046,404,386
196,925,000	145,755,000	138,715,000	124,400,000	185,165,000	124,445,000
<u>\$1,757,180,770</u>	<u>\$ 1,735,790,183</u>	<u>\$ 1,634,890,673</u>	<u>\$ 1,659,479,819</u>	<u>\$ 1,757,454,831</u>	<u>\$ 1,921,959,386</u>
10.08%	7.75%	7.82%	6.97%	9.53%	6.08%

Legal Debt Margin Calculation for Fiscal Year 2016

Market value	\$13,642,695,905
Debt limit (15% of market value)	2,046,404,386
Debt applicable to limit	
General obligation bonds and notes payable	<u>124,445,000</u>
Legal debt margin	<u>\$ 1,921,959,386</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Deferred Tax Levies for Future Bond Debt Service
as of June 30, 2016

Tax Collection Calendar Year	Deferred Tax Levies
2017	\$ 18,513,187
2018	18,502,739
2019	20,734,882
2020	20,806,623
2021	14,314,893
2022	13,238,407
2023	8,079,592
2024	2,540,002
2025	502,477
2026	504,840
2027	506,730
2028	502,897
Total amount to be levied in future years	<u>118,747,269</u>
2016	Amount levied for collection in 2016 and included in property taxes levied for subsequent year at June 30, 2016
	<u>17,945,293</u>
Total deferred tax levies for future bond debt service	<u><u>\$ 136,692,562</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)
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	8,304,578,604	59,836	37.2	20,549	5.1
2014	140,680	8,557,283,040	60,828	37.6	20,580	4.2
2015	142,167	N/A	N/A	N/A	20,373	3.7
2016	145,451	N/A	N/A	N/A	20,308	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 Nine Years Ago

Employer	2016		2007	
	Employees	Rank	Employees	Rank
Target Corporation (1)	3,300	1	1,625	3
Independent School District No. 279	3,021	2	3,104	2
Boston Scientific Scimed, Inc. (2)	2,800	3	3,600	1
Medtronic (3)	1,525	4	420	8
Egan McKay	700	5	660	6
United Parcel Services	700	5	750	5
Maple Grove Hospital	650	7	—	—
Prudential Insurance Company	598	8	1,600	4
North Hennepin Community College	490	9	—	—
RR Donnelley	480	10	—	—
Caterpillar Paving Products	—	—	519	7
Upsher-Smith Laboratories, Inc.	—	—	400	9
US Food Service	—	—	400	10
Total	10,964		11,453	

- (1) Includes corporate office. Employees moved from the downtown and I-394 corporate offices to the newly-expanded Brooklyn Park corporate office in 2015 and 2016.
- (2) Boston Scientific increased its production employee levels. However, those employees are not considered Boston Scientific employees, because they are hired through a staffing firm. There are about 300 of those type of employees in Maple Grove.
- (3) Includes locations in Brooklyn Park and Brooklyn Center. Most recent data available as of 2015.

Note: Total employment information is not readily 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				
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
2014	1,885	164,344,704	140	26,375,881
2015	2,036	149,524,929	142	35,840,775
City of Maple Grove				
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
2014	2,252	193,572,052	278	106,325,973
2015	2,942	141,804,368	192	85,682,575

(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
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
2015	149	1,510	109	811
2016	144	1,543	108	775
Percent increase (decrease) over 10 years	18.0%	(3.2%)	(10.7%)	10.4%

- (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)
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	20,581
156	147	130	3,012	20,373
161	162	128	3,021	20,308
(9.6%)	2.5%	(44.3%)	(2.7%)	(8.0%)

INDEPENDENT SCHOOL DISTRICT NO. 279

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Total population	133,327	133,327	135,770	136,700
Percent of staff with degrees				
Bachelor's	100%	100%	100%	100%
Master's	71%	72%	72%	75%
ACT information				
Average ACT score	22.4	22.2	22.5	22.4
Percent students taking ACT	53%	57%	57%	60%
National merit				
Commended	6	8	11	16
Finalists and semifinalists	8	2	4	1
AP Scholars	N/A	46	62	98

N/A – Not Available

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

2011	2012	2013	2014	2015	2016
135,140	136,896	138,789	140,680	142,167	145,451
100%	100%	100%	100%	100%	100%
74%	76%	76%	74%	73%	72%
22.6	22.5	22.3	22.3	22.3	20.3
60%	63%	63%	65%	73%	84%
14	14	9	11	11	6
2	3	4	2	1	2
106	117	128	150	149	164

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Capital assets				
Land	\$ 6,960,390	\$ 6,966,686	\$ 10,702,198	\$ 10,691,698
Land improvements	20,269,853	20,663,242	21,658,286	25,070,461
Buildings	358,419,880	364,898,006	367,767,521	369,466,103
Equipment	12,762,515	12,616,184	10,230,574	10,460,750
Construction in progress	2,182,553	780,430	1,560,542	2,037,404
Total capital assets	<u>\$ 400,595,191</u>	<u>\$ 405,924,548</u>	<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>
Capital assets by function and activity				
Administration	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
District support services	114,629,654	114,660,822	114,660,821	113,078,539
Elementary and secondary regular instruction	824,284	894,873	1,021,287	1,094,002
Vocational education instruction	27,185	27,185	27,185	27,185
Special education instruction	289,187	289,187	289,187	289,187
Instructional support services	4,296,548	3,865,508	902,640	910,440
Pupil support services	—	59,647	59,647	59,647
Food service	4,088,825	4,185,739	4,888,338	4,479,013
Sites and buildings	275,431,447	280,916,020	289,029,995	296,726,190
Community service	988,966	1,006,472	1,020,926	1,043,118
Total capital assets by function and activity	<u>\$ 400,595,191</u>	<u>\$ 405,924,548</u>	<u>\$ 411,919,121</u>	<u>\$ 417,726,416</u>

