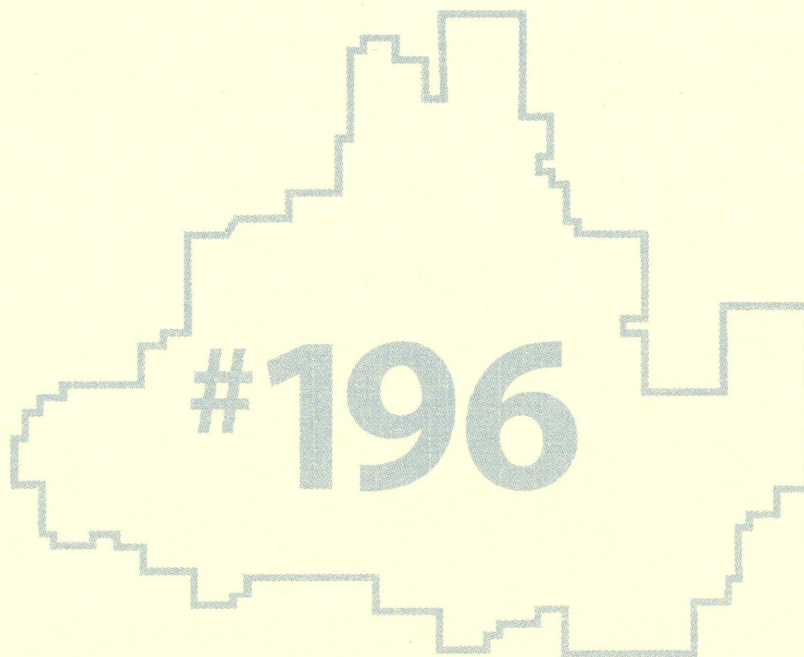


# Comprehensive ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ended June 30, 2015*



INDEPENDENT SCHOOL DISTRICT 196  
**Rosemount-Apple Valley-Eagan Public Schools**  
**Rosemount, Minnesota**

*Educating our students to reach their full potential*



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

INDEPENDENT SCHOOL DISTRICT NO. 196  
ROSEMOUNT, MINNESOTA

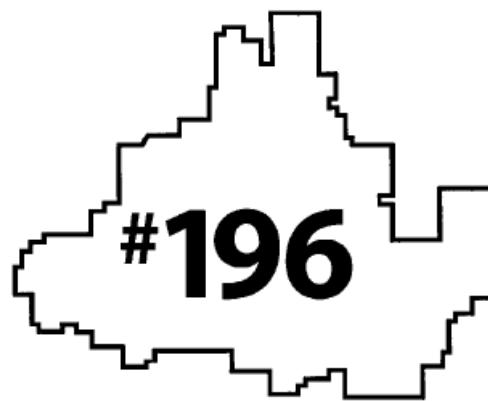
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Prepared by  
Finance Department

Jeffrey M. Solomon • Director of Finance and Operations

Stella Y. Johnson • Coordinator of Finance

Joseph M. Bertram • Controller



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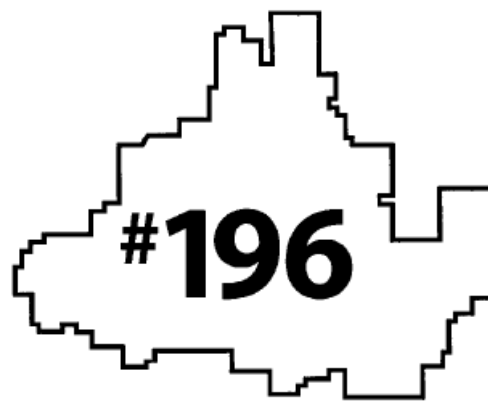
INDEPENDENT SCHOOL DISTRICT NO. 196

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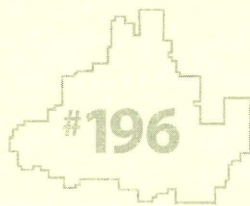
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# SECTION I

## Introduction





October 29, 2015

To the School Board, citizens, and employees of  
Independent School District No. 196

## **INTRODUCTION**

We are submitting the comprehensive annual financial report (CAFR) of Independent School District No. 196, Rosemount – Apple Valley – Eagan (the District) for the fiscal year ended June 30, 2015. This report fairly presents the District's financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. The District's administration accepts total responsibility for the accuracy, completeness, and fairness in presentation.

