



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

INDEPENDENT SCHOOL DISTRICT NO. 199
INVER GROVE HEIGHTS, MINNESOTA

2990 – 80th Street East
Inver Grove Heights, MN 55076

Prepared by
Business Office

Brady Hoffman, CPA – Director of Business Services

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INDEPENDENT SCHOOL DISTRICT NO. 199

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i–vi
Organizational Chart	vii
School Board and Administration	viii
ASBO Certificate of Excellence	ix
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1–3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4–14
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17–18
Reconciliation of the Balance Sheet to the Statement of Net Position	19
Statement of Revenue, Expenditures, and Changes in Fund Balances	20–21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	23
Internal Service Funds	
Statement of Net Position	24
Statement of Revenues, Expenses, and Changes in Net Position	25
Statement of Cash Flows	26
Fiduciary Funds	
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	27
Notes to Basic Financial Statements	28–56
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Funding Progress	
Other Post-Employment Benefits Plan	57
Pension Benefits Plan	57
Defined Benefit Pension Plans – GERP/TRA Retirement Funds	
Schedule of District’s and Non-Employer Proportionate Share of Net Pension Liability	58
Schedule of District Contributions	59

INDEPENDENT SCHOOL DISTRICT NO. 199

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	60
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	61
General Fund	
Comparative Balance Sheet	62
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	63–65
Food Service Special Revenue Fund	
Comparative Balance Sheet	66
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	67
Community Service Special Revenue Fund	
Comparative Balance Sheet	68
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	69
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	70
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	71
Debt Service Fund	
Balance Sheet	72
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	73–74
Internal Service Funds	
Combining Statement of Net Position	75
Combining Statement of Revenues, Expenses, and Changes in Net Position	76
Combining Statement of Cash Flows	77
Agency Fund	
Statement of Changes in Assets and Liabilities	78

Table of Contents (continued)

	Page
STATISTICAL SECTION (UNAUDITED)	
Net Position by Component	79–80
Changes in Net Position	81–82
Governmental Activities Tax Revenues by Source and Levy Type	83
Fund Balances of Governmental Funds	84–85
Changes in Fund Balances of Governmental Funds	86–87
General Governmental Tax Revenues by Source and Levy Type	88
Tax Capacities and Estimated Market Values	89–90
Property Tax Rates – Direct and Overlapping Governments	91
Principal Taxpayers	92–93
Property Tax Levies and Collections	94
Outstanding Debt by Type	95
Ratio of Net General Obligation Bonded Debt to Tax Capacity and Net General Obligation Bonded Debt per Capita	96–97
Direct and Overlapping Debt	98
Legal Debt Margin Information	99–100
Demographic and Economic Statistics	101
Principal Employers	102–103
Employees by Classification	104
Operating Indicators – Standardized Testing and Graduation Rates	105–106
School Facilities	107
Expenditures per Student (Average Daily Membership)	108–109
Demographic Statistics – Student Enrollment	110
Food Service Meals Served and Pricing	111

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SECTION I

INTRODUCTORY SECTION



District Office
2990 80th St. E.
Inver Grove Heights, MN 55076
651-306-7800
FAX 651-306-7295

October 19, 2015

Simley High School
2920 80th St. E.
Inver Grove Heights, MN 55076
651-306-7000
FAX 651-306-7016

To the School Board, citizens, employees, and students of Inver Grove Heights
Community Schools

IGH Middle School
8167 Cahill Ave.
Inver Grove Heights, MN 55076
651-306-7200
FAX 651-306-7152

INTRODUCTION

Hilltop Elementary
3201 68th St. E.
Inver Grove Heights, MN 55076
651-306-7400
FAX 651-306-7444

Grove Heights Community Schools (the District), presents the financial position of the District as of June 30, 2015 and the results of its operations for the fiscal year then ended. This report is prepared in accordance with accounting principles generally accepted in the United States of America and is audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. State law requires the District to publish a complete set of audited financial statements within six months of the close of the District's fiscal year.

Pine Bend Elementary
9875 Inver Grove Trail
Inver Grove Heights, MN 55076
651-306-7701
FAX 651-306-7739

Salem Hills Elementary
5899 Babcock Trail
Inver Grove Heights, MN 55077
651-306-7300
FAX 651-306-7321

The District's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The reader of this CAFR will notice that the two main financial statements created by this standard, the Statement of Net Position and Statement of Activities, do not contain numerous columns for various funds like the fund-based financial statements. These two statements consolidate much of the information contained in fund-based financial statements into statements which tend to answer the question: "Is the District better or worse off financially than it was the previous year?" A comparison of net position should help the reader in answering that question.

Community Education
2990 80th St. E.
Inver Grove Heights, MN 55076
651-306-7870
FAX 651-306-7295

Also required as part of required supplementary information by GASB Statement No. 34 is the Management's Discussion and Analysis (MD&A), which allows the District to explain, in layman's terms, its financial position and results of its operations for the past fiscal year.

Early Learning
3203 68th St. E.
Inver Grove Heights, MN 55076
651-306-7500
FAX 651-306-7521

Spartan Kids' Care
3203 68th Street
Inver Grove Heights, MN 55076
651-306-7502
FAX 651-457-2837

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the District has established internal controls. The internal controls are designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not be more than the benefits, the District's internal controls are designed to provide reasonable, rather than absolute, assurance that these financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

District Website
www.isd199.org

These financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2015 are fairly presented in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited district's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota state legal compliance audit under Minnesota Statute § 6.65. These reports are available in a separate document.

REPORT FORMAT

This CAFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this letter of transmittal, organizational chart, information on the School Board and administration, and the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting Award. The financial section contains the independent auditor's report, MD&A, basic financial statements, required supplementary information, and combining and individual fund statements and schedules presented as supplemental information. The statistical section contains supplemental financial and other statistical data, generally presented on a multi-year basis.

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

THE DISTRICT'S PROFILE

The District was formed in 1957 as residents in the area realized the need for a local high school. The consolidation of one-room schoolhouses formed the District. In 1960, Simley High School opened its doors to students. In 1971, a new Simley High School was built adjacent to what is now the middle school. The oldest parts of the middle school (the original Simley High School) have been replaced.

The District operates under an elected seven-member School Board. The School Board is responsible, among other things, for passing policies, adopting the budget, and hiring the Superintendent of Schools. The Superintendent of Schools is responsible for carrying out the policies of the School Board, for overseeing the day to day operations of the school district, and for appointing the directors/principals of the various departments or schools. The School Board is elected on a non-partisan basis.

The District is a suburban school district located 12 miles south of the City of St. Paul, Minnesota, and serves a general population of approximately 34,458, covers an area of about 22 square miles, and enrolled 3,826 students for the 2014–2015 fiscal year. In terms of number of students, the District is Minnesota's 53rd largest school district. The District has one senior high school, one middle school, and three elementary schools.

The District provides a full range of public education services to students and families from birth to 21. These include regular and enriched academic education, special education, and career/vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes Early Childhood, Family, and Adult Basic Education programs as well as a myriad of classes for lifelong learning experiences for children and adults. The District strives for educational excellence and is proud of the achievements of its students and staff.

Our Vision

The Vision of the District is to create learning environments that provide for high student achievement so all learners are academically and socially prepared for lifelong learning.

Our Mission

The Mission of the District is to provide a challenging education through which all learners achieve success in a diverse society. This will be accomplished through:

- safe and caring environments;
- a strong and stimulating curriculum;
- high academic standards;
- respect, honesty, and accountability in all relationships;
- effective and innovative teaching;
- open communication and partnerships with families and community;
- safe and caring environments; and
- facilities that support and enhance learning.

School Board Goals

1. To provide a safe, caring, and respectful learning environment;
2. To develop a financial decision making process focused on full implementation of the Vision and Mission of the District;
3. To assure a government-wide system will be in place that places curriculum as a high priority, and is articulated pre-kindergarten through Grade 12;
4. To promote effective and innovative teaching and competent performance by all district staff;
5. To assure that government-wide facilities support and enhance innovative teaching and learning needs and requirements;
6. To assure open and honest communication and to promote community involvement and partnership.

The laws of the state of Minnesota give the authority to direct the District's business operations and educational functions to the District's School Board, whose members are elected officials. The School Board has the authority to levy taxes, set fees, and approve budgets and staff positions, along with other business and educational functions, without prior approval from any other governmental unit. The School Board can issue debt, generally with prior district voter approval. The Minnesota Department of Education does have some minor oversight responsibility over the District that is generally related to compliance and approval of certain laws and procedures, but is not substantive in nature.

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

BUDGETARY PROCESS

The District's budget sets forth the financial plan for the forthcoming fiscal year. It is based on the projected financial needs of the District to allocate limited resources in the best possible way to give the best educational opportunities to students. The budget process starts with the development of the plan and timeline with completion and adoption in June. The plan is disseminated to School Board members and administration, and the preparation of the budget is implemented. The administration reviews enrollment projections and determines staffing levels needed for the forthcoming year. A preliminary financial forecast is prepared by the Business Manager and staffing levels are determined, keeping the financial projection in focus. The administration then recommends staff changes to the School Board for approval.

The budget process is continuous and involves staff at all levels as they inform administration of their needs and anticipated expenditures. These requests are then reviewed by their budget administrator who determines their appropriateness and, if appropriate, includes them in his/her budget. Each building principal is allocated an amount for supplies, materials, and equipment, based on student enrollment of that building, which he/she must allocate to those accounts under their control. When each administrator has his/her budget assembled, the business department enters it in the finance system.

The Director of Business Services prepares the salary and benefits budget and updates this data to the master budget. The finance/business department staff, along with the Director of Business Services, prepares estimates of other areas for inclusion in the master budget. Staff in the finance/business department reviews the data entered by each budget administrator and makes any necessary corrections. Preliminary budgets are compiled and presented to the School Board. The School Board considers these preliminary budgets, makes recommendations and changes, and adopts the final budget in June as required by state law.

The budget is then implemented and administered. Each administrator is responsible for approving purchase requisitions from their buildings or areas of responsibility. They must remain within the budget constraints and monitor their budgets from periodic reports that they receive from the finance/business department. They also have the ability to review their budgets online through their computer terminal. The Director of Business Services has responsibility for the financial integrity of the District. The availability of funds, the proper code classification, the maintenance of the coding structure, and compliance with legal purchasing directives are all continuously monitored by the finance/business departments. All bids and contracts must be authorized and approved by the School Board. The revenue and expenditure budgets are monitored and changed as conditions change. All revisions to the budget are approved by the School Board.

ECONOMIC FACTORS

The District is located in Dakota County, which is one of seven counties that make up the Twin Cities Metropolitan Area. Although recent economic conditions have continued to show signs of improvement for many residents of the District, in the 2014–2015 school year, the District served 15,853 more free meals to its students than the prior year, an increase of 9.7 percent.

Officials at the City of Inver Grove Heights (the City) indicated that the City has experienced another strong year in new construction, the highest since 2006. In the past year, the City approved three residential plats totaling 315 new lots. There was also a significant increase in commercial and institutional construction. In anticipation of future development, the City had previously extended water and sewer service to open up the northwest area of the community for development. The City is considering another major extension to encourage further development.

The unemployment rate for Dakota County is currently 3.2 percent, which is a decrease from a rate of 4.4 percent a year ago. This compares favorably to both state and national average unemployment rates of 3.5 percent and 5.2 percent, respectively.

Taxable market value in the District increased 6.1 percent for the year from \$2,374,607,550 to \$2,518,406,576.

The District has always been dependent on the state for its revenue authority. However, in the past the general education basic formula allowance, which funds the majority of the District's operations, was composed of aid and levy components. The amount of levy was determined by a state determined tax rate. This rate was adjusted up or down depending on the state's financial position. By doing so, the state could shift revenue responsibility to local taxpayers in times of need or relieve local taxpayers in times of plenty. This is no longer the case as the general education basic formula allowance is now all state aid. Because of this, the District is continuously monitoring the state's financial position.

General education state aid, the single largest source of revenue for the District, is dependent on the number of students served by the District each school year. In fiscal year 2011, the District had a decline of 2.5 percent, or 97 students. Enrollment remained stable for 2012 at 3,770 and then increased slightly to 3,795 (0.7 percent) for fiscal year 2013. In fiscal year 2014, the students served increased to 3,855, or 1.6 percent. For the past fiscal year, the students served decreased to 3,826, a decline of 0.8 percent. Each October, the District projects its future enrollment five years out. Future enrollment projections, using the "Cohort Survival Method," indicate that the District's enrollment should remain stable for the next five years.

Minnesota school districts have the ability to raise additional revenue through voter-approved excess levy referendums. For fiscal year 2015, the additional funding is capped at \$1,845 per adjusted pupil unit as per state statute. For fiscal year 2015, the District has authority for \$564 per adjusted pupil unit of excess levy authority, which raises a total of approximately \$2.4 million. The District is presently \$1,281 below the referendum cap established by the Minnesota Legislature. Despite the projection of stable enrollment, the District is anticipating a \$700,000 shortfall for fiscal year 2017 as a result of costs increasing at a rate higher than the state funding the District receives.

The District operates five school buildings: one high school (192,836 square feet), one middle school (314,970 square feet), and three elementary buildings (totaling 222,424 square feet). The average age of the five buildings is 35.73 years.

AWARDS AND ACKNOWLEDGEMENTS

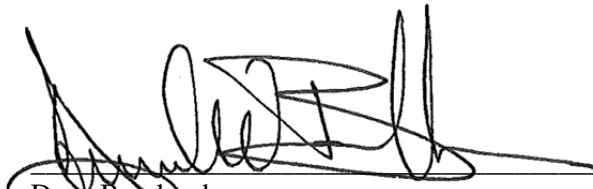
The District was one of a few school districts in Minnesota to be awarded the ASBO Certificate of Excellence in Financial Reporting for the preparation and issuance of a high-quality CAFR for the fiscal year ending June 30, 2014. This was the tenth time the District submitted its CAFR for consideration of this award. The Certificate of Excellence, the highest recognition for school district financial operations offered by the ASBO, is only conferred to school systems that have met or exceeded the standards of the program.

A Certificate of Excellence is only valid for a period of one year. We believe that our current CAFR continues to meet the standards of this program, and we are submitting it to the ASBO to determine its eligibility for another certificate.

The timely preparation of this report could not have been accomplished without the professional and dedicated hard work of the entire staff of the District's business services team. We wish to express our appreciation to all members of the staff who assisted and contributed to the report preparation.

Our appreciation is also given to the School Board for their support in leading the District in sound and responsible financial management.

Respectfully submitted,

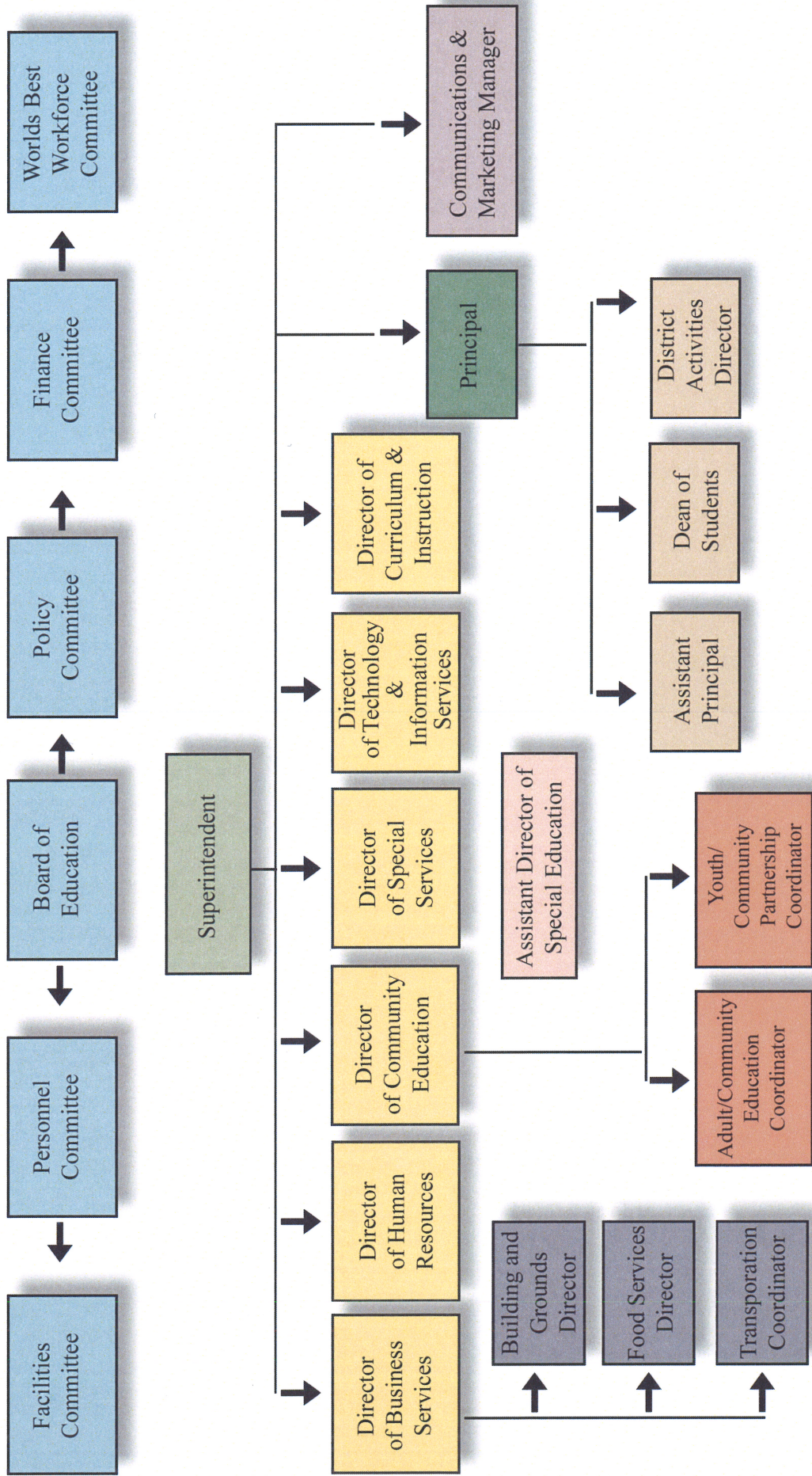


Dave Bernhardtson
Superintendent



Brady Hoffman
Director of Business Services

ISD 199
Organizational Chart



INDEPENDENT SCHOOL DISTRICT NO. 199

School Board and Administration
Year Ended June 30, 2015

SCHOOL BOARD

	<u>Position on School Board During 2014–2015</u>
Cindy Nordstrom	Chairperson
Paul Mandell	Vice Chairperson/Treasurer
Lynette Stensgard	Clerk
Tom Begich	Director
Allen Gerber (resigned May 2015)	Director
Sue Gliva (appointed June 22, 2015)	Director
Sherry Warrick	Director
Mark Westpfahl	Director

ADMINISTRATION

Dave Bernhardson	Superintendent
Brady Hoffman, CPA	Director of Business Services
Mary Garrison	Director of Special Services
Julie Coffey	Director of Human Resources
Penny Baker	Director of Curriculum and Instruction
Lynn Tenney	Director of Technology and Information Systems
Bernadette MacKenzie	Director of Community Education

Association of School Business Officials International



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

Independent School District No 199

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

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



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

Mark C. Pepera, MBA, RSBO, SFO
President

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

John D. Musso, CAE, RSBA
Executive Director

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SECTION II

FINANCIAL SECTION



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 199
Inver Grove Heights, 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. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 1, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
October 19, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

The management of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) has provided readers of the District's financial statements with this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the other components of the District's comprehensive annual financial report (CAFR), including the letter of transmittal located in the introductory section.