Source: The District's Business Services Department

2011	2012	2013	2014	2015	2016
\$ 10,691,698	\$ 10,691,698	\$ 8,344,233	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417
26,321,967	27,843,458	28,968,868	29,488,070	30,394,387	31,479,888
377,938,760	387,290,466	395,241,051	398,977,319	406,467,020	428,532,037
10,739,471	10,652,175	10,954,314	8,573,540	8,798,928	10,098,560
2,726,381	391,975	1,026,401	2,513,199	17,292,480	6,655,427
<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>	<u>\$ 444,534,867</u>	<u>\$ 447,875,545</u>	<u>\$ 471,276,232</u>	<u>\$ 485,089,329</u>
\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
113,232,033	112,276,960	112,323,903	111,389,026	111,399,374	111,381,071
1,099,553	905,208	908,265	983,647	983,647	1,155,256
31,811	64,681	64,681	64,681	64,681	64,681
296,042	271,043	288,451	297,094	297,094	297,094
1,173,720	1,217,309	1,321,797	1,336,797	1,371,261	1,460,404
59,647	59,647	59,647	59,647	59,647	59,647
5,057,239	5,151,404	5,211,253	5,256,134	5,462,112	5,485,642
306,404,239	315,824,027	323,220,971	327,331,102	350,463,871	364,010,989
1,044,898	1,080,398	1,116,804	1,138,322	1,155,450	1,155,450
<u>\$ 428,418,277</u>	<u>\$ 436,869,772</u>	<u>\$ 444,534,867</u>	<u>\$ 447,875,545</u>	<u>\$ 471,276,232</u>	<u>\$ 485,089,329</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>
2007	29.37
2008	29.30
2009	29.94
2010	29.65
2011	29.13
2012	27.97
2013	27.52
2014	27.63
2015	26.47
2016	26.30

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, 2016

Facility	Use	Constructed	Acres	Square Footage	Enrollment (1)
Arbor View Early Childhood Center	School	1983/2001	5.00	27,000	(2) –
Basswood Elementary	School	1995/2002	36.00	102,648	1,005
Birch Grove for the Arts	School	1966/1991/2004	15.00	74,314	445
Cedar Island Elementary	School	1970	23.16	66,871	464
Crest View Elementary	School	1960/1990/1999/2003	16.00	59,208	259
Edinbrook Elementary	School	1988/2002	20.00	106,406	694
Elm Creek Elementary	School	1980	15.00	84,300	501
Fair Oaks Elementary	School	1962/1991/2004	13.16	75,129	413
Fernbrook Elementary	School	1988/2003	43.00	105,440	797
Garden City Elementary	School	1959/1994/2004	10.00	55,153	300
Oak View Elementary	School	1991	22.00	98,600	440
Palmer Lake Elementary	School	1964/1991/2005	15.00	74,463	481
Park Brook Elementary	School	1959/1994/2004	10.00	55,011	243
Rice Lake Elementary	School	1980	15.42	84,300	625
Rush Creek Elementary	School	1995/2002	29.00	102,648	878
Weaver Lake Science, Math, and Technology	School	1991	29.08	98,600	645
Willow Lane ECSE	School	1956/1957/1987	11.10	42,796	(2) 215
Woodland Elementary	School	2002	19.00	101,555	770
Zanewood Community School	School	1967/2002	9.21	81,843	400
Brooklyn Middle School STEAM	School	1963/1969/1980/2003	28.57	176,104	967
Maple Grove Middle School	School	1990/2003	46.62	275,680	1,654
North View Middle School I World	School	1970/1986/2002/2007	26.04	186,448	663
Osseo Middle School	School	1966/1969/2002/2004	19.89	194,507	1,032
Maple Grove Senior High	School	1996/2002/2004/2015	110.00	351,718	2,226
Osseo Senior High	School	1952/1957/1960/1962/1964/1966/1975/1988/2002/2015	43.63	413,610	1,850
Park Center Senior High	School	1964/1966/1971/1975/1987/1988/2002/2003/2015	31.00	414,774	1,884
IB World School	School				
Osseo Area Learning Center	School	1973/2000	5.00	47,108	156
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	25
Timberland Properties	CBVAT	Leased	–	12,249	–
Dane Technologies, Inc.	Special education	Leased	–	11,800	63
Total				3,840,545	20,095

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

(2) Beginning in fiscal year 2016, both of these sites have been combined on MARSS.

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
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
2015	19,759	2,510,507	215	11,677	59.1
2016	19,699	2,520,404	215	11,723	59.5

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

Source: The District's Food and Nutrition Department

Free Lunch		Reduced Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
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
1,002,132	39.9	261,655	10.4
1,011,298	40.1	253,216	10.0

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	Grade 1–6	Grade 7–12	Total	
					Number	Percent Increase (Decrease)
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	1,523	9,495	9,221	20,581	0.2
2015	383	1,432	9,397	9,161	20,373	(1.0)
2016	371	1,399	9,307	9,231	20,308	(0.3)

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	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6
Fiscal 2007	1.250	1.000	0.557	0.557	1.115	1.060
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060
Fiscal 2015 and 2016	1.000	1.000	0.550	1.000	1.000	1.000

Beginning in fiscal year 2015, the District offered only all-day kindergarten programming; therefore, a 1.0 weighting factor applied to kindergarten students served per MDE guidance.

Source: Minnesota Department of Education

Total Pupil Units	
Number	Percent Increase (Decrease)
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)
23,644	–
22,205	(6.1)
22,154	(0.2)

Secondary
7–12

1.300

1.300

1.200

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.**