The District's 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 basic 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. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to the independent audit of the District's financial statements, the District is required to undergo an annual Single Audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The District is also required to undergo an annual Minnesota State legal compliance audit under Minnesota Statute § 6.65. The standards governing Single Audit engagements require the independent auditor to report on not only the fair presentation of the financial statements, but also the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued "Special Purpose Audit Reports."

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 Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.



## REPORT FORMAT

The CAFR is presented in three sections:

- **Introductory Section** – The introductory section contains this transmittal letter, an organizational chart, a list of School Board members and the Superintendent’s Cabinet members, a map of the District, and a copy of the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting for the District’s 2013–2014 CAFR.
- **Financial Section** – The financial section begins with the independent auditor’s report. This section includes the MD&A; basic financial statements; required supplementary information; and combining and individual fund statements and schedules presented as supplemental information.
- **Statistical Section** – The statistical section, which is not audited, includes selected financial, demographic, and economic data, generally presented on a multi-year comparative basis.

## REPORTING ENTITY AND ITS SERVICES

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

The District was incorporated in 1950 and serves a portion of 10 suburban communities within Dakota County located on the southeastern edge of the Minneapolis/St. Paul metropolitan area. The District encompasses all or part of the communities of Apple Valley, Burnsville, Coates, Eagan, Empire Township, Farmington, Inver Grove Heights, Lakeville, Rosemount, and Vermillion Township.

### Programs and Services

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

### Student Enrollment

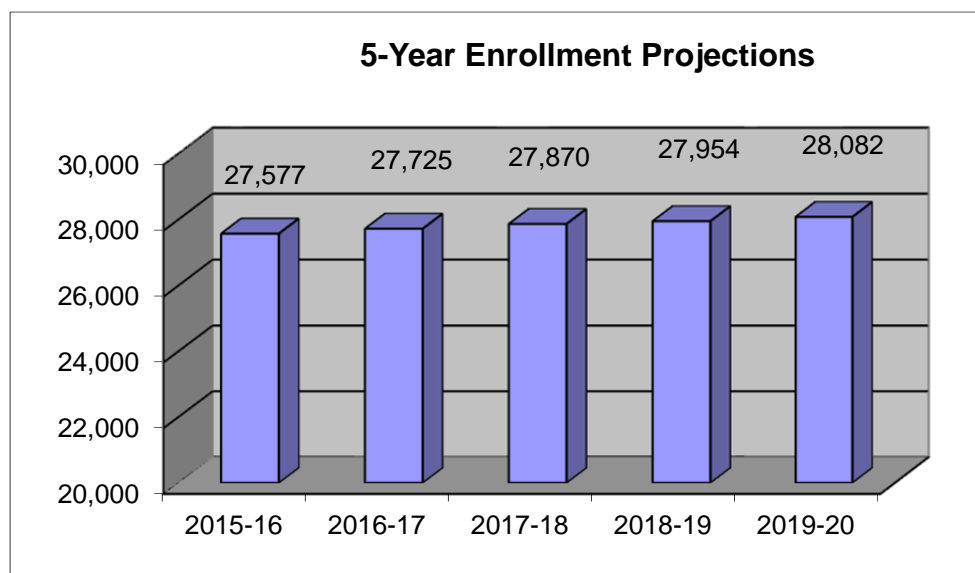
The District enrolled 27,412 students (or average daily membership totaling 27,204.18) in 2014–2015 from a population of 149,616 people residing in a 108.6 square mile area. In terms of the number of students, the District is Minnesota’s fourth largest school district.

The District has an increasingly diverse population of students with a variety of needs. For the 2014–2015 school year, 68 percent of our students were white, 13 percent of the District’s student population were black, students of Asian descent comprised 10 percent, Hispanic students totaled 8 percent, and 1 percent were American Indian.

In 2014–2015, 15.7 percent of our students qualified to receive special education services; this compared to a 2013–2014 Minnesota average of 14.9 percent.

## Five-Year Enrollment Projections

The District's enrollment is projected to increase slightly over the next five years.