FINANCIAL HIGHLIGHTS

The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2015, resulting in a deficit net position of (\$2,382,437). The unrestricted portion of net position was a deficit of (\$16,785,417). The District had \$4,466,287 of net position available at year-end to meet its ongoing obligations, but restricted for specific uses. The District's total net position increased by \$863,084 from operations during the fiscal year ended June 30, 2015.

The District also implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year, which changed reporting requirements for employers participating in pension plans such as those administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA). This change in accounting principle reduced beginning net position by \$26,559,876.

At June 30, 2015, the District's governmental funds reported a combined ending fund balance of \$47,891,123, an increase of \$12,244,803 from the prior year. This increase was primarily the result of the District issuing \$24.32 million of general obligation crossover refunding bonds in fiscal 2015 with the proceeds held in an escrow account restricted for future bond refunding at year-end, as well as the spend down of a significant portion of the building construction bonds that were issued in the prior fiscal year.

The District's General Fund, its primary operating fund, closed the fiscal year with an unassigned fund balance of \$4,083,208, which represents approximately 9.6 percent of annual General Fund expenditures based on fiscal 2015 expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of 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 all shown in one category titled "governmental activities." These activities, including regular and special education, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds is included as supplemental information.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Minnesota schools must establish funds within the guidelines of the state's Uniform Financial Accounting and Reporting Standards.

The District maintains the following types of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – Proprietary fund statements offer *short-term* and *long-term* financial information about the activities the District operates like businesses. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one type of proprietary fund, internal service funds, which are used to accumulate and allocate costs internally among the District's various functions. The District's two internal service funds account for its post-employment employee benefit liabilities. These activities have been included within governmental activities in the government-wide financial statements.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 79,722,432	\$ 65,681,981
Capital assets, net of depreciation	64,913,886	51,155,268
Total assets	<u>\$ 144,636,318</u>	<u>\$ 116,837,249</u>
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	<u>\$ 3,951,305</u>	<u>\$ –</u>
Liabilities		
Current and other liabilities	\$ 8,574,223	\$ 7,421,974
Long-term liabilities, including due within one year	122,455,702	74,510,890
Total liabilities	<u>\$ 131,029,925</u>	<u>\$ 81,932,864</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 12,819,927	\$ 11,590,030
Pension plan deferments – PERA and TRA	7,120,208	–
Total deferred inflows of resources	<u>\$ 19,940,135</u>	<u>\$ 11,590,030</u>
Net position		
Net investment in capital assets	\$ 9,936,693	\$ 8,787,376
Restricted	4,466,287	4,815,014
Unrestricted	(16,785,417)	9,711,965
Total net position	<u>\$ (2,382,437)</u>	<u>\$ 23,314,355</u>

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

The increase in deferred outflows of resources, long-term liabilities, and deferred inflows of resources are mainly the result of the implementation of GASB Statement No. 68.

Total net position decreased by \$25,696,792. As presented in the table above, the District's net investment in capital assets increased over the prior year, while restricted and unrestricted net position decreased. Net position increased \$863,084 from current year operating results, while the change in accounting principle reduced unrestricted net position by \$26,559,876.

Table 2 presents a condensed version of the Change in Net Position of the District:

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 2,807,443	\$ 2,807,391
Operating grants and contributions	6,990,499	6,933,645
General revenues		
Property taxes	12,635,251	9,167,712
General grants and aids	28,045,536	28,483,217
Other	750,615	1,739,661
Total revenues	<u>51,229,344</u>	<u>49,131,626</u>
Expenses		
Administration	1,642,918	1,692,441
District support services	1,436,499	1,367,090
Elementary and secondary regular instruction	17,492,321	17,186,229
Vocational education instruction	184,107	214,654
Special education instruction	7,496,130	7,214,834
Instructional support services	2,981,203	3,100,949
Pupil support services	4,025,098	3,776,803
Sites and buildings	5,232,292	5,366,312
Fiscal and other fixed cost programs	124,278	122,697
Food service	1,854,645	1,789,311
Community service	2,170,270	2,192,959
Unallocated depreciation	1,686,488	1,257,548
Interest on long-term debt	4,040,011	2,632,077
Total expenses	<u>50,366,260</u>	<u>47,913,904</u>
Change in net position	863,084	1,217,722
Net position – beginning, as previously reported	23,314,355	22,096,633
Change in accounting principle	<u>(26,559,876)</u>	<u>–</u>
Net position – beginning, as restated	<u>(3,245,521)</u>	<u>22,096,633</u>
Net position – ending	<u><u>\$ (2,382,437)</u></u>	<u><u>\$ 23,314,355</u></u>

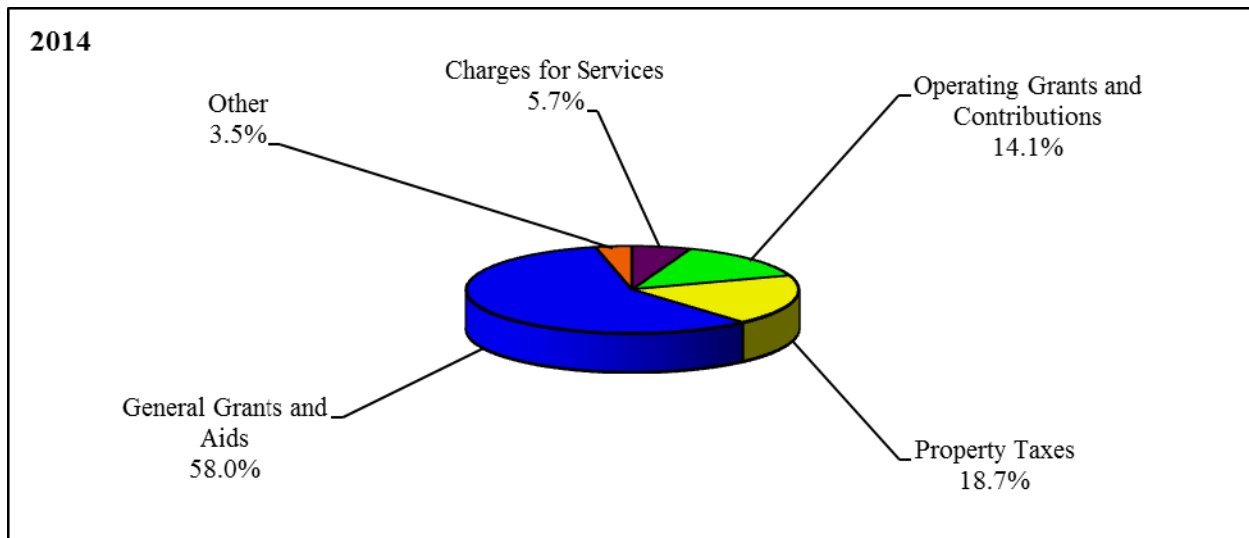
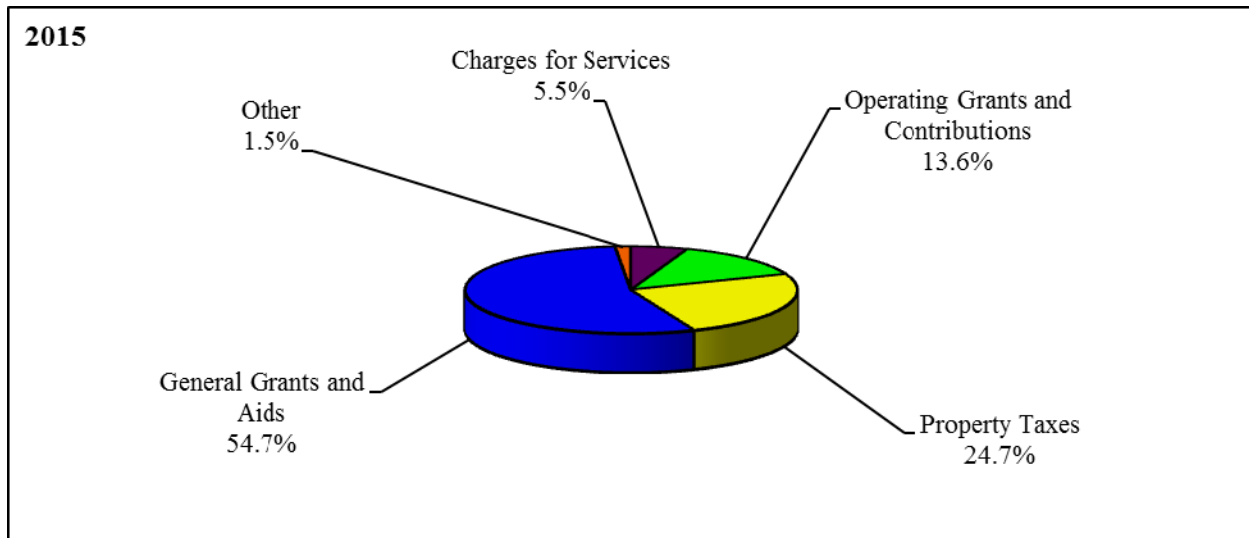
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues in fiscal 2015 were \$2,097,718 higher than the previous year, mainly due to increased general education state aid and property tax levy revenue.

Total expenses for fiscal year 2015 increased \$2,452,356 (5.1 percent) from the previous year, primarily in depreciation and interest on long-term debt.

Figures A and B show further analysis of these revenue sources and expense functions:

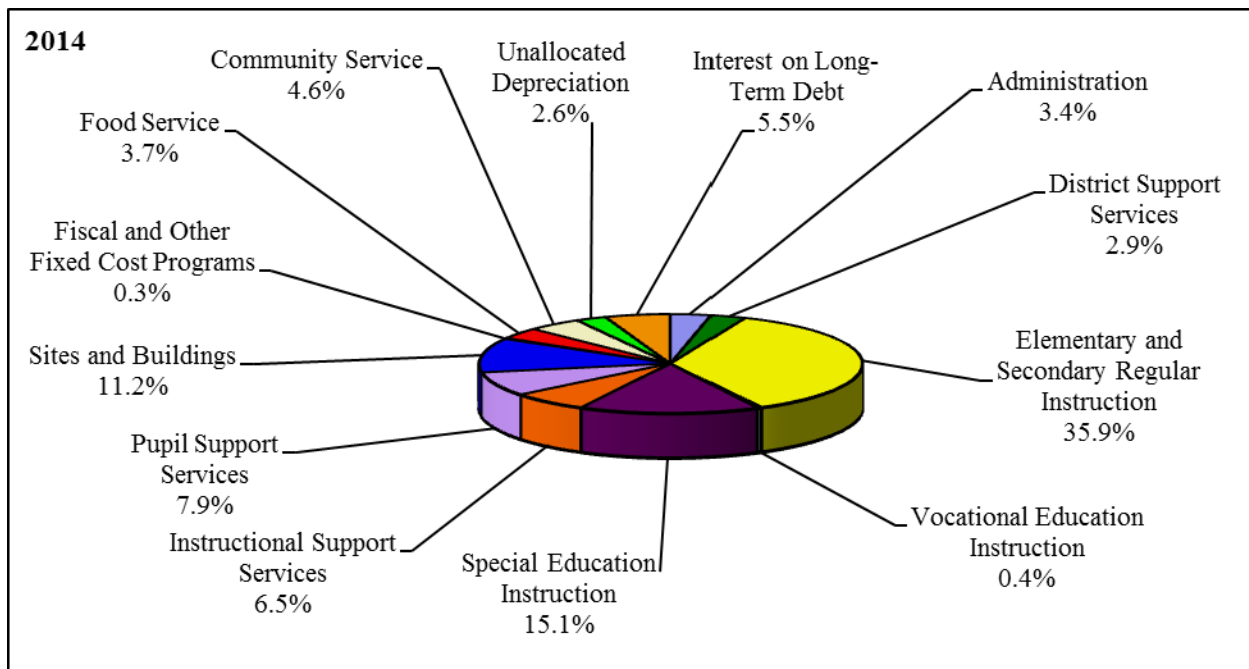
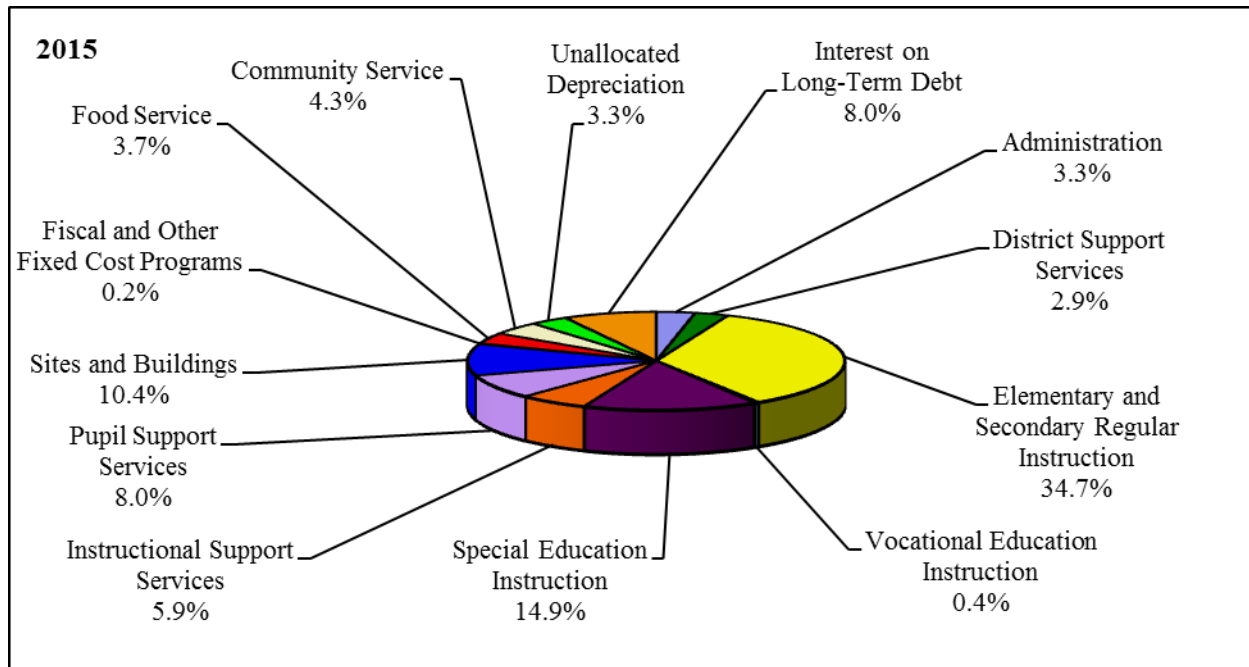
Figure A – Sources of Revenue for Fiscal Years 2015 and 2014



The largest share of the District's revenue is received from the state, including the aid formula and most of the operating grants. This means that the District's financial condition depends significantly on the state's current financial condition.

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

Figure B – Expenses for Fiscal Years 2015 and 2014



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>	<u>Total Percent Change</u>
Major funds				
General	\$ 11,143,882	\$ 11,616,416	\$ (472,534)	(4.1%)
Capital Projects –				
Building Construction	7,395,951	21,440,826	(14,044,875)	(65.5%)
Debt Service	27,854,083	1,222,332	26,631,751	2,178.8%
Nonmajor funds				
Food Service Special Revenue	1,440,397	1,313,759	126,638	9.6%
Community Service Special Revenue	56,810	52,987	3,823	7.2%
Total governmental funds	<u>\$ 47,891,123</u>	<u>\$ 35,646,320</u>	<u>\$ 12,244,803</u>	34.4%

The fund balance of the General Fund decreased from the prior year as part of an intentional spend down of fund balance through the budget process. The Capital Projects – Building Construction Fund decreased significantly, as proceeds from building bonds issued in fiscal 2014 were utilized for construction in the current year. The increase in the Debt Service Fund was due to the issuance of the \$24.32 million of general obligation crossover refunding bonds. The Food Service Special Revenue Fund increase was attributable to an increase in free/reduced lunch participation and lower than expected food costs. The Community Service Special revenue fund was consistent with the prior year.

General Fund

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 40,928,301</u>	<u>\$ 41,275,169</u>	<u>\$ 346,868</u>	<u>0.8%</u>
Expenditures	<u>\$ 41,409,342</u>	<u>\$ 41,832,874</u>	<u>\$ 423,532</u>	<u>1.0%</u>
Other sources	<u>\$ 245,617</u>	<u>\$ 245,617</u>	<u>\$ –</u>	<u>–</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. It is the District's practice to amend the General Fund budget for known significant changes in circumstances, such as: updated enrollment estimates, legislation changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, special education tuition changes, or utility rate changes. The District amended the budget during the year adjust for updated enrollment projections, updated special education estimates, known staffing changes, and updated federal funding allocations and budgets.