## District Schools and Facilities

During the 2014–2015 school year, the District operated 33 school buildings: 4 comprehensive (Grades 9–12) high schools, 1 optional (Grades 11–12) high school, 6 middle schools (Grades 6–8), 18 elementary schools (kindergarten through Grade 5), 1 area learning center, 1 school (kindergarten through Grade 12) for students with special needs, and 2 learning centers dedicated to adult basic education and early childhood education students.

The average age of the District's facilities is over 29 years; the District qualifies for alternative facilities funding and has been able to keep up with routine repairs, maintenance, and other major improvements.

## LOCAL ECONOMIC CONDITION AND OUTLOOK

The state of Minnesota's economy continues to show signs of recovery, though more moderate and slower than expected. Manufacturing activity continues to exhibit momentum and business spending for operational improvements seems to be improving.

According to information compiled by Dakota County, the unemployment rate in Dakota County has remained below state and national averages in the last seven years. Monthly unemployment rates in Dakota County and Minnesota peaked in early 2009 at 7.3 percent and 8.5 percent, respectively. Between 2009 and 2012, the unemployment rate in Dakota County and Minnesota decreased by 3.2 percent and 3.5 percent to the levels of 4.9 percent and 5.4 percent, respectively; and continued the downward trend into 2014. The nation has been experiencing similar trends; the national unemployment rate peaked in 2010 at 10.6 percent.

Dakota County residents are well-educated. Information from calendar year 2013 shows that 95.1 percent of residents over the age of 25 had a high school diploma and 40 percent had a Bachelor's or advanced degree. The state numbers were 92 percent (high school diploma or higher) and 32.3 percent (Bachelor's or advanced degree).

The median household income for Dakota County in 2013 was \$73,475 compared to the state of Minnesota's median income of \$58,476.

Poverty rates among Dakota County families remain below state and national averages. Poverty in Dakota County increased from 5.1 percent in 2007 to 7.9 percent in 2013; the state and national poverty rates in 2013 were 10.9 percent and 14.7 percent, respectively.

Dakota County is considered to have an economically healthy mix of industry types. Fifty-one percent of the total workforce in Dakota County were employed in retail trade, manufacturing, healthcare and social assistance, educational services, and accommodation and food services. The Minnesota Department of Employment and Economic Development projects that healthcare and social assistance fields will have the highest growth rate in the next several years, a direct result of the rapidly aging population.

Due to the underlying strength of the seven-county metropolitan area's economy, the county's diversified tax and employment bases, its prime location, strong support for education from residents, and the District's reputation for providing quality education and educating students to reach their full potential, the administration believes that the future for the District will continue to be bright in spite of the challenges. Resident support is evident from the results of a survey conducted by the District in April 2015 which shows that 91 percent of the respondents trust the District to do what is right for children in the District.

## **DISTRICT MISSION AND STRATEGIC PLAN**

In spring 2011, the District convened a 60-member task force to develop a vision for education that will guide district goals for the next five years. The task forces included parents, staff, School Board members, and a variety of leaders from the business, civic, and faith communities. Task force members attended four informational meetings to establish a shared base of knowledge about district enrollment and demographics, school finance, teaching and learning, community and partnerships, educational trends, and innovation. These informational meetings, led by a facilitator, were followed by four planning meetings where the task force members developed revised belief statements for the District and four strategies for the future. The School Board approved the plan in December 2011. A brief summary of the plan is listed below.

**Mission Statement:**     *Educating our students to reach their full potential.*

### **Belief Statements:**

- Students come first
- All students can learn
- High expectations inspire students and staff to excel
- Learning is maximized in a safe, respectful, and inclusive environment
- A well-rounded education includes opportunities in academics, the arts, and athletics
- Learning is a lifelong pursuit
- Effective management of resources is critical
- Partnerships and collaboration enhance educational programming
- A culture of innovation and continuous improvement prepares students to be college and/or career ready
- An informed and engaged community guides effective decision-making

### **Strategies and Goals:**

- **Strategy One – Teaching and Learning**
  - Deliver a high-quality instructional program that anticipates and meets the needs of all learners
- **Strategy Two – Early Learning**
  - Provide a well-aligned continuum of high-quality, culturally responsive, early learning (birth to Grade 3) services to meet the needs of all students
- **Strategy Three – Educational Equity**
  - Implement a systemic process that increases achievement for all students by addressing equitable access to opportunities in our schools and programs
- **Strategy Four – Partnerships**
  - Develop and implement sustainable strategies to increase collaboration between the District and community partners

## **STUDENT ASSESSMENT AND TESTING**

The District uses a variety of state and national tests to measure student achievement, determine student ability, and evaluate curriculum.

### **Minnesota Comprehensive Assessments (MCAs)**

According to the results of the Minnesota Comprehensive Assessments (MCAs) released by the Minnesota Department of Education in August 2014, the percentage of the District's students who scored proficient on the state reading, math, and science tests exceeded the state-wide averages for all grades tested in the spring of 2014.

The MCAs are given annually in reading (Grades 3–8 and 10), math (Grades 3–8 and 11), and science (Grades 5, 8, and high schools, after completion of the life science curriculum). More than 13,000 district students took the MCAs test last spring.

The MCAs measure student performance on the Minnesota Academic Standards, which define what students should know and be able to do in a particular grade. Students earn a score that falls into one of four achievement levels: 1) does not meet the standards; 2) partially meets the standards; 3) meets the standards, and 4) exceeds the standards. Students who meet or exceed the standards are considered to be proficient in the subject areas.

### **American College Test (ACT)**

In 2014–2015, the District's high school students continued to score well above state and national average composite scores on the American College Test (ACT) college entrance exam.

The ACT average composite score for the District's students in 2015 was 24.4 points and 0.3 points higher than the District's score in 2014. The District's 2015 average score was 1.7 points higher than the state average of 22.7 points. ACT scores range from 1 to 36. For the tenth consecutive year, Minnesota had the highest average score among states where more than half of all graduates took the test state-wide. The national average composite score was 21.0 points. The ACT is the primary admissions test for students attending college in the Midwest; the SAT is the primary test for colleges located in the eastern and western states.

Approximately 82 percent of the District's graduating class of 2015 took the test; this compared to 78 percent state-wide.

## **Advanced Placement (AP)**

In October 2014, 744 of the District's high school students were recognized as AP Scholars by the College Board for earning a score of 3 or higher (on a scale of 1 to 5) on at least three or more exams. An AP exam score of 3 or higher earns credit at many of the nation's colleges and universities.

## **College in the Schools (CIS) Program**

During the 2014–2015 school year, the District's high school students who participated in the College in the Schools (CIS) program earned a combined 5,921 college credits valued at more than \$2.70 million according to a value statement released by the University of Minnesota's CIS program.

CIS is a program where students can earn college credits by taking advanced courses at their high school which are taught by their high school teachers. For the 2014–2015 school year, there were 771 students from the five high schools in the District that registered for 1,361 courses, an increase of 90 courses from the previous year.

## **National Merit Scholars**

In 2014–2015, 14 of the District's high school seniors were named National Merit Scholarship semifinalists (top 1 percent of seniors nation-wide), another 41 students were named commended students (top 5 percent).

The National Merit Scholarship Corporation also sponsors the National Achievement Scholarship Program, which recognizes top-scoring Black American high school students. In 2014–2015, one of the District's high school seniors was named a semifinalist and three were named outstanding participants in this National Achievement Program. In addition, one student qualified for the National Hispanic Recognition Program sponsored by the College Board.

## **ACHIEVEMENTS AND AWARDS**

### **National Speech and Debate Association – Top 10 Schools of Outstanding Distinction**

In 2014–2015, Apple Valley and Eagan high schools were two of the top 10 Schools of Outstanding Distinction at the June 15–19, 2015 National Speech and Debate Association tournament.

The tournament's top 10 schools are selected based on the number of rounds of competition their students complete in both speech and debate events. Fifteen students from Eagan and thirteen from Apple Valley qualified to compete at the national tournament. Each event started with more than 200 competitors who qualified at tournaments held throughout the country this past spring.

### **All-State Musicians**

In May 2015, 53 of the District's high school students were named All-State Musicians by the Minnesota Music Educators Association (MMEA) for the 2015–2016 school year. These students, who were selected by recorded audition, participated in a camp this past summer and will perform at the MMEA's annual conference in spring 2016.

### **Teacher Leader Award**

District Superintendent Jane K. Berenz received a 2015 Teacher Leader Award from the Reading Recovery Council of North America for her leadership in promoting literacy and outstanding contributions to Reading Recovery. The award was presented on June 25, 2015 at the Reading Recovery Teacher Leader Institute Academy in Kansas City.