Table 5 summarizes the operating results of the General Fund:

	2015 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue	\$ 41,326,348	\$ 51,179	0.1%	\$ 1,442,129	3.6%
Expenditures	42,569,924	\$ 737,050	1.8%	\$ (185,104)	(0.4%)
Other financing sources	<u>771,042</u>	\$ 525,425	213.9%	\$ (2,095,741)	(73.1%)
Net change in fund balances	<u><u>\$ (472,534)</u></u>				

General Fund revenues were \$51,179 over the final budget for fiscal year 2015. State aid revenue was \$224,800 over budget. Revenue from other local sources, including gifts, reimbursements from other districts, and medical assistance reimbursements, were \$211,808 lower than budget.

General Fund expenditures were \$737,050 over budget, primarily due to capital asset additions valued at \$769,042 financed through capital leases. The District did not include the proceeds (other financing sources) or expenditures related to these capital leases in its budget.

Capital Projects – Building Construction Fund

The District established the Capital Projects – Building Construction Fund in fiscal 2014 to account for the proceeds and capital expenditures related to the issuance of \$24.75 million of general obligation building bonds. In fiscal 2015, the District utilized about \$14.1 million of these proceeds for various construction projects. The year-end fund balance of \$7,395,951 is restricted for future building construction costs.

Debt Service Fund

The Debt Service Fund is used to record principal and interest expenditures for a school district's outstanding bonded indebtedness and the revenue sources that are used to finance them, whether for building construction, OPEB, or for initial or refunding bonds. The District issued \$24.32 million of crossover refunding bonds in fiscal 2015, which will be used to refund the remaining principal of the 2005A building bonds in fiscal 2016. The Debt Service Fund ended the year with a fund balance of \$27,854,083, which is restricted for refunding and other debt service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Table 6 Capital Assets		
	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Land	\$ 421,200	\$ 421,200	\$ -
Buildings and improvements	75,076,173	64,560,035	10,516,138
Furniture and equipment	3,587,275	2,513,718	1,073,557
Construction in progress	9,488,633	5,533,542	3,955,091
Less accumulated depreciation	<u>(23,659,395)</u>	<u>(21,873,227)</u>	<u>(1,786,168)</u>
Total	<u>\$ 64,913,886</u>	<u>\$ 51,155,268</u>	<u>\$ 13,758,618</u>
Depreciation expense	<u>\$ 1,857,544</u>	<u>\$ 1,375,912</u>	<u>\$ 481,632</u>

The changes presented in the table above reflect the initial construction as part of the \$24.75 million building bonds issued in fiscal 2014.

Long-Term Liabilities

Table 7 presents the components of the District's long-term liabilities and the change from the prior year:

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
General obligation bonds payable	\$ 90,595,000	\$ 69,140,000	\$ 21,455,000
Premiums on bonds payable	4,102,419	993,433	3,108,986
Discounts on bonds payable	(31,173)	(33,304)	2,131
Special assessments payable	68,750	81,250	(12,500)
Capital leases payable	3,104,549	2,834,366	270,183
Severance payable	1,197,725	1,175,982	21,743
Net OPEB obligation (1)	207,804	-	207,804
Net pension obligation – District Plan	351,752	319,163	32,589
Net pension liability – PERA (2)	5,261,199	-	5,261,199
Net pension liability – TRA (2)	17,597,677	-	17,597,677
Total	<u>\$ 122,455,702</u>	<u>\$ 74,510,890</u>	<u>\$ 47,944,812</u>

(1) A net OPEB asset of \$3,665 as of June 30, 2014 is not reflected in the table above.
(2) GASB Statement No. 68 was adopted in 2015 and prior year balances were not restated.

The District issued \$24.32 million of general obligation refunding bonds to reduce future debt service costs. The District also entered into two capital lease agreements for the acquisition of computer equipment valued at \$639,852, and a capital lease agreement for scrubbers for \$129,190.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits. (See Table 8.)

District's market value	\$ 2,518,406,576
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 377,760,986</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

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

In August 2014, the District opened a new addition to Hilltop Elementary School. The space houses the District's Early Childhood Family Education/Early Childhood Special Education and School Readiness programs.

The District completed several projects as part of the general obligation school building bonds issued in early 2014. The District improved the security of all its buildings, updated technology, completed various deferred maintenance and facility improvements, upgraded outdoor athletic fields, and is in the final stages of completing the addition of a performing arts center to the high school.

The District strives to maintain its longstanding commitment to academic excellence and educational opportunity for learners within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this CAFR or need additional financial information, contact the Business Office, Independent School District No. 199, 2990 – 80th Street East, Inver Grove Heights, Minnesota 55076.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Net Position
as of June 30, 2015

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

	Governmental Activities	
	2015	2014
Assets		
Cash and temporary investments	\$ 29,181,210	\$ 43,317,133
Receivables		
Current taxes	7,538,200	6,915,544
Delinquent taxes	165,529	154,609
Accounts and interest receivable	105,915	529,133
Due from other governmental units	4,818,722	3,643,827
Inventory	55,800	49,999
Prepaid items	163,036	150,524
Restricted assets – temporarily restricted		
Cash and investments for other post-employment benefits	10,481,859	10,362,613
Cash and investments for bond refunding	26,972,339	–
Cash and investments for construction	239,822	554,934
Net OPEB asset	–	3,665
Capital assets		
Not depreciated	9,909,833	5,954,742
Depreciated, net of accumulated depreciation	55,004,053	45,200,526
Total capital assets, net of accumulated depreciation	<u>64,913,886</u>	<u>51,155,268</u>
Total assets	144,636,318	116,837,249
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	3,951,305	–
Total assets and deferred outflows of resources	<u>\$ 148,587,623</u>	<u>\$ 116,837,249</u>
Liabilities		
Salaries payable	\$ 1,901,423	\$ 1,698,692
Accounts and contracts payable	4,307,143	3,636,094
Accrued interest payable	1,737,744	1,292,981
Due to other governmental units	347,934	199,157
Unearned revenue	279,979	595,050
Long-term liabilities		
Due within one year	29,329,266	3,268,593
Due in more than one year	93,126,436	71,242,297
Total long-term liabilities	<u>122,455,702</u>	<u>74,510,890</u>
Total liabilities	131,029,925	81,932,864
Deferred inflows of resources		
Property taxes levied for subsequent year	12,819,927	11,590,030
Pension plan deferments – PERA and TRA	7,120,208	–
Total deferred inflows of resources	<u>19,940,135</u>	<u>11,590,030</u>
Net position		
Net investment in capital assets	9,936,693	8,787,376
Restricted for		
Capital asset acquisition	1,980,625	2,288,436
Food service	1,440,397	1,313,759
Community service	62,830	58,817
Other post-employment benefits	913,305	1,146,278
Other purposes (state funding restrictions)	69,130	7,724
Unrestricted	(16,885,417)	9,711,965
Total net position	<u>(2,482,437)</u>	<u>23,314,355</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 148,487,623</u>	<u>\$ 116,837,249</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Functions/Programs	Expenses	2015		2014	
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
				Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 1,642,918	\$ -	\$ 2,897	\$ (1,640,021)	\$ (1,692,441)
District support services	1,436,499	-	9	(1,436,490)	(1,367,090)
Elementary and secondary regular instruction	17,492,321	244,580	586,771	(16,660,970)	(16,466,782)
Vocational education instruction	184,107	-	24,881	(159,226)	(186,144)
Special education instruction	7,496,130	172,095	4,268,386	(3,055,649)	(2,611,779)
Instructional support services	2,981,203	-	522,779	(2,458,424)	(2,671,776)
Pupil support services	4,025,098	108,818	160,422	(3,755,858)	(3,542,540)
Sites and buildings	5,232,292	-	-	(5,232,292)	(5,326,020)
Fiscal and other fixed cost programs	124,278	-	-	(124,278)	(122,697)
Food service	1,854,645	787,788	1,183,161	116,304	93,867
Community service	2,170,270	1,494,162	241,193	(434,915)	(389,841)
Unallocated depreciation expense	1,686,488	-	-	(1,686,488)	(1,257,548)
Interest on long-term debt	4,040,011	-	-	(4,040,011)	(2,632,077)
Total governmental activities	<u>\$ 50,366,260</u>	<u>\$ 2,807,443</u>	<u>\$ 6,990,499</u>	(40,568,318)	(38,172,868)
General revenues					
Taxes					
Property taxes, levied for general purposes				6,666,391	4,675,431
Property taxes, levied for community service				438,467	261,765
Property taxes, levied for debt service				5,530,393	4,230,516
General grants and aids				28,045,536	28,483,217
Other general revenues				557,701	647,393
Investment earnings				192,914	1,092,268
Total general revenues				<u>41,431,402</u>	<u>39,390,590</u>
Change in net position				863,084	1,217,722
Net position					
Beginning, as previously reported				23,314,355	22,096,633
Change in accounting principle				<u>(26,559,876)</u>	-
Beginning, as restated				<u>(3,245,521)</u>	<u>22,096,633</u>
Ending				<u>\$ (2,382,437)</u>	<u>\$ 23,314,355</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Balance Sheet
Governmental Funds
as of June 30, 2015

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 12,893,042	\$ 9,418,696	\$ 3,302,530
Cash and investments held by trustee	239,822	–	26,972,339
Receivables			
Current taxes	4,360,586	–	2,922,242
Delinquent taxes	95,462	–	64,047
Accounts and interest	64,890	23,473	–
Due from other governmental units	4,601,687	–	43,004
Due from other funds	270,750	–	–
Inventory	–	–	–
Prepaid items	157,622	–	–
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 22,683,861</u>	<u>\$ 9,442,169</u>	<u>\$ 33,304,162</u>
Liabilities			
Salaries payable	\$ 1,842,752	\$ –	\$ –
Accounts and contracts payable	2,174,749	2,046,218	–
Due to other governmental units	223,980	–	–
Unearned revenue	239,822	–	–
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	4,481,303	2,046,218	–
Deferred inflows of resources			
Property taxes levied for subsequent year	6,963,214	–	5,386,032
Unavailable revenue – delinquent taxes	95,462	–	64,047
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	7,058,676	–	5,450,079
Fund balances			
Nonspendable	157,622	–	–
Restricted	2,006,156	7,395,951	27,854,083
Assigned	4,896,896	–	–
Unassigned	4,083,208	–	–
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	11,143,882	7,395,951	27,854,083
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,683,861</u>	<u>\$ 9,442,169</u>	<u>\$ 33,304,162</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2015	2014
\$ 1,768,677	\$ 27,382,945	\$ 41,521,382
–	27,212,161	554,934
255,372	7,538,200	6,915,544
6,020	165,529	154,609
17,552	105,915	529,133
174,031	4,818,722	3,643,827
–	270,750	–
55,800	55,800	49,999
5,414	163,036	150,524
<u>\$ 2,282,866</u>	<u>\$ 67,713,058</u>	<u>\$ 53,519,952</u>
\$ 58,671	\$ 1,901,423	\$ 1,698,692
86,176	4,307,143	3,636,094
123,954	347,934	199,157
40,157	279,979	595,050
<u>308,958</u>	<u>6,836,479</u>	<u>6,128,993</u>
470,681	12,819,927	11,590,030
6,020	165,529	154,609
<u>476,701</u>	<u>12,985,456</u>	<u>11,744,639</u>
61,214	218,836	200,523
1,435,993	38,692,183	26,262,267
–	4,896,896	4,295,345
–	4,083,208	4,888,185
<u>1,497,207</u>	<u>47,891,123</u>	<u>35,646,320</u>
<u>\$ 2,282,866</u>	<u>\$ 67,713,058</u>	<u>\$ 53,519,952</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	<u>2015</u>	<u>2014</u>
Total fund balances – governmental funds	\$ 47,891,123	\$ 35,646,320
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	88,573,281	73,028,495
Accumulated depreciation	(23,659,395)	(21,873,227)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds	(90,595,000)	(69,140,000)
Special assessments payable	(68,750)	(81,250)
Capital leases	(3,104,549)	(2,834,366)
(Premiums) discounts on bonds	(4,071,246)	(960,129)
Net pension liability – PERA	(5,261,199)	–
Net pension liability – TRA	(17,597,677)	–
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.		
	10,252,093	10,666,884
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(1,737,744)	(1,292,981)
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	3,951,305	–
Deferred inflows – PERA and TRA pension plans	(7,120,208)	–
Deferred inflows – delinquent property taxes	165,529	154,609
Total net position – governmental activities	<u>\$ (2,382,437)</u>	<u>\$ 23,314,355</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Revenue			
Local sources			
Property taxes	\$ 6,666,863	\$ –	\$ 5,519,191
Investment earnings	18,547	30,626	19,635
Other	1,089,792	–	–
State sources	32,128,383	–	536
Federal sources	1,422,763	–	–
Total revenue	<u>41,326,348</u>	<u>30,626</u>	<u>5,539,362</u>
Expenditures			
Current			
Administration	1,607,222	–	–
District support services	1,536,843	–	–
Elementary and secondary regular instruction	17,473,299	–	–
Vocational education instruction	182,731	–	–
Special education instruction	7,501,074	–	–
Instructional support services	2,976,754	–	–
Pupil support services	4,035,913	–	–
Sites and buildings	6,498,931	–	–
Fiscal and other fixed cost programs	124,278	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	14,075,501	–
Debt service			
Principal	511,359	–	2,865,000
Interest and fiscal charges	121,520	–	3,855,593
Total expenditures	<u>42,569,924</u>	<u>14,075,501</u>	<u>6,720,593</u>
Excess (deficiency) of revenue over expenditures	(1,243,576)	(14,044,875)	(1,181,231)
Other financing sources			
Debt issued	–	–	24,320,000
Premium on debt issued	–	–	3,492,982
Capital leases	769,042	–	–
Sale of capital assets	2,000	–	–
Total other financing sources	<u>771,042</u>	<u>–</u>	<u>27,812,982</u>
Net change in fund balances	(472,534)	(14,044,875)	26,631,751
Fund balances			
Beginning of year	<u>11,616,416</u>	<u>21,440,826</u>	<u>1,222,332</u>
End of year	<u>\$ 11,143,882</u>	<u>\$ 7,395,951</u>	<u>\$ 27,854,083</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2015	2014
\$ 438,277	\$ 12,624,331	\$ 9,176,288
2,346	71,154	35,373
2,281,950	3,371,742	3,466,844
346,033	32,474,952	33,046,899
1,077,714	2,500,477	2,357,903
<u>4,146,320</u>	<u>51,042,656</u>	<u>48,083,307</u>
–	1,607,222	1,708,563
–	1,536,843	1,360,469
–	17,473,299	17,164,911
–	182,731	212,314
–	7,501,074	7,138,434
–	2,976,754	3,077,640
–	4,035,913	3,838,459
–	6,498,931	7,867,523
–	124,278	122,697
1,822,190	1,822,190	1,742,822
2,165,402	2,165,402	2,169,621
28,267	14,103,768	3,280,455
–	3,376,359	2,491,798
–	3,977,113	2,308,781
<u>4,015,859</u>	<u>67,381,877</u>	<u>54,484,487</u>
130,461	(16,339,221)	(6,401,180)
–	24,320,000	24,750,000
–	3,492,982	497,469
–	769,042	2,862,783
–	2,000	4,000
<u>–</u>	<u>28,584,024</u>	<u>28,114,252</u>
130,461	12,244,803	21,713,072
<u>1,366,746</u>	<u>35,646,320</u>	<u>13,933,248</u>
<u>\$ 1,497,207</u>	<u>\$ 47,891,123</u>	<u>\$ 35,646,320</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2015

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

	<u>2015</u>	<u>2014</u>
Total net change in fund balances – governmental funds	\$ 12,244,803	\$ 21,713,072
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	15,640,458	5,971,797
Depreciation expense	(1,857,544)	(1,375,912)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(24,296)	–
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.		
	(25,089,042)	(27,612,783)
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.		
	(414,791)	859,091
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	2,865,000	2,235,000
Special assessments payable	12,500	12,500
Capital leases	498,859	244,298
Net pension liability – PERA	836,164	–
Net pension liability – TRA	4,511,272	–
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.		
	(444,763)	(398,806)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	(3,111,117)	(421,959)
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	2,304,869	–
Deferred inflows – PERA and TRA pension plans	(7,120,208)	–
Deferred inflows – delinquent property taxes	10,920	(8,576)
Change in net position – governmental activities	<u>\$ 863,084</u>	<u>\$ 1,217,722</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 6,730,022	\$ 6,678,536	\$ 6,666,863	\$ (11,673)
Investment earnings	12,500	12,500	18,547	6,047
Other	1,338,900	1,301,600	1,089,792	(211,808)
State sources	31,503,354	31,903,583	32,128,383	224,800
Federal sources	1,343,525	1,378,950	1,422,763	43,813
Total revenue	<u>40,928,301</u>	<u>41,275,169</u>	<u>41,326,348</u>	<u>51,179</u>
Expenditures				
Current				
Administration	1,715,352	1,741,352	1,607,222	(134,130)
District support services	1,463,257	1,620,529	1,536,843	(83,686)
Elementary and secondary regular instruction	18,138,762	18,144,617	17,473,299	(671,318)
Vocational education instruction	106,242	106,242	182,731	76,489
Special education instruction	7,497,301	7,545,879	7,501,074	(44,805)
Instructional support services	3,033,613	3,020,871	2,976,754	(44,117)
Pupil support services	3,486,717	3,486,717	4,035,913	549,196
Sites and buildings	5,458,348	5,436,848	6,498,931	1,062,083
Fiscal and other fixed cost programs	102,000	102,000	124,278	22,278
Debt service				
Principal	350,000	459,314	511,359	52,045
Interest and fiscal charges	57,750	168,505	121,520	(46,985)
Total expenditures	<u>41,409,342</u>	<u>41,832,874</u>	<u>42,569,924</u>	<u>737,050</u>
Excess (deficiency) of revenue over expenditures	(481,041)	(557,705)	(1,243,576)	(685,871)
Other financing sources				
Capital leases	-	-	769,042	769,042
Sale of capital assets	5,000	5,000	2,000	(3,000)
Transfers in	240,617	240,617	-	(240,617)
Total other financing sources	<u>245,617</u>	<u>245,617</u>	<u>771,042</u>	<u>525,425</u>
Net change in fund balances	<u>\$ (235,424)</u>	<u>\$ (312,088)</u>	<u>(472,534)</u>	<u>\$ (160,446)</u>
Fund balances				
Beginning of year			<u>11,616,416</u>	
End of year			<u>\$ 11,143,882</u>	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,798,265	\$ 1,795,751
Noncurrent assets		
Restricted assets – temporarily restricted		
Cash and cash equivalents	4,754,746	4,362,870
Investments	<u>5,727,113</u>	<u>5,999,743</u>
Total restricted assets – temporarily restricted	10,481,859	10,362,613
Net OPEB asset	<u>–</u>	<u>3,665</u>
Total assets	12,280,124	12,162,029
Liabilities		
Current liabilities		
Severance benefits payable	42,545	41,024
Due to other funds	<u>270,750</u>	<u>–</u>
Total current liabilities	313,295	41,024
Long-term liabilities		
Severance benefits payable	1,155,180	1,134,958
Net OPEB obligation	207,804	–
Net pension obligation	<u>351,752</u>	<u>319,163</u>
Total long-term liabilities	<u>1,714,736</u>	<u>1,454,121</u>
Total liabilities	2,028,031	1,495,145
Net position		
Restricted for other post-employment benefit liabilities	10,003,305	10,366,278
Unrestricted	<u>248,788</u>	<u>300,606</u>
Total net position	<u>\$ 10,252,093</u>	<u>\$ 10,666,884</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2015</u>	<u>2014</u>
Operating revenue		
Contributions from governmental funds	\$ 611,093	\$ 862,632
Operating expenses		
Severance benefits	68,512	30,947
Pension benefits	297,141	299,696
Other post-employment benefits	781,991	729,793
Total operating expenses	<u>1,147,644</u>	<u>1,060,436</u>
Operating income (loss)	(536,551)	(197,804)
Nonoperating revenues		
Investment earnings	<u>121,760</u>	<u>1,056,895</u>
Change in net position	(414,791)	859,091
Net position		
Beginning of year	<u>10,666,884</u>	<u>9,807,793</u>
End of year	<u>\$ 10,252,093</u>	<u>\$ 10,666,884</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Receipts from assessments made to governmental funds	\$ 881,843	\$ 947,711
Benefit payments	<u>(881,843)</u>	<u>(1,169,778)</u>
Net cash flows from operating activities	-	(222,067)
Cash flows from investing activities		
Purchase of investments	(3,130,323)	(3,883,657)
Sales and maturities of investments	3,402,953	3,508,509
Interest and dividends on investments	<u>121,760</u>	<u>1,056,895</u>
Net cash flows from investing activities	<u>394,390</u>	<u>681,747</u>
Net change in cash and cash equivalents	394,390	459,680
Cash and cash equivalents		
Beginning of year	<u>6,158,621</u>	<u>5,698,941</u>
End of year	<u><u>\$ 6,553,011</u></u>	<u><u>\$ 6,158,621</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (536,551)	\$ (197,804)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Due from other funds	-	85,079
Due to other funds	270,750	-
Net pension obligation	32,589	(167,386)
Net OPEB asset or obligation	211,469	69,282
Severance benefits payable	<u>21,743</u>	<u>(11,238)</u>
Net cash flows from operating activities	<u><u>\$ -</u></u>	<u><u>\$ (222,067)</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>Employee Benefits Trust Fund</u>	<u>BEST Foundation Agency Fund</u>
Assets		
Cash and temporary investments	\$ 42,036	<u>\$ 1,402,923</u>
Liabilities		
Due to plan participants	27,048	\$ -
Due to fiscal agent	-	38,685
Due to BEST Foundation	-	<u>1,364,238</u>
Total liabilities	<u>27,048</u>	<u>\$ 1,402,923</u>
Net position		
Held in trust for flexible benefits and other purposes	<u>\$ 14,988</u>	

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

	<u>Employee Benefits Trust Fund</u>
Additions	
Plan member contributions	\$ 218,038
Deductions	
Flexible benefits to plan members	<u>224,395</u>
Change in net position	(6,357)
Net position	
Beginning of year	<u>21,345</u>
End of year	<u>\$ 14,988</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Basic Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 199, Inver Grove Heights, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. It is governed by a seven-member School Board elected by the voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the fiscal year ended June 30, 2015, the District paid TIES \$798,288 for services provided.

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. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

For capital assets that can be specifically identified with, or allocated to, functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “unallocated depreciation expense.” Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

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

Property taxes; federal, state, and local grants and aids; and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital expenditures are included within the applicable functional areas.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds is charges to customers (other district funds) for services. 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.

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.

Proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Proprietary and trust funds use the economic resources measurement focus.

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. A description of the funds included in this report is as follows:

Major Governmental Funds

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

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

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is primarily used to account for the District's child nutrition program.

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

Proprietary Funds

Severance and Pension Benefits Internal Service Fund – The Severance and Pension Benefits Internal Service Fund is used to account for the payment and financing of its severance and pension benefit liabilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Post-Employment Benefits (OPEB) Internal Service Fund – The OPEB Internal Service Fund is used to account for the payment and financing of its OPEB liabilities, including the administration of assets held in a revocable trust to finance these liabilities.

Fiduciary Funds

Employee Benefits Trust Fund – The Employee Benefits Trust Fund is used to administer resources received and held by the District as the trustee for employees participating in the District’s flexible benefit plan (Internal Revenue Code § 125 Cafeteria Plan).

Agency Fund – The Agency Fund is established to account for cash and other assets held by the District as the agent for others. The District maintains one Agency Fund for the administration of the BEST Foundation Scholarship Funds.

E. Budgetary Information

The School Board adopts annual budgets for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. All appropriations lapse at year-end. Actual expenditures for the year ended June 30, 2015 exceeded budgeted appropriations by \$737,050, \$291,501, and \$849,151 in the General Fund, Capital Projects – Building Construction Fund, and Debt Service Fund, respectively. The additional expenditures were approved by the School Board as required by Minnesota Statutes, and were financed with other financing sources (bond and capital lease proceeds) not anticipated in the budget, or available fund balances.

F. Cash and Temporary Investments

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

Certain cash and investments are held in segregated accounts established for specific purposes. Cash and investments held by trustee in the General Fund represent capital lease proceeds held in an escrow account for future capital project costs. Cash and investments held by trustee in the Debt Service Fund represent refunding bond proceeds held in an escrow account for future bond refunding. In the OPEB Internal Service Fund, restricted assets are reported for assets held in a revocable trust established to finance the District’s liability for post-employment insurance benefits. All of these cash and investment balances are reported as restricted assets in the government-wide financial statements. Earnings from these investments are allocated directly to the applicable funds.

Short-term, highly liquid debt instruments (including commercial paper, bankers’ acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less, and investments in 2a7-like external investment pools, are reported at amortized cost. Other investments are reported at fair value.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

At June 30, 2015, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 4,538,167
Due from other Minnesota school districts	160,495
Due from Dakota County and other	<u>120,060</u>
Total due from other governmental units	<u>\$ 4,818,722</u>

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of surplus commodities received from the federal government. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,054,059 of the property tax levy collectible in 2015 as revenue to the District in fiscal year 2014–2015. The remaining portion of the taxes collectible in 2015 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

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

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 generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements, and 5 to 20 years for furniture and equipment. Land and construction in progress are not depreciated.

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

L. Interfund Balances

The current portions of interfund balances representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/due from other funds. At June 30, 2015, the General Fund reported a receivable of \$270,750 due from the OPEB Internal Service Fund to reimburse OPEB costs initially paid by the General Fund. Interfund balances are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

M. Long-Term Obligations

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

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

N. Compensated Absences

Eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Compensated absences are accrued in the governmental fund statements only to the extent they have been used or otherwise matured prior to year-end. Unused vacation accrued at year-end is insignificant, and no vacation liability has been recorded in the government-wide financial statements beyond the amounts that were used or matured by year-end. Unused sick leave enters into the calculation of severance benefits for some employees upon termination.

O. Severance

Under the terms of collectively bargained employment contracts, certain district employee groups, including teachers, may become eligible to receive lump sum severance benefits. Eligibility is based on years of service and/or minimum age requirements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Severance benefits are calculated by converting a portion of unused, accrued sick leave times a pay rate specified in the employee's collectively bargained contract. Severance benefits based on convertible sick leave are recorded as a liability in the Severance and Pension Benefits Internal Service Fund as they are earned and it becomes probable they will vest at some point in the future.

Employees may also elect to receive district matching contributions to their 403B individual retirement accounts. An individual's future severance benefits will be reduced by any 403B matching payments received. In accordance with Minnesota Statutes, no employee can receive severance or retirement incentive benefits that exceed one year's salary.

P. State-Wide Pension Plans

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

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

Q. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three 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, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

The 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 difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

R. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation. The District carries commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2015.

S. Use of Estimates

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

T. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted** – 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** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

U. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

V. Prior Period Comparative Financial Information/Reclassification

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2014, from which such partial information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

W. Change in Accounting Principles

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by \$26,559,876. This change reflects the District’s proportionate share of the net pension liabilities (\$28,206,312 decrease in net position) and related deferred outflows of resources (\$1,646,436 increase in net position) for the PERA and the TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 15,589,711
Investments	52,720,414
Petty cash	10,064
	<hr/>
Total	\$ 68,320,189
	<hr/> <hr/>

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

Statement of Net Position	
Cash and temporary investments	\$ 29,181,210
Temporarily restricted – cash and investments for OPEB	10,481,859
Temporarily restricted – cash and investments for bond refunding	26,972,339
Temporarily restricted – cash and investments for construction	239,822
Statement of Fiduciary Net Position	
Cash and temporary investments – Employee Benefits Trust Fund	42,036
Cash and temporary investments – Agency Fund	1,402,923
	<hr/>
Total	\$ 68,320,189
	<hr/> <hr/>

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 \$15,589,711, while the balance on the bank records was \$17,343,695. At June 30, 2015, all of the District’s deposits were insured or collateralized by securities 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:

Deposits/Investments	Credit Risk		Interest Risk – Maturity Duration in Years					Total
	Rating	Agency	No Maturity Date	Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. treasury securities	AAA	Moody's	\$ –	\$ –	\$ 230,955	\$ –	\$ –	\$ 230,955
U.S. treasury securities	N/R	N/A	–	27,212,139	–	–	–	27,212,139
U.S. agency securities	AA	S&P	–	127,813	101,088	–	–	228,901
Corporate obligations	AAA	S&P	–	419,797	100,130	–	–	519,927
Corporate obligations	AA	S&P	–	101,749	150,128	–	21,192	273,069
Corporate obligations	A	S&P	–	380,718	1,251,077	56,558	–	1,688,353
Corporate obligations	BBB	S&P	–	–	234,557	–	–	234,557
Corporate obligations	A	Moody's	–	159,914	419,507	101,267	23,632	704,320
Corporate obligations	BAA	Moody's	–	15,380	121,698	–	–	137,078
Corporate obligations	B	Moody's	–	–	–	88,596	–	88,596
Equities	N/R	N/A	2,037,733	–	–	–	–	2,037,733
Real estate investment trusts	N/R	N/A	21,537	–	–	–	–	21,537
Negotiable certificates of deposits	N/R	N/A	–	1,244,296	–	–	–	1,244,296
Investment pools/mutual funds	N/R	N/A	5,410,270	–	–	–	–	5,410,270
Investment pools/mutual funds	AAA	S&P	12,588,567	–	–	–	–	12,588,567
Mortgage backed securities	AAA	S&P	–	–	100,116	–	–	100,116
Total investments								<u>\$ 52,720,414</u>

N/A – Not Applicable

N/R – Not Rated

The amount in investment pools/mutual funds includes \$12,588,567 invested in the MNTrust Investment Shares Portfolio, which is an external investment pool regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The District's investment in this fund 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the District’s revocable OPEB trust accounted for in its OPEB Internal Service Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

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

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 policies do not address concentration risk.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance – 06/30/14	Additions	Deletions	Transfers	Balance – 06/30/15
Capital assets, not depreciated					
Land	\$ 421,200	\$ –	\$ –	\$ –	\$ 421,200
Construction in progress	5,533,542	14,270,451	–	(10,315,360)	9,488,633
Total capital assets, not depreciated	5,954,742	14,270,451	–	(10,315,360)	9,909,833
Capital assets, depreciated					
Buildings and improvements	64,560,035	584,805	–	9,931,333	75,076,173
Furniture and equipment	2,513,718	785,202	(95,672)	384,027	3,587,275
Total capital assets, depreciated	67,073,753	1,370,007	(95,672)	10,315,360	78,663,448
Less accumulated depreciation for					
Buildings and improvements	(20,173,719)	(1,559,616)	–	–	(21,733,335)
Furniture and equipment	(1,699,508)	(297,928)	71,376	–	(1,926,060)
Total accumulated depreciation	(21,873,227)	(1,857,544)	71,376	–	(23,659,395)
Net capital assets, depreciated	45,200,526	(487,537)	(24,296)	10,315,360	55,004,053
Total capital assets, net	\$ 51,155,268	\$ 13,782,914	\$ (24,296)	\$ –	\$ 64,913,886

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

District support services	\$ 48,821
Elementary and secondary regular instruction	6,701
Pupil support services	92,456
Sites and buildings	20,402
Food service	2,676
Unallocated depreciation expense	1,686,488
Total depreciation expense	\$ 1,857,544

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Remaining Maturities	Principal Outstanding
2005A Building Bonds	07/01/2005	4.25–5.00%	\$ 33,000,000	02/01/2016–02/01/2026	\$ 26,420,000
2009A Taxable OPEB Bonds	01/06/2009	6.00–6.75%	\$ 9,220,000	02/01/2016–02/01/2028	9,090,000
2010A Refunding Bonds	11/04/2010	2.00–3.00%	\$ 3,945,000	02/01/2016–02/01/2017	1,380,000
2011A Alternative Facilities Bonds	02/16/2011	0.50–4.00%	\$ 6,690,000	02/01/2016–02/01/2026	5,070,000
2014A Building Bonds	02/06/2014	3.00–5.00%	\$ 24,750,000	02/01/2016–02/01/2033	24,315,000
2014B Refunding Bonds	07/17/2014	4.00–5.00%	\$ 24,320,000	02/01/2016–02/01/2026	24,320,000
Total general obligation bonds payable					\$ 90,595,000

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

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

In July, 2014 the District issued \$24,320,000 of General Obligation School Building Refunding Bonds, Series 2014B. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2016 through 2026 maturities of the District's 2005A General Obligation School Building Bonds, totaling \$26,420,000. The proceeds of the 2014B issue have been placed in an escrow account pending the call date of the refunded issue. Until the call date, the District will continue to make all debt service payments on the 2005A issue, and all debt service on the 2014B issue will be paid from the escrow account. On August 1, 2015, the escrow account will be used to call the remaining principal of the 2005A issue, and the District will assume all future principal and interest payments on the 2014B issue. This advance "crossover refunding" will reduce the District's total future debt service payments by \$1,958,607 and will result in present value savings of \$1,965,025.

B. Special Assessments Payable

In January 2000, the District entered into an agreement with the City of Inver Grove Heights (the City) for payment of \$350,000 in special assessments for Cahill Avenue improvements. The assessments require annual principal and interest payments of varying amounts (at an interest rate of 5.5 percent) over a period of 20 years, maturing in July 2020. The assessments are being repaid through the General Fund.

C. Capital Leases Payable

The District has entered into three capital lease agreements for computers. The leases bear interest rates ranging from 2.50 to 2.85 percent, require three equal annual payments, and mature in July 2015, 2016, and 2017. The individual values of the leased assets were below the District's capitalization threshold, and they have not been recorded as capital assets. The leases are paid by the General Fund.

The District entered into a capital lease agreement to finance a building addition at Hilltop Elementary School. The lease bears an interest rate of 3.95 percent, and requires equal semiannual payments through January 15, 2029. The addition has been capitalized in buildings and improvements at a value of \$2,458,600. Accumulated depreciation on this asset as of June 30, 2015 was \$49,172. The lease is being paid through the General Fund.

The District entered into a capital lease agreement for cleaning equipment. The lease requires equal monthly payments through June 30, 2017. The additions have been capitalized in furniture and equipment at a value of \$129,190. Accumulated depreciation on these assets as of June 30, 2015 was \$8,613. The lease is being paid through the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Special Assessments		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 28,755,000	\$ 3,468,362	\$ 12,500	\$ 3,782	\$ 519,221	\$ 101,782
2017	2,425,000	2,804,050	12,500	3,094	387,623	94,521
2018	2,595,000	2,705,733	12,500	2,406	249,596	83,757
2019	2,725,000	2,584,658	12,500	1,719	144,533	75,537
2020	2,850,000	2,455,868	12,500	1,031	150,298	69,772
2021–2025	16,445,000	10,094,715	6,250	344	846,351	253,998
2026–2030	20,245,000	5,780,760	–	–	806,927	73,352
2031–2033	14,555,000	1,156,500	–	–	–	–
	<u>\$ 90,595,000</u>	<u>\$ 31,050,645</u>	<u>\$ 68,750</u>	<u>\$ 12,376</u>	<u>\$ 3,104,549</u>	<u>\$ 752,719</u>

E. Changes in Long-Term Liabilities

	June 30, 2014	Change in Accounting Principle (2)	Additions	Retirements	June 30, 2015	Due Within One Year
General obligation bonds payable	\$ 69,140,000	\$ –	\$ 24,320,000	\$ 2,865,000	\$ 90,595,000	\$ 28,755,000
Premiums	993,433	–	3,492,982	383,996	4,102,419	–
Discounts	(33,304)	–	–	(2,131)	(31,173)	–
Special assessments payable	81,250	–	–	12,500	68,750	12,500
Capital leases payable	2,834,366	–	769,042	498,859	3,104,549	519,221
Severance payable	1,175,982	–	68,512	46,769	1,197,725	42,545
Net OPEB obligation (1)	–	–	778,326	570,522	207,804	–
Net pension obligation	319,163	–	297,141	264,552	351,752	–
Net pension liability – PERA	–	6,097,363	388,622	1,224,786	5,261,199	–
Net pension liability – TRA	–	22,108,949	960,074	5,471,346	17,597,677	–
	<u>\$ 74,510,890</u>	<u>\$ 28,206,312</u>	<u>\$ 31,074,699</u>	<u>\$ 11,336,199</u>	<u>\$ 122,455,702</u>	<u>\$ 29,329,266</u>

(1) A net OPEB asset of \$3,665 as of June 30, 2014 is not included in this table and reduces the additions shown above.

(2) Adjustment is part of the change in accounting principle described earlier in these notes.

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. 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.

NOTE 5 – FUND BALANCES (CONTINUED)

A. Classifications

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 55,800	\$ 55,800
Prepaid items	157,622	–	–	5,414	163,036
Total nonspendable	<u>157,622</u>	<u>–</u>	<u>–</u>	<u>61,214</u>	<u>218,836</u>
Restricted					
Deferred maintenance	898,911	–	–	–	898,911
Operating capital	1,038,115	–	–	–	1,038,115
Career and technical programs	8,470	–	–	–	8,470
Teacher development and evaluation	60,660	–	–	–	60,660
Building construction	–	7,395,951	–	–	7,395,951
Bond refundings	–	–	26,972,339	–	26,972,339
General debt service	–	–	755,723	–	755,723
OPEB bonds debt service	–	–	126,021	–	126,021
Food service	–	–	–	1,379,183	1,379,183
Community education	–	–	–	27,549	27,549
Early childhood and family education	–	–	–	10,531	10,531
School readiness	–	–	–	18,730	18,730
Total restricted	<u>2,006,156</u>	<u>7,395,951</u>	<u>27,854,083</u>	<u>1,435,993</u>	<u>38,692,183</u>
Assigned					
Next year’s budget	97,061	–	–	–	97,061
Third party billing	629,835	–	–	–	629,835
Separation and severance	1,500,000	–	–	–	1,500,000
Curriculum adoption	350,000	–	–	–	350,000
Program carryover	75,000	–	–	–	75,000
Other capital projects	2,245,000	–	–	–	2,245,000
Total assigned	<u>4,896,896</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,896,896</u>
Unassigned					
Health and safety restricted account deficit	(768,215)	–	–	–	(768,215)
Unassigned	4,851,423	–	–	–	4,851,423
Total unassigned	<u>4,083,208</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,083,208</u>
Total	<u>\$ 11,143,882</u>	<u>\$ 7,395,951</u>	<u>\$ 27,854,083</u>	<u>\$ 1,497,207</u>	<u>\$ 47,891,123</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance (excluding any restricted account deficits) of 8 percent of the annual projected expenditures. At June 30, 2015, the unassigned fund balance of the General Fund was 11.1 percent of General Fund expenditures budgeted for the subsequent year.

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

A. Plan Description

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

Employees that meet certain age and/or length of service requirements are eligible for post-retirement healthcare benefits. For teachers that retired by June 30, 2007, the District is contractually required to pay health insurance premiums for a period of seven years from the date of retirement. The amount to be paid is equal to the single coverage insurance premium benefit available to full-time employees in the bargaining group. Eligible full-time teachers retiring after June 30, 2007 with 20 years of continuous service receive a one-time benefit of \$30,000. Part-time teachers that retire with at least 25 years of continuous service working at least half of a full-time schedule will receive a pro-rated portion of the \$30,000 benefit. Eligible principals receive a one-time benefit of \$60,000 if hired before July 1, 2008, or \$30,000 if hired on or after July 1, 2008. All benefits are to be paid into an individual healthcare savings plan account administered by the Minnesota State Retirement System.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an “implicit rate subsidy.” This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District’s younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. The District has established a separate Internal Service Fund to account for these obligations. The assets of the Internal Service Fund are available to pay future OPEB expenses. However, because these assets are held in a revocable trust, they are not considered when determining the percentage of the actuarial liability that has been funded.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 781,854
Interest on net OPEB obligation	(183)
Adjustment to ARC	320
Annual OPEB cost (expense)	<u>781,991</u>
Contributions made	<u>570,522</u>
Increase in net OPEB obligation	211,469
Net OPEB (asset) – beginning of year	<u>(3,665)</u>
Net OPEB obligation – end of year	<u>\$ 207,804</u>

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

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

Fiscal Year Ended	Net OPEB (Asset) Obligation Beginning of Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Obligation End of Year
June 30, 2013	\$ (104,542)	\$ 730,195	\$ 698,600	95.7%	\$ (72,947)
June 30, 2014	\$ (72,947)	\$ 729,793	\$ 660,511	90.5%	\$ (3,665)
June 30, 2015	\$ (3,665)	\$ 781,991	\$ 570,522	73.0%	\$ 207,804

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) were both \$6,119,917, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$23,088,446, and the ratio of the UAAL to the covered payroll was 26.5 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 5.0 percent investment rate of return (net of administrative expenses) based on the District's own investments; an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 6 years for medical insurance. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2014 for the various amortization layers ranged from 26 to 30 years.

NOTE 7 – PENSION BENEFITS PLAN

A. Plan Description

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

Plan benefits are summarized as follows:

Teacher Pension Benefits – Teachers hired before July 1, 1997 that meet certain years of service and/or age requirements are eligible to receive an additional retirement incentive benefit. Teachers accumulate five days of credit for each full year of service to the District (or a pro-rata benefit based on years of service working half of a full-time equivalent service or greater) up through the fiscal year in which the employee reaches the age of 55. The benefit is based on an employee’s rate of pay during the fiscal year in which the employee reaches the age of 55, and is paid out in two equal payments due on May 31 of the calendar year in which the eligible employee retires and the following January 15. Beneficiaries that continue to be employed by the District after the age of 55 do not accrue additional retirement incentive benefits. These benefits are accrued in the Severance and Pension Benefits Internal Service Fund as they vest.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. The District is accounting for this obligation in its Severance and Pension Benefits Internal Service Fund.

C. Annual Pension Cost and Net Pension Obligation

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

ARC	\$	319,215
Interest on net pension obligation		12,767
Adjustment to ARC		(34,841)
Annual pension cost (expense)		<u>297,141</u>
Contributions made		<u>264,552</u>
Increase in net pension obligation		32,589
Net pension obligation – beginning of year		<u>319,163</u>
Net pension obligation – end of year	\$	<u><u>351,752</u></u>

NOTE 7 – PENSION BENEFITS PLAN (CONTINUED)

The District’s annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the year are as follows:

Fiscal Year Ended	Net Pension Obligation Beginning of Year	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2013	\$ 283,937	\$ 311,137	\$ 108,525	34.9%	\$ 486,549
June 30, 2014	\$ 486,549	\$ 299,696	\$ 467,082	155.9%	\$ 319,163
June 30, 2015	\$ 319,163	\$ 297,141	\$ 264,552	89.0%	\$ 351,752

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits and UAAL were both \$2,296,946, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,554,932, and the ratio of the UAAL to the covered payroll was 50.4 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the District’s own investments and a 3.0 percent salary increase for all members, and a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over an open period. The remaining amortization periods at July 1, 2014 for the various amortization layers ranged from 25 to 30 years.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

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

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

1. GEF Benefits

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

2. TRA Benefits

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

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).

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan, The District’s contributions to the GERF for the plan’s fiscal year ended June 30, 2015, were \$486,524. The District’s contributions were equal to the required contributions for each year as set by state statutes.

2. TRA Contributions

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2015, were \$1,340,261. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, the District reported a liability of \$5,261,199 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2014, the District's proportion was 0.1120 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$388,622 for its proportionate share of the GERF's pension expense.

At June 30, 2015, 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	\$ 80,743	\$ –
Changes in actuarial assumptions	542,219	–
Differences between projected and actual investment earnings	–	1,421,571
District's contributions to the GERF subsequent to the measurement date	486,524	–
Total	<u>\$ 1,109,486</u>	<u>\$ 1,421,571</u>

A total of \$486,524 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	\$ (147,739)
2017	\$ (147,739)
2018	\$ (147,739)
2019	\$ (355,392)

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

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of \$17,597,677 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 0.3819 percent at the end of the measurement period and 0.3854 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	\$ 17,597,677
State’s proportionate share of the net pension liability associated with the District	\$ 1,238,076

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

For the year ended June 30, 2015, the District recognized pension expense of \$906,066. It also recognized \$54,008 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 1,501,558	\$ –
Difference between projected and actual investment earnings	–	5,532,532
Changes in proportion and differences between contributions made and the District’s proportionate share of contributions	–	166,105
District’s contributions to the TRA subsequent to the measurement date	<u>1,340,261</u>	<u>–</u>
Total	<u>\$ 2,841,819</u>	<u>\$ 5,698,637</u>

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

A total of \$1,340,261 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	\$ (1,104,333)
2017	\$ (1,104,333)
2018	\$ (1,104,333)
2019	\$ (1,104,333)
2020	\$ 220,253

E. Actuarial Assumptions

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

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

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

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

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

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

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

NOTE 8 – 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	<u>100%</u>	

F. Discount Rate

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 8,481,265	\$ 5,261,199	\$ 2,611,842
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	\$ 29,082,934	\$ 17,597,677	\$ 8,022,944

H. Pension Plan Fiduciary Net Position

Detailed information about the GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; 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 9 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the FBP year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the FBP 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 FBP, whether or not such contributions have been made.

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

Amounts withheld for medical reimbursement and dependant care are deposited into a separate district checking account on a monthly basis. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependant care activity is included in the financial statements as an Employee Benefits Trust Fund.

All property of the FBP and income attributable to that property is solely the property of the FBP and is equal to that of general creditors of the District in an amount equal to the eligible healthcare and dependant care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Operating Lease – Inver Grove Heights Community Center and Armory

In May 1995, the District entered into an agreement to lease space in the Inver Grove Heights Community Center and Armory from the City. The lease term runs for 20 years beginning December 1, 1995 and calls for annual rental payments of \$100,000 payable in two equal payments due July 15 and December 15 of each year beginning July 15, 1995. The lease was subsequently extended for an additional two-year period ending November 30, 2017, subject to the same terms as the original agreement. During the year ended June 30, 2015, the District paid rent of \$100,000 under this agreement.

B. Operating Lease – Inver Grove Heights Aquatic and Fitness Center

In December 1999, the District entered into an agreement with the City to lease the use of space in the Inver Grove Heights Aquatic and Fitness Center. The lease term runs for 20 years commencing July 1, 2001 and calls for annual rental payments ranging from \$235,000 to \$350,000 due in two equal payments each July 15 and January 15 beginning July 15, 2001. During the year ended June 30, 2015, the District paid rent of \$247,000 under this agreement.

C. Federal and State Revenues

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

D. Legal Claims

The District has the usual and customary types of legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. The District's management believes that the District will not incur any material liabilities relating to these claims, and none have been accrued at year-end.

E. Construction Contracts

At June 30, 2015, the District had commitments totaling approximately \$5.0 million under various construction contracts for which the work was not yet completed.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 199

Required Supplementary Information
Schedules of Funding Progress
June 30, 2015

**Other Post-Employment Benefits Plan
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
July 1, 2010	\$ 7,100,277	\$ -	\$ 7,100,277	- %	\$ 19,203,164	37.0 %
July 1, 2012	\$ 6,396,886	\$ -	\$ 6,396,886	- %	\$ 20,549,837	31.1 %
July 1, 2014	\$ 6,119,917	\$ -	\$ 6,119,917	- %	\$ 23,088,446	26.5 %

**Pension Benefits Plan
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
July 1, 2010	\$ 2,582,625	\$ -	\$ 2,582,625	- %	\$ 5,561,581	46.4 %
July 1, 2012	\$ 2,547,116	\$ -	\$ 2,547,116	- %	\$ 5,293,381	48.1 %
July 1, 2014	\$ 2,296,946	\$ -	\$ 2,296,946	- %	\$ 4,554,932	50.4 %

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Public Employees Retirement Association

	<u>2014</u>
District's proportion of the net pension liability (asset)	<u>0.1120%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 5,261,199</u>
District's covered-employee payroll	<u>\$ 5,890,917</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>89.31%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.70%</u>

Teachers Retirement Association

District's proportion of the net pension liability (asset)	<u>0.3819%</u>
District's proportionate share of the net pension liability (asset) (a)	<u>\$ 17,597,677</u>
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	<u>1,238,076</u>
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	<u>\$ 18,835,753</u>
District's covered-employee payroll	<u>\$ 17,432,274</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>100.95%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.50%</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Public Employees Retirement Association

	<u>2015</u>
Statutorily required contribution	\$ 486,524
Contributions in relation to the statutorily required contributions	<u>486,524</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 6,594,924</u>
Contributions as a percentage of covered-employee payroll	<u>7.38%</u>

Teachers Retirement Association

Statutorily required contribution	\$ 1,340,261
Contributions in relation to the statutorily required contributions	<u>1,340,261</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 17,930,286</u>
Contributions as a percentage of covered-employee payroll	<u>7.47%</u>

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

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>Community Service</u>	
Assets			
Cash and temporary investments	\$ 1,366,214	\$ 402,463	\$ 1,768,677
Receivables			
Current taxes	-	255,372	255,372
Delinquent taxes	-	6,020	6,020
Accounts and interest	-	17,552	17,552
Due from other governmental units	111,291	62,740	174,031
Inventory	55,800	-	55,800
Prepaid items	5,414	-	5,414
	<u>1,538,719</u>	<u>744,147</u>	<u>2,282,866</u>
Liabilities			
Salaries payable	\$ 12,437	\$ 46,234	\$ 58,671
Accounts and contracts payable	45,728	40,448	86,176
Due to other governmental units	-	123,954	123,954
Unearned revenue	40,157	-	40,157
Total liabilities	<u>98,322</u>	<u>210,636</u>	<u>308,958</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	-	470,681	470,681
Unavailable revenue – delinquent taxes	-	6,020	6,020
Total deferred inflows of resources	<u>-</u>	<u>476,701</u>	<u>476,701</u>
Fund balances			
Nonspendable	61,214	-	61,214
Restricted	1,379,183	56,810	1,435,993
Total fund balances	<u>1,440,397</u>	<u>56,810</u>	<u>1,497,207</u>
	<u>\$ 1,538,719</u>	<u>\$ 744,147</u>	<u>\$ 2,282,866</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,538,719</u>	<u>\$ 744,147</u>	<u>\$ 2,282,866</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 438,277	\$ 438,277
Investment earnings	1,893	453	2,346
Other	787,788	1,494,162	2,281,950
State sources	105,447	240,586	346,033
Federal sources	1,077,714	-	1,077,714
Total revenue	<u>1,972,842</u>	<u>2,173,478</u>	<u>4,146,320</u>
Expenditures			
Current			
Food service	1,822,190	-	1,822,190
Community service	-	2,165,402	2,165,402
Capital outlay	24,014	4,253	28,267
Total expenditures	<u>1,846,204</u>	<u>2,169,655</u>	<u>4,015,859</u>
Net change in fund balances	126,638	3,823	130,461
Fund balances			
Beginning of year	<u>1,313,759</u>	<u>52,987</u>	<u>1,366,746</u>
End of year	<u>\$ 1,440,397</u>	<u>\$ 56,810</u>	<u>\$ 1,497,207</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	\$ 12,893,042	\$ 13,613,463
Cash and investments held by trustee	239,822	554,394
Receivables		
Current taxes	4,360,586	3,654,141
Delinquent taxes	95,462	95,934
Accounts and interest	64,890	67,846
Due from other governmental units	4,601,687	3,569,988
Due from other funds	270,750	-
Prepaid items	<u>157,622</u>	<u>149,699</u>
Total assets	<u>\$ 22,683,861</u>	<u>\$ 21,705,465</u>
Liabilities		
Salaries payable	\$ 1,842,752	\$ 1,617,575
Accounts and contracts payable	2,174,749	2,038,354
Due to other governmental units	223,980	199,157
Unearned revenue	<u>239,822</u>	<u>554,934</u>
Total liabilities	4,481,303	4,410,020
Deferred inflows of resources		
Property taxes levied for subsequent year	6,963,214	5,583,095
Unavailable revenue – delinquent taxes	<u>95,462</u>	<u>95,934</u>
Total deferred inflows of resources	7,058,676	5,679,029
Fund balances (deficits)		
Nonspendable for prepaid items	157,622	149,699
Restricted for deferred maintenance	898,911	1,078,253
Restricted for operating capital	1,038,115	1,197,210
Restricted for career and technical programs	8,470	7,724
Restricted for teacher development and evaluation	60,660	-
Assigned for next year's budget	97,061	235,424
Assigned for third party billing	629,835	389,921
Assigned for separation and severance	1,500,000	1,350,000
Assigned for curriculum adoption	350,000	500,000
Assigned for program carryover	75,000	45,000
Assigned for other capital projects	2,245,000	1,775,000
Unassigned – health and safety restricted account deficit	(768,215)	(126,433)
Unassigned	<u>4,851,423</u>	<u>5,014,618</u>
Total fund balances	<u>11,143,882</u>	<u>11,616,416</u>
Total liabilities, deferred inflows resources, and fund balances	<u>\$ 22,683,861</u>	<u>\$ 21,705,465</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 6,678,536	\$ 6,666,863	\$ (11,673)	\$ 4,682,086
Investment earnings	12,500	18,547	6,047	17,171
Other	1,301,600	1,089,792	(211,808)	1,269,801
State sources	31,903,583	32,128,383	224,800	32,542,181
Federal sources	1,378,950	1,422,763	43,813	1,372,980
Total revenue	41,275,169	41,326,348	51,179	39,884,219
Expenditures				
Current				
Administration				
Salaries	1,242,312	1,170,239	(72,073)	1,263,750
Employee benefits	373,391	349,256	(24,135)	347,060
Purchased services	57,902	40,973	(16,929)	47,959
Supplies and materials	15,097	8,224	(6,873)	8,347
Other expenditures	52,650	38,530	(14,120)	41,447
Total administration	1,741,352	1,607,222	(134,130)	1,708,563
District support services				
Salaries	557,415	541,918	(15,497)	423,475
Employee benefits	193,082	179,420	(13,662)	139,349
Purchased services	435,232	295,419	(139,813)	453,851
Supplies and materials	31,600	16,516	(15,084)	21,410
Capital expenditures	400,000	497,371	97,371	315,470
Other expenditures	3,200	6,199	2,999	6,914
Total district support services	1,620,529	1,536,843	(83,686)	1,360,469
Elementary and secondary regular instruction				
Salaries	12,676,423	12,002,253	(674,170)	11,680,279
Employee benefits	4,352,674	4,043,229	(309,445)	3,992,384
Purchased services	542,369	813,638	271,269	702,934
Supplies and materials	552,487	603,600	51,113	769,044
Capital expenditures	10,164	974	(9,190)	6,718
Other expenditures	10,500	9,605	(895)	13,552
Total elementary and secondary regular instruction	18,144,617	17,473,299	(671,318)	17,164,911

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	74,086	155,333	81,247	149,643
Employee benefits	22,156	22,581	425	21,709
Purchased services	—	257	257	31,610
Supplies and materials	10,000	1,594	(8,406)	1,915
Capital expenditures	—	2,966	2,966	7,437
Total vocational education instruction	106,242	182,731	76,489	212,314
Special education instruction				
Salaries	4,860,126	5,209,931	349,805	4,885,236
Employee benefits	1,593,763	1,621,286	27,523	1,535,306
Purchased services	962,225	589,914	(372,311)	611,740
Supplies and materials	123,765	76,003	(47,762)	101,471
Capital expenditures	6,000	—	(6,000)	796
Other expenditures	—	3,940	3,940	3,885
Total special education instruction	7,545,879	7,501,074	(44,805)	7,138,434
Instructional support services				
Salaries	2,081,898	2,211,333	129,435	2,078,023
Employee benefits	442,422	522,636	80,214	492,033
Purchased services	413,444	221,320	(192,124)	468,473
Supplies and materials	83,107	20,548	(62,559)	39,111
Other expenditures	—	917	917	—
Total instructional support services	3,020,871	2,976,754	(44,117)	3,077,640
Pupil support services				
Salaries	1,179,126	1,447,649	268,523	1,214,078
Employee benefits	349,737	421,321	71,584	335,652
Purchased services	1,706,509	1,884,889	178,380	2,027,681
Supplies and materials	147,345	181,859	34,514	160,867
Capital expenditures	103,000	99,933	(3,067)	99,425
Other expenditures	1,000	262	(738)	756
Total pupil support services	3,486,717	4,035,913	549,196	3,838,459

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2015		2014	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,254,873	1,356,392	101,519	1,292,988
Employee benefits	405,426	420,058	14,632	385,695
Purchased services	1,365,346	1,383,446	18,100	1,555,915
Supplies and materials	702,350	621,031	(81,319)	601,928
Capital expenditures	1,667,759	2,684,195	1,016,436	3,992,042
Other expenditures	41,094	33,809	(7,285)	38,955
Total sites and buildings	<u>5,436,848</u>	<u>6,498,931</u>	<u>1,062,083</u>	<u>7,867,523</u>
Fiscal and other fixed cost programs				
Purchased services	102,000	124,278	22,278	122,697
Debt service				
Principal	459,314	511,359	52,045	256,798
Interest and fiscal charges	168,505	121,520	(46,985)	7,220
Total debt service	<u>627,819</u>	<u>632,879</u>	<u>5,060</u>	<u>264,018</u>
Total expenditures	<u>41,832,874</u>	<u>42,569,924</u>	<u>737,050</u>	<u>42,755,028</u>
Excess (deficiency) of revenue over expenditures	(557,705)	(1,243,576)	(685,871)	(2,870,809)
Other financing sources				
Capital leases	–	769,042	769,042	2,862,783
Sale of capital assets	5,000	2,000	(3,000)	4,000
Transfers in	240,617	–	(240,617)	–
Total other financing sources	<u>245,617</u>	<u>771,042</u>	<u>525,425</u>	<u>2,866,783</u>
Net change in fund balances	<u>\$ (312,088)</u>	<u>(472,534)</u>	<u>\$ (160,446)</u>	<u>(4,026)</u>
Fund balances				
Beginning of year		<u>11,616,416</u>		<u>11,620,442</u>
End of year		<u>\$ 11,143,882</u>		<u>\$ 11,616,416</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	\$ 1,366,214	\$ 1,342,734
Receivables		
Due from other governmental units	111,291	28,482
Inventory	55,800	49,999
Prepaid items	5,414	-
	<u>5,414</u>	<u>-</u>
Total assets	<u>\$ 1,538,719</u>	<u>\$ 1,421,215</u>
Liabilities		
Salaries payable	\$ 12,437	\$ 28,799
Accounts and contracts payable	45,728	38,541
Unearned revenue	40,157	40,116
Total liabilities	<u>98,322</u>	<u>107,456</u>
Fund balances		
Nonspendable for inventories	55,800	49,999
Nonspendable for prepaid items	5,414	-
Restricted for food service	1,379,183	1,263,760
Total fund balances	<u>1,440,397</u>	<u>1,313,759</u>
	<u>1,440,397</u>	<u>1,313,759</u>
Total liabilities and fund balances	<u>\$ 1,538,719</u>	<u>\$ 1,421,215</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual

Year Ended June 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,800	\$ 1,893	\$ 93	\$ 1,417
Other – primarily meal sales	767,936	787,788	19,852	817,497
State sources	89,883	105,447	15,564	80,758
Federal sources	959,125	1,077,714	118,589	984,923
Total revenue	<u>1,818,744</u>	<u>1,972,842</u>	<u>154,098</u>	<u>1,884,595</u>
Expenditures				
Current				
Salaries	666,527	679,667	13,140	597,693
Employee benefits	229,633	224,448	(5,185)	217,480
Purchased services	79,510	70,755	(8,755)	95,845
Supplies and materials	914,418	845,487	(68,931)	830,085
Other expenditures	4,000	1,833	(2,167)	1,719
Capital outlay	22,600	24,014	1,414	34,304
Total expenditures	<u>1,916,688</u>	<u>1,846,204</u>	<u>(70,484)</u>	<u>1,777,126</u>
Net change in fund balances	<u>\$ (97,944)</u>	126,638	<u>\$ 224,582</u>	107,469
Fund balances				
Beginning of year		<u>1,313,759</u>		<u>1,206,290</u>
End of year		<u>\$ 1,440,397</u>		<u>\$ 1,313,759</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	\$ 402,463	\$ 263,962
Receivables		
Current taxes	255,372	239,610
Delinquent taxes	6,020	5,830
Accounts and interest	17,552	46,452
Due from other governmental units	62,740	20,533
Prepaid items	-	825
	<u> </u>	<u> </u>
Total assets	<u>\$ 744,147</u>	<u>\$ 577,212</u>
Liabilities		
Salaries payable	\$ 46,234	\$ 52,318
Accounts and contracts payable	40,448	24,760
Due to other governmental units	123,954	-
Total liabilities	<u>210,636</u>	<u>77,078</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	470,681	441,317
Unavailable revenue – delinquent taxes	6,020	5,830
Total deferred inflows of resources	<u>476,701</u>	<u>447,147</u>
Fund balances		
Nonspendable for prepaid items	-	825
Restricted for community education programs	27,549	25,647
Restricted for early childhood family education programs	10,531	7,712
Restricted for school readiness	18,730	18,803
Total fund balances	<u>56,810</u>	<u>52,987</u>
	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 744,147</u>	<u>\$ 577,212</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2015		2014	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 441,421	\$ 438,277	\$ (3,144)	\$ 261,704
Investment earnings	500	453	(47)	214
Other – primarily tuition and fees	1,589,090	1,494,162	(94,928)	1,379,546
State sources	223,621	240,586	16,965	423,572
Total revenue	<u>2,254,632</u>	<u>2,173,478</u>	<u>(81,154)</u>	<u>2,065,036</u>
Expenditures				
Current				
Salaries	1,189,162	1,204,618	15,456	1,092,782
Employee benefits	311,632	315,138	3,506	299,773
Purchased services	669,768	530,967	(138,801)	604,482
Supplies and materials	86,978	57,796	(29,182)	68,564
Other expenditures	6,514	56,883	50,369	104,020
Capital outlay	31,452	4,253	(27,199)	5,896
Total expenditures	<u>2,295,506</u>	<u>2,169,655</u>	<u>(125,851)</u>	<u>2,175,517</u>
Net change in fund balances	<u>\$ (40,874)</u>	3,823	<u>\$ 44,697</u>	(110,481)
Fund balances				
Beginning of year		<u>52,987</u>		<u>163,468</u>
End of year		<u>\$ 56,810</u>		<u>\$ 52,987</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	\$ 9,418,696	\$ 22,560,430
Receivables		
Accounts and interest	<u>23,473</u>	<u>414,835</u>
Total assets	<u>\$ 9,442,169</u>	<u>\$ 22,975,265</u>
Liabilities		
Accounts and contracts payable	\$ 2,046,218	\$ 1,534,439
Fund balances		
Restricted for building construction	<u>7,395,951</u>	<u>21,440,826</u>
Total liabilities and fund balances	<u>\$ 9,442,169</u>	<u>\$ 22,975,265</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 50,000	\$ 30,626	\$ (19,374)	\$ 12,973
Expenditures				
Capital outlay				
Purchased services	1,321,400	1,105,581	(215,819)	738,537
Capital expenditures	12,462,600	12,969,920	507,320	2,501,718
Total expenditures	<u>13,784,000</u>	<u>14,075,501</u>	<u>291,501</u>	<u>3,240,255</u>
Excess (deficiency) of revenue over expenditures	(13,734,000)	(14,044,875)	(310,875)	(3,227,282)
Other financing sources				
Debt issued	<u>–</u>	<u>–</u>	<u>–</u>	<u>24,668,108</u>
Net change in fund balances	<u>\$ (13,734,000)</u>	<u>(14,044,875)</u>	<u>\$ (310,875)</u>	<u>21,440,826</u>
Fund balances				
Beginning of year		<u>21,440,826</u>		<u>–</u>
End of year		<u>\$ 7,395,951</u>		<u>\$ 21,440,826</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Debt Service Fund
Balance Sheet
as of June 30, 2015

(With Comparative Totals as of June 30, 2014)

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2015	2014
Assets				
Cash and temporary investments	\$ 2,829,271	\$ 473,259	\$ 3,302,530	\$ 3,741,333
Cash and investments held by trustee	26,972,339	–	26,972,339	–
Receivables				
Current taxes	2,503,155	419,087	2,922,242	3,021,793
Delinquent taxes	54,542	9,505	64,047	52,845
Due from other governmental units	36,902	6,102	43,004	24,824
Total assets	\$ 32,396,209	\$ 907,953	\$ 33,304,162	\$ 6,840,795
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 4,613,605	\$ 772,427	\$ 5,386,032	\$ 5,565,618
Unavailable revenue – delinquent taxes	54,542	9,505	64,047	52,845
Total deferred inflows of resources	4,668,147	781,932	5,450,079	5,618,463
Fund balances				
Restricted for bond refundings	26,972,339	–	26,972,339	–
Restricted for debt service	755,723	126,021	881,744	1,222,332
Total fund balances	27,728,062	126,021	27,854,083	1,222,332
Total deferred inflows of resources and fund balances	\$ 32,396,209	\$ 907,953	\$ 33,304,162	\$ 6,840,795

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2015			Total
	Budget	Regular Debt Service Account	OPEB Debt Service Account	
Revenue				
Local sources				
Property taxes	\$ 5,565,890	\$ 4,756,783	\$ 762,408	\$ 5,519,191
Investment earnings	–	18,984	651	19,635
State sources	–	462	74	536
Total revenue	<u>5,565,890</u>	<u>4,776,229</u>	<u>763,133</u>	<u>5,539,362</u>
Expenditures				
Debt service				
Principal	2,865,000	2,735,000	130,000	2,865,000
Interest	3,004,292	3,000,803	613,323	3,614,126
Fiscal charges and other	2,150	241,017	450	241,467
Total expenditures	<u>5,871,442</u>	<u>5,976,820</u>	<u>743,773</u>	<u>6,720,593</u>
Excess (deficiency) of revenue over expenditures	(305,552)	(1,200,591)	19,360	(1,181,231)
Other financing sources				
Debt issued	–	24,320,000	–	24,320,000
Premium on debt issued	–	3,492,982	–	3,492,982
Total other financing sources	<u>–</u>	<u>27,812,982</u>	<u>–</u>	<u>27,812,982</u>
Net change in fund balances	<u>\$ (305,552)</u>	26,612,391	19,360	26,631,751
Fund balances				
Beginning of year		<u>1,115,671</u>	<u>106,661</u>	<u>1,222,332</u>
End of year		<u>\$ 27,728,062</u>	<u>\$ 126,021</u>	<u>\$ 27,854,083</u>

		2014	
Over (Under)		Actual	
Budget			
\$	(46,699)	\$	4,232,498
	19,635		3,598
	536		388
	<u>(26,528)</u>		<u>4,236,484</u>
	-		2,235,000
	609,834		2,126,198
	239,317		175,363
	<u>849,151</u>		<u>4,536,561</u>
	(875,679)		(300,077)
	24,320,000		81,892
	3,492,982		497,469
	<u>27,812,982</u>		<u>579,361</u>
\$	<u>26,937,303</u>		279,284
			<u>943,048</u>
		\$	<u>1,222,332</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Severance	Other	Totals	
	and Pension Benefits Fund	Post-Employment Benefits Fund	2015	2014
Assets				
Current assets				
Cash and temporary investments	\$ 1,798,265	\$ –	\$ 1,798,265	\$ 1,795,751
Noncurrent assets				
Restricted assets – temporarily restricted				
Cash and cash equivalents	–	4,754,746	4,754,746	4,362,870
Investments	–	5,727,113	5,727,113	5,999,743
Total restricted assets – temporarily restricted	–	10,481,859	10,481,859	10,362,613
Net OPEB asset	–	–	–	3,665
Total assets	1,798,265	10,481,859	12,280,124	12,162,029
Liabilities				
Current liabilities				
Severance benefits payable	42,545	–	42,545	41,024
Due to other funds	–	270,750	270,750	–
Total current liabilities	42,545	270,750	313,295	41,024
Long-term liabilities				
Severance benefits payable	1,155,180	–	1,155,180	1,134,958
Net OPEB obligation	–	207,804	207,804	–
Net pension obligation	351,752	–	351,752	319,163
Total long-term liabilities	1,506,932	207,804	1,714,736	1,454,121
Total liabilities	1,549,477	478,554	2,028,031	1,495,145
Net position				
Restricted for other post-employment liabilities				
	–	10,003,305	10,003,305	10,366,278
Unrestricted	248,788	–	248,788	300,606
Total net position	\$ 248,788	\$ 10,003,305	\$ 10,252,093	\$ 10,666,884

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2015	2014
Operating revenue				
Contributions from governmental funds	\$ 311,321	\$ 299,772	\$ 611,093	\$ 862,632
Operating expenses				
Severance benefits	68,512	–	68,512	30,947
Pension benefits	297,141	–	297,141	299,696
Other post-employment benefits	–	781,991	781,991	729,793
Total operating expenses	<u>365,653</u>	<u>781,991</u>	<u>1,147,644</u>	<u>1,060,436</u>
Operating income (loss)	(54,332)	(482,219)	(536,551)	(197,804)
Nonoperating revenues				
Investment earnings	<u>2,514</u>	<u>119,246</u>	<u>121,760</u>	<u>1,056,895</u>
Change in net position	(51,818)	(362,973)	(414,791)	859,091
Net position				
Beginning of year	<u>300,606</u>	<u>10,366,278</u>	<u>10,666,884</u>	<u>9,807,793</u>
End of year	<u>\$ 248,788</u>	<u>\$ 10,003,305</u>	<u>\$ 10,252,093</u>	<u>\$ 10,666,884</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2015	2014
Cash flows from operating activities				
Receipts from assessments made to governmental funds	\$ 311,321	\$ 570,522	\$ 881,843	\$ 947,711
Benefit payments	(311,321)	(570,522)	(881,843)	(1,169,778)
Net cash flows from operating activities	-	-	-	(222,067)
Cash flows from investing activities				
Purchases of investments	-	(3,130,323)	(3,130,323)	(3,883,657)
Sales and maturities of investments	-	3,402,953	3,402,953	3,508,509
Interest and dividends on investments	2,514	119,246	121,760	1,056,895
Net cash flows from investing activities	2,514	391,876	394,390	681,747
Net change in cash and cash equivalents	2,514	391,876	394,390	459,680
Cash and cash equivalents				
Beginning of year	1,795,751	4,362,870	6,158,621	5,698,941
End of year	\$ 1,798,265	\$ 4,754,746	\$ 6,553,011	\$ 6,158,621
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (54,332)	\$ (482,219)	\$ (536,551)	\$ (197,804)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Due from other funds	-	-	-	85,079
Due to other funds	-	270,750	270,750	-
Net pension obligation	32,589	-	32,589	(167,386)
Net OPEB asset or obligation	-	211,469	211,469	69,282
Severance benefits payable	21,743	-	21,743	(11,238)
Net cash flows from operating activities	\$ -	\$ -	\$ -	\$ (222,067)

INDEPENDENT SCHOOL DISTRICT NO. 199

Agency Fund
 Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2015

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
BEST Foundation				
Assets				
Cash and temporary investments	\$ 1,402,691	\$ 222,666	\$ 222,434	\$ 1,402,923
Liabilities				
Due to fiscal agent	\$ 42,232	\$ 38,685	\$ 42,232	\$ 38,685
Due to BEST Foundation	1,360,459	218,105	214,326	1,364,238
Total liabilities	\$ 1,402,691	\$ 256,790	\$ 256,558	\$ 1,402,923

SECTION III

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 199, Inver Grove Heights, Minnesota's (the District) comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents:

	<u>Page</u>
Financial Trends	79
<p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	
Revenue Capacity	88
<p>These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.</p>	
Debt Capacity	95
<p>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.</p>	
Demographic and Economic Information	101
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	
Operating Indicators	105
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides, and the activities it performs.</p>	

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities				
Net investment in capital assets	\$ 9,599,138	\$ 8,703,834	\$ 5,638,108	\$ 5,096,314
Restricted	3,507,716	2,757,107	2,403,846	2,367,912
Unrestricted	<u>(676,123)</u>	<u>(788,222)</u>	<u>(668,081)</u>	<u>4,457,391</u>
Total governmental activities net position	<u>\$12,430,731</u>	<u>\$10,672,719</u>	<u>\$ 7,373,873</u>	<u>\$11,921,617</u>

Note: The District implemented GASB Statement No. 68 in 2015, which resulted in a \$26,559,876 reduction of beginning net position. Prior year information has not been restated.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 5,009,958	\$ 4,944,787	\$ 6,978,207	\$ 8,200,160	\$ 8,787,376	\$ 9,936,693
3,382,349	3,574,911	4,082,980	4,477,781	4,815,014	4,466,287
<u>5,311,127</u>	<u>8,510,376</u>	<u>8,942,609</u>	<u>9,418,692</u>	<u>9,711,965</u>	<u>(16,785,417)</u>
<u>\$13,703,434</u>	<u>\$17,030,074</u>	<u>\$20,003,796</u>	<u>\$22,096,633</u>	<u>\$23,314,355</u>	<u>\$ (2,382,437)</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Expenses				
Administration	\$ 1,744,068	\$ 1,568,141	\$ 1,267,400	\$ 1,568,100
District support services	969,215	1,028,908	1,026,514	1,028,899
Elementary and secondary regular instruction	16,438,321	15,941,838	16,638,409	16,499,940
Vocational education instruction	160,949	213,260	411,009	392,126
Special education instruction	7,189,364	7,738,399	8,388,707	7,398,059
Instructional support services	2,557,678	2,315,947	2,370,339	2,541,338
Pupil support services	2,935,944	2,861,214	2,971,179	3,189,324
Sites and buildings	4,743,900	7,337,423	8,226,708	5,583,255
Fiscal and other fixed cost programs	170,317	168,440	102,736	80,594
Food service	1,622,843	1,682,282	1,678,391	1,690,081
Community service	1,833,799	2,000,399	2,021,807	2,120,802
Unallocated depreciation	640,108	593,763	690,032	1,137,350
Interest on long-term debt	2,005,456	1,757,200	1,715,119	1,931,424
Total governmental activities expenses	43,011,962	45,207,214	47,508,350	45,161,292
Program revenues				
Charges for services				
Administration and district support services	41,867	49,564	3,849	-
Elementary and secondary regular instruction	177,424	16,040	169,842	157,396
Special education instruction	601,019	492,229	328,464	590,234
Pupil support services	32,798	219,827	143,485	164,525
Sites and buildings	180,364	161,876	188,387	175,842
Food service	1,019,316	1,043,878	980,081	1,007,980
Community service	1,570,873	1,399,290	1,488,458	1,451,597
Operating grants and contributions	6,186,655	5,846,537	6,622,615	5,642,691
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	9,810,316	9,229,241	9,925,181	9,190,265
Net (expense) revenue	(33,201,646)	(35,977,973)	(37,583,169)	(35,971,027)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	3,640,097	6,030,960	6,374,827	7,349,291
Property taxes, levied for community service	133,702	311,020	216,873	215,590
Property taxes, levied for debt service	391,896	2,344,447	2,548,573	2,664,904
General grants and aids	24,040,267	23,347,968	24,160,613	24,939,865
Other general revenues	424,092	466,095	308,398	410,537
Investment earnings (loss)	1,741,818	1,719,471	675,039	542,895
Total general revenues and other changes in net position	30,371,872	34,219,961	34,284,323	36,123,082
Change in net position	\$(2,829,774)	\$(1,758,012)	\$(3,298,846)	\$ 152,055

2010	2011	2012	2013	2014	2015
\$ 1,410,292	\$ 1,413,246	\$ 1,571,141	\$ 1,446,535	\$ 1,692,441	\$ 1,642,918
996,250	951,640	1,063,783	1,303,225	1,367,090	1,436,499
16,389,973	16,281,999	16,436,834	17,460,869	17,186,229	17,492,321
389,560	324,273	174,094	177,379	214,654	184,107
7,313,624	7,577,765	7,396,600	7,562,831	7,214,834	7,496,130
2,361,213	2,499,693	2,480,524	2,481,273	3,100,949	2,981,203
3,293,788	3,420,588	3,302,748	3,445,482	3,776,803	4,025,098
4,511,048	4,599,496	4,911,665	4,878,372	5,366,312	5,232,292
86,525	90,121	78,415	154,018	122,697	124,278
1,716,313	1,708,253	1,766,823	1,648,479	1,789,311	1,854,645
2,240,630	2,215,072	1,942,620	2,052,248	2,192,959	2,170,270
1,130,667	1,128,902	1,137,795	1,266,355	1,257,548	1,686,488
2,253,696	2,211,874	2,190,369	2,329,636	2,632,077	4,040,011
44,093,579	44,422,922	44,453,411	46,206,702	47,913,904	50,366,260
-	-	-	-	-	-
144,052	165,337	176,353	173,884	170,300	244,580
429,820	312,294	260,796	287,407	307,058	172,095
147,858	192,874	153,817	153,669	92,698	108,818
161,396	161,895	168,303	129,048	40,292	-
953,106	868,675	844,226	832,278	817,497	787,788
1,522,329	1,544,349	1,382,837	1,476,055	1,379,546	1,494,162
6,286,933	6,416,700	6,591,869	6,180,347	6,933,645	6,990,499
-	-	127,140	-	-	-
9,645,494	9,662,124	9,705,341	9,232,688	9,741,036	9,797,942
(34,448,085)	(34,760,798)	(34,748,070)	(36,974,014)	(38,172,868)	(40,568,318)
6,928,603	9,562,072	7,155,582	7,191,177	4,675,431	6,666,391
322,935	534,266	444,587	506,407	261,765	438,467
3,360,096	3,397,061	4,073,847	4,303,885	4,230,516	5,530,393
24,903,135	22,943,298	25,739,132	25,919,822	28,483,217	28,045,536
518,200	375,119	558,391	408,392	647,393	557,701
196,933	1,275,622	(249,747)	737,168	1,092,268	192,914
36,229,902	38,087,438	37,721,792	39,066,851	39,390,590	41,431,402
\$ 1,781,817	\$ 3,326,640	\$ 2,973,722	\$ 2,092,837	\$ 1,217,722	\$ 863,084

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax			
	General Purpose	Community Service	Debt Service	Total
2006	\$ 3,640,097	\$ 133,702	\$ 391,896	\$ 4,165,695
2007	6,030,960	311,020	2,344,447	8,686,427
2008	6,374,827	216,873	2,548,573	9,140,273
2009	7,349,291	215,590	2,664,904	10,229,785
2010	6,928,603	322,935	3,360,096	10,611,634
2011	9,562,072	534,266	3,397,061	13,493,399
2012	7,155,582	444,587	4,073,847	11,674,016
2013	7,191,177	506,407	4,303,885	12,001,469
2014	4,675,431	261,765	4,230,516	9,167,712
2015	6,666,391	438,467	5,530,393	12,635,251

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. These changes were offset by an adjustment to state aid payments of an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2006	2007	2008	2009
General Fund				
Reserved	\$ 2,579,813	\$ 2,277,612	\$ 2,094,736	\$ 1,103,635
Unreserved	2,914,956	2,989,523	2,724,191	4,801,090
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 5,494,769</u>	<u>\$ 5,267,135</u>	<u>\$ 4,818,927</u>	<u>\$ 5,904,725</u>
All other governmental funds				
Reserved	\$ 654,956	\$ 579,176	\$ 502,077	\$ 342,687
Unreserved, reported in				
Special revenue funds	962,888	671,948	699,750	783,702
Capital projects funds	31,541,268	11,109,687	2,273,852	193,387
Debt service funds	306,832	347,678	498,963	590,200
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Unassigned, reported in				
Special revenue funds	-	-	-	-
Total all other governmental funds	<u>\$ 33,465,944</u>	<u>\$ 12,708,489</u>	<u>\$ 3,974,642</u>	<u>\$ 1,909,976</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011, which established new fund balance classifications. Prior year amounts have not been restated.

2010	2011	2012	2013	2014	2015
\$ 2,145,632	\$ -	\$ -	\$ -	\$ -	\$ -
5,774,808	-	-	-	-	-
-	96,952	132,061	156,185	149,699	157,622
-	1,694,849	2,732,525	2,424,347	2,283,187	2,006,156
-	3,477,118	3,587,226	4,129,697	4,295,345	4,896,896
-	4,722,067	5,083,385	4,910,213	4,888,185	4,083,208
<u>\$ 7,920,440</u>	<u>\$ 9,990,986</u>	<u>\$ 11,535,197</u>	<u>\$ 11,620,442</u>	<u>\$ 11,616,416</u>	<u>\$ 11,143,882</u>
\$ 117,264	\$ -	\$ -	\$ -	\$ -	\$ -
949,039	-	-	-	-	-
166,822	-	-	-	-	-
623,086	-	-	-	-	-
-	38,024	38,159	53,387	50,824	61,214
-	4,272,215	1,949,259	2,259,419	23,979,080	36,686,027
-	(15,201)	-	-	-	-
<u>\$ 1,856,211</u>	<u>\$ 4,295,038</u>	<u>\$ 1,987,418</u>	<u>\$ 2,312,806</u>	<u>\$ 24,029,904</u>	<u>\$ 36,747,241</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Local sources				
Taxes	\$ 4,180,980	\$ 8,672,109	\$ 9,108,006	\$ 10,196,250
Investment earnings	1,676,304	1,637,890	606,139	162,672
Other	4,047,754	3,848,799	3,841,302	4,229,261
State sources	28,287,342	27,297,876	28,745,668	28,146,841
Federal sources	1,939,579	1,896,629	1,807,223	2,164,565
Total revenues	<u>40,131,959</u>	<u>43,353,303</u>	<u>44,108,338</u>	<u>44,899,589</u>
Expenditures				
Current				
Administration	1,475,273	1,640,986	1,448,291	1,950,035
District support services	958,308	1,031,478	1,067,131	1,160,932
Elementary and secondary regular instruction	15,203,414	15,438,015	16,281,280	21,084,417
Vocational education instruction	160,949	213,260	411,009	486,383
Special education instruction	7,252,145	7,762,976	8,401,644	9,038,200
Instructional support services	2,556,829	2,311,834	2,418,803	3,135,025
Pupil support services	2,996,724	2,878,685	2,955,188	3,633,832
Sites and buildings	4,789,336	4,796,627	4,882,944	5,440,052
Fiscal and other fixed cost programs	170,317	168,440	102,736	80,594
Food service	1,599,683	1,634,090	1,678,522	1,849,531
Community service	1,835,889	1,873,041	2,006,623	2,440,545
Capital outlay	2,568,122	22,083,398	9,121,987	2,162,373
Debt service				
Principal	643,917	724,855	823,611	1,172,424
Interest and fiscal charges	1,598,826	1,780,707	1,750,502	1,739,514
Total expenditures	<u>43,809,732</u>	<u>64,338,392</u>	<u>53,350,271</u>	<u>55,373,857</u>
Excess of revenues over (under) expenditures	(3,677,773)	(20,985,089)	(9,241,933)	(10,474,268)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Sale of capital assets	-	-	29,878	17,600
Bonds issued	33,000,000	-	-	9,220,000
Capital leases	159,924	-	-	380,000
Premiums on bonds issued	784,182	-	-	-
Discounts on bonds issued	-	-	-	(92,200)
Payments to refund bonds	(6,700,000)	-	-	-
Total other financing sources (uses)	<u>27,244,106</u>	<u>-</u>	<u>29,878</u>	<u>9,525,400</u>
Net change in fund balances	<u>\$ 23,566,333</u>	<u>\$(20,985,089)</u>	<u>\$ (9,212,055)</u>	<u>\$ (948,868)</u>
Debt service as a percentage of noncapital expenditures	<u>5.4%</u>	<u>5.9%</u>	<u>5.8%</u>	<u>5.5%</u>

2010	2011	2012	2013	2014	2015
\$ 10,609,388	\$ 13,453,639	\$ 11,728,856	\$ 11,972,988	\$ 9,176,288	\$ 12,624,331
27,024	30,196	9,663	19,222	35,373	71,154
4,247,921	3,905,729	3,894,796	3,775,555	3,466,844	3,371,742
25,781,668	26,081,228	29,195,998	29,351,454	33,046,899	32,474,952
5,037,240	2,993,584	2,912,070	2,433,893	2,357,903	2,500,477
45,703,241	46,464,376	47,741,383	47,553,112	48,083,307	51,042,656
1,381,411	1,369,667	1,506,391	1,612,578	1,708,563	1,607,222
982,611	944,729	1,058,242	1,296,135	1,360,469	1,536,843
16,383,527	16,057,579	16,202,886	17,142,676	17,164,911	17,473,299
383,786	320,750	172,127	175,070	212,314	182,731
7,159,504	7,491,184	7,328,521	7,483,176	7,138,434	7,501,074
2,331,760	2,474,662	2,456,551	2,463,443	3,077,640	2,976,754
3,259,511	3,411,187	3,316,172	3,446,495	3,838,459	4,035,913
4,468,467	4,569,602	5,850,073	5,582,440	7,867,523	6,498,931
86,525	90,121	78,415	154,018	122,697	124,278
1,646,175	1,642,749	1,679,588	1,639,183	1,742,822	1,822,190
2,164,896	2,177,391	1,923,328	2,031,991	2,169,621	2,165,402
106,699	4,261,912	2,530,042	5,700	3,280,455	14,103,768
1,222,782	1,548,894	2,331,479	2,248,698	2,491,798	3,376,359
2,327,376	2,280,597	2,280,768	2,196,515	2,308,781	3,977,113
43,905,030	48,641,024	48,714,583	47,478,118	54,484,487	67,381,877
1,798,211	(2,176,648)	(973,200)	74,994	(6,401,180)	(16,339,221)
-	165,890	-	-	-	-
-	(165,890)	-	-	-	-
13,835	4,500	5,500	7,100	4,000	2,000
-	10,635,000	-	-	24,750,000	24,320,000
149,904	-	204,291	328,539	2,862,783	769,042
-	172,018	-	-	497,469	3,492,982
-	(40,497)	-	-	-	-
-	(4,085,000)	-	-	-	-
163,739	6,686,021	209,791	335,639	28,114,252	28,584,024
\$ 1,961,950	\$ 4,509,373	\$ (763,409)	\$ 410,633	\$ 21,713,072	\$ 12,244,803
8.1%	8.6%	10.2%	9.5%	9.9%	14.2%

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax				Total
	General Fund	Community Service Special Revenue Fund	Debt Service Fund		
2006	\$ 3,649,858	\$ 133,282	\$ 397,840	\$	4,180,980
2007	6,024,276	310,490	2,337,343		8,672,109
2008	6,355,797	215,430	2,536,779		9,108,006
2009	7,323,012	215,327	2,657,911		10,196,250
2010	6,932,013	323,818	3,353,557		10,609,388
2011	9,535,438	532,823	3,385,378		13,453,639
2012	7,197,208	445,434	4,086,214		11,728,856
2013	7,175,770	504,826	4,292,392		11,972,988
2014	4,682,086	261,704	4,232,498		9,176,288
2015	6,666,863	438,277	5,519,191		12,624,331

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. These changes were offset by an adjustment to state aid payments of an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 199

Tax Capacities and Estimated Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacities			
	Agricultural	Non-Agricultural	Fiscal Disparities	
			Contribution	Distribution
2006	\$ 135,971	\$ 29,650,251	\$ (2,553,746)	\$ 2,615,750
2007	102,354	32,506,513	(2,750,325)	2,818,984
2008	90,937	33,970,218	(3,166,165)	3,303,563
2009	103,720	34,600,216	(3,502,411)	3,645,662
2010	100,890	32,486,454	(3,760,334)	3,860,888
2011	89,207	30,733,443	(3,813,453)	4,128,921
2012	83,825	28,562,147	(3,714,033)	3,574,158
2013	80,016	27,179,844	(3,666,211)	3,250,870
2014	89,149	27,491,499	(3,620,945)	3,177,462
2015	95,856	29,087,123	(3,708,676)	3,190,379

Note: Tax capacity is calculated by applying class rates for specific property classifications (residential, commercial, etc.) to the assessed market value. Class rates are periodically changed by the state.

Source: School Tax Report from the Minnesota Department of Education

<u>Tax Increment</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value</u>	<u>Percentage Total Tax Capacity of Estimated Market Value</u>
\$ (2,010,301)	\$ 27,837,925	17.796	\$ 2,554,381,600	1.09 %
(2,206,874)	30,470,652	16.607	2,791,586,500	1.09
(2,402,315)	31,796,238	19.764	2,885,381,800	1.10
(2,494,099)	32,353,088	19.303	2,910,481,100	1.11
(2,380,830)	30,307,068	21.795	2,697,857,700	1.12
(2,112,612)	29,025,506	24.679	2,541,648,200	1.14
(1,969,109)	26,536,988	28.363	2,483,223,500	1.07
(1,872,808)	24,971,711	27.556	2,350,262,850	1.06
(1,631,509)	25,505,656	33.418	2,374,607,550	1.07
(1,923,157)	26,741,525	34.864	2,518,406,576	1.06

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INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

<u>Tax Collection Year</u>	<u>ISD No. 199</u>	<u>City of Inver Grove Heights</u>	<u>Dakota County</u>	<u>Other</u>	<u>Total</u>
2006	17.796	35.546	26.318	4.616	84.276
2007	16.607	36.514	25.127	4.416	82.664
2008	19.764	37.403	25.184	4.393	86.744
2009	19.303	37.878	25.821	4.328	87.330
2010	21.795	41.757	27.269	4.421	95.242
2011	24.679	43.169	29.149	4.644	101.641
2012	28.363	44.883	31.426	5.021	109.693
2013	27.556	46.312	33.421	5.341	112.630
2014	33.418	46.128	31.827	4.993	116.366
2015	34.864	48.131	29.633	4.567	117.195

Note 1: Tax rates are per one dollar of tax capacity.

Note 2: The tax capacity rate applied to an individual property is the sum of the applicable school district, city, county, and other taxing entity tax rates. The majority of the District is in the City of Inver Grove Heights, which is the rate used above. The “other” taxing entities include: Metropolitan Council, Mosquito Control, and Metropolitan Transit.

Note 3: District rates do not include the referendum, which is spread on the District’s referendum market value.

Source: Dakota County Auditor

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Property	2015		
		Tax Capacity	Rank	Percentage of Total Tax Capacity
Flint Hills Resources LP (aka Great Northern Oil Company)	Industrial	\$ 2,370,951	1	8.12 %
Xcel Energy	Utility	1,211,666	2	4.15
ML MASA IV LP	Apartments	625,359	3	2.14
PHM Inver Grove, Inc.	Apartments	347,218	4	1.19
Lake Cove Village Apartments	Apartments	345,227	5	1.18
Vansouth Limited Partnership	Distribution center	284,646	6	0.98
Salem Green Limited Partnership	Apartments	269,833	7	0.92
Farmers Union Central Exchange	Farm supplies/services	248,314	8	0.85
Brentwood Hills Limited Partnership	Apartments	238,367	9	0.82
Pearlwood Estates Limited	Apartments	219,768	10	0.75
I&G Southview, LLC	Apartments	-	-	-
Koch Refining Company (aka Flint Hills Resources)	Refining	-	-	-
Total		<u>\$ 6,161,349</u>		<u>21.11 %</u>

Source: Dakota County

2006		
<u>Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity</u>
\$ 1,165,282	1	3.91 %
1,007,697	2	3.38
-	-	-
343,950	6	1.15
359,304	5	1.21
223,269	10	0.75
250,000	9	0.84
277,702	7	0.93
275,000	8	0.92
-	-	-
412,500	3	1.38
385,522	4	1.29
<u>\$ 4,700,226</u>		<u>15.79 %</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 8,871,333	\$ 8,788,542	99.07 %	\$ 75,619	\$ 8,864,161	99.92 %
2007	9,335,736	9,231,277	98.88	99,783	9,331,060	99.95
2008	10,433,109	10,292,351	98.65	119,273	10,411,624	99.79
2009	10,645,460	10,504,703	98.68	133,719	10,638,422	99.93
2010	11,129,562	10,980,962	98.66	144,151	11,125,113	99.96
2011	11,565,988	11,423,540	98.77	131,999	11,555,539	99.91
2012	12,066,839	11,932,610	98.89	101,667	12,034,277	99.73
2013	11,821,440	11,689,887	98.89	97,866	11,787,753	99.72
2014	12,713,543	12,486,635	98.22	159,658	12,646,293	99.47
2015	(1) 13,874,201	N/A	N/A	N/A	N/A	N/A

N/A – Not Applicable

(1) Only a portion of the calendar year 2015, totaling \$6,336,000, was collected by June 30, 2015.

Source: Dakota County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 199

Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended June 30,	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Other			
2006	\$ 39,805,000	\$ 188,390	\$ 181,250	\$ 40,174,640	3.36 %	1,248
2007	39,105,000	176,035	168,750	39,449,785	3.07	1,188
2008	38,310,000	159,924	156,250	38,626,174	2.80	1,149
2009	46,530,000	380,000	143,750	47,053,750	3.38	1,387
2010	45,380,000	469,622	131,250	45,980,872	2.83	1,349
2011	50,620,000	243,228	118,750	50,981,978	3.14	1,505
2012	48,680,000	68,540	106,250	48,854,790	4.17	1,447
2013	46,625,000	215,881	93,750	46,934,631	4.05	1,390
2014	69,140,000	2,834,366	81,250	72,055,616	6.05	2,108
2015	90,595,000	3,104,549	68,750	93,768,299	8.68	2,721

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

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

INDEPENDENT SCHOOL DISTRICT NO. 199

Ratio of Net General Obligation Bonded Debt
to Tax Capacity and Net General Obligation Bonded Debt per Capita
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds on Hand</u>	<u>Net Bonded Debt</u>	<u>Estimated Market Value</u>	<u>Percentage of of Net Debt to Estimated Market Value</u>
2006	\$ 39,805,000	\$ 306,832	\$ 39,498,168	\$ 2,554,381,600	1.55 %
2007	39,105,000	347,678	38,757,322	2,791,586,500	1.39
2008	38,310,000	498,963	37,811,037	2,885,381,800	1.31
2009	46,530,000	590,200	45,939,800	2,910,481,100	1.58
2010	45,380,000	623,086	44,756,914	2,697,857,700	1.66
2011	50,620,000	810,779	49,809,221	2,541,648,200	1.96
2012	48,680,000	900,151	47,779,849	2,483,223,500	1.92
2013	46,625,000	943,048	45,681,952	2,350,262,850	1.94
2014	69,140,000	1,222,332	67,917,668	2,374,607,550	2.86
2015	90,595,000	27,854,083	62,740,917	2,518,406,576	2.49

Sources: Tax capacity information – School Tax Report from the Minnesota Department of Education
Population estimates from the City of Inver Grove Heights’ comprehensive annual financial report

<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
32,193	\$ 1,227
33,195	1,168
33,608	1,125
33,917	1,354
34,086	1,313
33,880	1,470
33,774	1,415
33,774	1,353
34,189	1,987
34,458	1,821

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INDEPENDENT SCHOOL DISTRICT NO. 199

Direct and Overlapping Debt
June 30, 2015

<u>Governmental Unit</u>	<u>Gross Bonded Debt Outstanding</u>	<u>Percent Allocable to ISD No. 199</u>	<u>Portion Allocable to ISD No. 199</u>
Independent School District No. 199	\$ 90,595,000	100.00 %	\$ 90,595,000
Overlapping debt			
Dakota County	23,420,000	6.10	1,428,620
City of Inver Grove Heights	28,120,151	73.22	20,589,575
City of Rosemount	13,690,000	7.21	987,049
City of South St. Paul	14,980,000	0.72	107,856
Metropolitan Council	206,140,000	0.81	1,669,734
Total overlapping debt			<u>24,782,834</u>
Total direct and overlapping debt			<u>\$ 115,377,834</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents of the District. The percentage is estimated taking the taxable market value of the overlapping government within the District's boundaries divided by the overlapping government's total taxable market value.

Source: Dakota County

INDEPENDENT SCHOOL DISTRICT NO. 199

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Debt limit	\$ 383,157,240	\$ 418,737,975	\$ 432,807,270	\$ 436,572,165
Total net debt applicable to limit	<u>39,498,168</u>	<u>38,757,322</u>	<u>37,811,037</u>	<u>45,939,800</u>
Legal debt margin	<u>\$ 343,659,072</u>	<u>\$ 855,178,153</u>	<u>\$ 394,996,233</u>	<u>\$ 390,632,365</u>
Total net debt applicable to the limit as a percentage of debt limit	10.31%	9.26%	8.74%	10.52%

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: Market value – School Tax Report from the Minnesota Department of Education

2010	2011	2012	2013	2014	2015
\$ 404,678,655	\$ 381,247,230	\$ 372,483,525	\$ 352,539,428	\$ 356,191,133	\$ 377,760,986
44,756,914	49,809,221	47,779,849	45,681,952	67,917,668	62,740,917
<u>\$ 359,921,741</u>	<u>\$ 331,438,009</u>	<u>\$ 324,703,676</u>	<u>\$ 306,857,476</u>	<u>\$ 288,273,465</u>	<u>\$ 315,020,069</u>
11.06%	13.06%	12.83%	12.96%	19.07%	16.61%

Legal Debt Margin Calculation for Fiscal Year 2015

Market value	\$2,518,406,576
Debt limit (15% of market value)	377,760,986
Debt applicable to limit	
General obligation bonds	90,595,000
Less amount set aside for repayment of general obligation debt	<u>(27,854,083)</u>
Total net debt applicable to limit	<u>62,740,917</u>
Legal debt margin	<u>\$ 315,020,069</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Inver Grove Heights (1)				School Enrollment
	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	
2006	32,193	\$1,196,420,652	\$ 37,164	3.6 %	3,774
2007	33,195	1,286,339,445	38,751	3.6	3,813
2008	33,608	1,379,070,672	41,034	4.2	3,742
2009	33,917	1,391,750,178	41,034	5.0	3,812
2010	34,086	1,623,345,750	47,625	7.4	3,867
2011	33,880	1,621,598,440	47,863	7.3	3,770
2012	33,774	1,170,302,874	34,651	6.2	3,770
2013	33,774	1,159,022,358	34,317	5.3	3,795
2014	34,189	1,190,529,358	34,822	4.7	3,855
2015	34,458	1,080,533,964	31,358	3.9	3,826

(1) The source is the City of Inver Grove Heights' comprehensive annual financial reports. Data is from the calendar year ending within the District's indicated fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Employers
Current Year and Nine Years Ago

Employer	2015		
	Employees	Rank	Percentage of Total City Employment
Cenex/CHS Cooperatives	1,000	1	10.24 %
Inver Hills Community College	484	2	4.95
Gertens	470	3	4.81
Independent School District No. 199	449	4	4.60
Travel Tags	350	5	3.58
City of Inver Grove Heights	322	6	3.30
Evergreen Industries	300	7	3.07
Total Construction	250	8	2.56
Wal-Mart	230	9	2.35
Cub Foods	160	10	1.64
Allied Waste Services (aka BFI Waste Services)	-		-
Southview Chevrolet	-		-
Lofton Label, Inc.	-		-
Total	4,015		41.10 %

Source: Minnesota Department of Employment and Economic Development

2006

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
1,000	1	4.78 %
425	4	2.03
-	-	-
469	2	2.24
430	3	2.05
130	10	0.62
300	5	1.43
-	-	-
270	6	1.29
-	-	-
140	7	0.67
135	8	0.65
133	9	0.64
<u>3,432</u>		<u>16.40 %</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
District directors/superintendent	1	1	1	1	1	1	1	1	1	1
Principals	7	7	7	7	7	7	8	9	9	9
Teachers	257	255	254	248	240	232	228	239	245	248
Coordinators, supervisors, specialists, and technical support	48	48	48	47	46	46	46	44	43	46
Paraprofessionals	79	81	83	84	84	86	88	88	85	78
Food service	27	27	22	24	24	23	23	22	22	23
Custodians	26	26	25	23	23	23	23	24	27	25
Community education leads and assistants	24	24	24	24	24	24	25	20	19	19
Total	469	469	464	458	449	442	442	447	451	449

(1) This schedule is a head count based on contract groups; if an employee has multiple contract groups, they are reflected multiple times. Full and part-time employees count the same.

Source: The District's Human Resources Department

INDEPENDENT SCHOOL DISTRICT NO. 199

Operating Indicators
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Standardized tests				
MCA reading (1)				
Grade 3	81 %	82 %	76 %	82 %
Grade 5	83	78	81	81
Grade 7	74	67	59	58
Grade 10	85	73	74	33
MCA math (1)				
Grade 3	79	76	75	81
Grade 5	82	64	73	69
Grade 7	75	60	61	60
Grade 11	88	44	51	50
ACT				
Average composite score	21.5	22.3	22.7	23.1
Graduation data				
District graduation rates	97	97	97	98
State graduation rate	90	N/A	N/A	N/A
Post graduation student survey				
Four-year college/university	48	47	52	50
Two-year college	19	27	25	28
Vocational/technical college	16	16	15	14
Employment	7	5	2	1
Military	3	2	1	3
No response/undecided	7	3	5	4
	100 %	100 %	100 %	100 %

N/A – Not Available

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

Source: State graduation rate obtained from the Minnesota Department of Education

2010	2011	2012	2013	2014	2015
72 %	81 %	81 %	59 %	61 %	60 %
80	89	79	71	72	70
66	75	73	58	44	57
76	74	74	56	62	53
77	78	81	77	75	73
68	68	63	67	72	61
69	58	54	64	46	51
48	56	42	52	51	48
23.4	22.6	23.6	23.4	23.8	21.0
97	95	85	89	90	91
N/A	N/A	77	N/A	N/A	N/A
47	51	55	57	51	52
23	27	30	23	33	34
11	7	4	5	4	4
3	4	1	4	5	4
5	3	4	4	3	3
11	8	6	7	4	3
100 %	100 %	100 %	100 %	100 %	100 %

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INDEPENDENT SCHOOL DISTRICT NO. 199

School Facilities
as of June 30, 2015

<u>Facility</u>	<u>Year Constructed</u>	<u>Years of Addition</u>	<u>Grades Housed</u>	<u>Square Footage</u>
Simley High School	1971	1998	7-12	192,836
Inver Grove Heights Middle School	1959	1962 1967 1980 1990 1997 2009	6-8	314,970
Hilltop Elementary School	1964	1968 2007 2014	K-5	92,793
Pine Bend Elementary School	1958	1960 1991 2009	K-5	73,425
Salem Hills Elementary School	1953	1964 1986 1987 1988 2009 2014	K-5	56,206

Source: The District's Buildings and Grounds Department

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2006	2007	2008	2009
Administration	\$ 391	\$ 430	\$ 387	\$ 512
District support services	254	271	285	305
Elementary and secondary regular instruction	4,028	4,049	4,351	5,531
Vocational education instruction	43	56	110	128
Special education instruction	1,922	2,036	2,245	2,371
Instructional support services	677	606	646	822
Pupil support services	794	755	790	953
Sites and buildings	1,269	1,258	1,305	1,427
Fiscal and other fixed cost programs	45	44	27	21
Food service	424	429	449	485
Community service	486	491	536	640
Capital outlay	680	5,792	2,438	567
Debt service	594	657	688	764
Total expenditures	<u>\$ 11,608</u>	<u>\$ 16,873</u>	<u>\$ 14,257</u>	<u>\$ 14,526</u>
Average daily membership	<u>3,774</u>	<u>3,813</u>	<u>3,742</u>	<u>3,812</u>

Note: Includes all governmental fund expenditures.

Source: Average daily membership (ADM) – the District’s ADM Summary Report from the Minnesota Department of Education

2010	2011	2012	2013	2014	2015
\$ 357	\$ 363	\$ 400	\$ 425	\$ 443	\$ 420
254	251	281	342	353	402
4,237	4,259	4,298	4,517	4,453	4,567
99	85	46	46	55	48
1,851	1,987	1,944	1,972	1,852	1,961
603	656	652	649	798	778
843	905	880	908	996	1,055
1,156	1,212	1,552	1,471	2,041	1,699
22	24	21	41	32	32
426	436	446	432	452	476
570	578	510	535	563	566
17	1,130	671	2	851	3,686
918	1,016	1,223	1,171	1,245	1,922
<u>\$ 11,354</u>	<u>\$ 12,902</u>	<u>\$ 12,922</u>	<u>\$ 12,511</u>	<u>\$ 14,133</u>	<u>\$ 17,612</u>
<u>3,867</u>	<u>3,770</u>	<u>3,770</u>	<u>3,795</u>	<u>3,855</u>	<u>3,826</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic Statistics – Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2006	53.07	254.66	1,617.59	1,848.33	3,773.65	4,364.85
2007	59.41	206.90	1,672.27	1,874.39	3,812.97	4,442.62
2008	62.32	219.58	1,662.39	1,797.82	3,742.11	4,350.75
2009	61.77	237.74	1,739.35	1,773.42	3,812.28	4,414.52
2010	65.48	259.72	1,805.21	1,737.01	3,867.42	4,454.46
2011	59.66	208.52	1,756.67	1,744.78	3,769.63	4,376.90
2012	78.34	260.90	1,706.14	1,724.71	3,770.09	4,346.02
2013	83.65	252.92	1,745.84	1,712.86	3,795.27	4,373.86
2014	76.42	281.67	1,747.31	1,749.87	3,855.27	4,431.85
2015	66.99	255.68	1,767.97	1,735.35	3,825.99	4,172.84

Note 1: Enrollment information from the District’s ADM Summary Report by the Minnesota Department of Education. ADM is estimated for the most recent year.

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

	Pre-Kindergarten	Handicapped Kindergarten	Part-Time/All-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2006 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	1.115	1.060	1.300
Fiscal 2015	1.000	1.000	0.550/1.000	1.000	1.000	1.200

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Meals Served and Pricing
Last Ten Fiscal Years

Year Ended June 30,	Lunches Served to Students				Lunches Served to Adults
	Regular Priced Lunches	Reduced Price Lunches	Free Lunches	Total	
2006	298,181	25,547	88,633	412,361	10,974
2007	306,726	30,683	97,896	435,305	10,679
2008	314,251	31,132	101,052	446,435	11,984
2009	307,039	31,513	113,241	451,793	10,282
2010	291,276	34,367	140,101	465,744	8,537
2011	275,733	38,955	148,044	462,732	6,540
2012	258,418	32,004	160,118	450,540	4,188
2013	227,401	31,518	164,282	423,201	3,233
2014	229,536	31,177	163,363	424,076	2,417
2015	228,568	37,900	179,216	445,684	1,780

Year Ended June 30,	Student Regular Lunch Prices			
	Regular Priced Lunches		Reduced Price Lunches	Adult Lunches
	Elementary	Secondary		
2006	\$ 1.40	\$ 1.50/1.55	\$ 0.40	\$ 2.55
2007	1.50	1.60/1.65	0.40	2.70
2008	1.50	1.60/1.65	0.40	2.70
2009	1.65	1.75/1.80	0.40	2.85
2010	1.65	1.75/1.80	0.40	3.00
2011	1.65	1.75/1.80	0.40	3.10
2012	1.70	1.80/1.85	0.40	3.15
2013	1.80	1.90/1.95	0.40	3.25
2014	1.80	1.90/1.95	0.40	3.35
2015	1.80	1.90/1.95	0.40	3.40

Source: The District's Food Service Department

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