Reading Recovery is a short-term intervention for first graders having extreme difficulty with early reading and writing. The Superintendent was recognized in part for her role in making Reading Recovery available for struggling first grade readers in the District.

The District was the first in Minnesota to implement Reading Recovery in 1992. Today, more than 30 Minnesota school districts offer the successful reading intervention program and many teachers from those districts have received training from teachers in the District.

## **FINANCIAL AND BUDGETARY CONTROL**

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from theft, misuse, or losses and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and Minnesota Uniform Financial Accounting and Reporting Standards.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

In addition, the District has also adopted the following policies to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board:

- **Fund Balance Policy** – Requires the District to maintain an operating fund balance of 5 percent of the expenditure budget.
- **Budget Policy** – Establishes a guideline for allocation of district resources.
- **Personnel Staffing Guidelines** – Personnel costs represent close to 84 percent of General Fund expenditures. These guidelines, which set the staffing allocation for every allocated position in the District, are updated each February by the administration and the School Board.

The District's budget process is based, first, on development of a budget projection model that attempts to project resources and expenses over a multiple year period. The budget projection is used by the School Board and the administration to determine budget parameters and staffing guidelines. Second, the budget adopted in June is based upon the personnel staffing guidelines approved by the School Board and preparation of the non-personnel budget by school and department administrators, in accordance with School Board-approved budget parameters. The School Board resolution adopting the budget in June also includes a provision directing the administration to update the budget in October. This final budget reflects the District's actual enrollment count on October 1, the actual staff hired, and other dynamics such as employee contract settlements.

The level of budgetary control is at the fund level. However, in the General Fund, operating, special education, pupil transportation, capital expenditure, and quality compensation are maintained as separate internal accounts for budgeting purposes. The District also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget.

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

## **CERTIFICATE OF EXCELLENCE**

This report will be submitted to the ASBO International for consideration for the Certificate of Excellence in Financial Reporting.

The District received the Certificate of Excellence in Financial Reporting from ASBO International for excellence in the preparation and issuance of the District's CAFR for the year ended June 30, 2014. It is the thirteenth consecutive year the District has received the award, which was earned by fewer than 5 percent of all school districts in the state.

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

## **FINANCIAL PROSPECTS FOR FUTURE YEARS**

With the exception of the voter-approved excess operating referendum and building bond referendum, the District is dependent on the state of Minnesota for its revenue authority.

Over the past decade state funding for education has not kept pace with inflation. Increases to the basic general education formula allowance were significantly less than inflation.

In 2012–2013, with improvements in the state's budget, the state began to use its budget reserve to "buy back" outstanding school aid payment shifts. The state completed the "buy back" during the 2013–2014 school year and returned school districts to a 90 percent in the current year and 10 percent in the subsequent year state aid payment schedule. In addition, the state also used the remaining budget reserve to reduce the school district property tax recognition shift which positively impacted the District's cash and investments balance and eliminated the need for more short-term borrowing.

The 2013 Legislature also provided the equivalent of 1.5 percent and 2.0 percent per pupil unit annual increases to the basic general education formula allowance for the 2013–2014 and 2014–2015 school years, respectively, and new funding for full-day kindergarten.

Based on a revised projected surplus of \$1.23 billion in the February 2014 economic forecast, the 2014 Legislature adopted a supplemental budget which contained \$54.0 million in additional state aid appropriations for K–12 education for the 2014–2015 fiscal year, including a \$25 increase to the basic general education formula allowance. The 2014 Legislature also adopted a number of technical corrections and modifications to the education funding changes adopted by the 2013 Legislature.

With continued improvements in the state's economy, the 2015 Legislature approved a 2 percent increase to the basic general education formula allowance for the 2015–2016 and 2016–2017 school years during the June 2015 special session.

With the passage of the 10-year operating levy in November 2013 and the increases approved by the 2014 and 2015 Legislature, the District's preliminary financial forecast shows that with the District would not have to make significant budget adjustments for the 2015–2016 school year.

The District is committed to continuing to engage staff and community members in further budget discussions and to considering other options for increasing revenues and containing expenditure growth.

## MAJOR INITIATIVES

### Teaching and Learning

During the 2014–2015 school year, substantial planning and professional development occurred for three major initiatives:

- **Literacy Collaborative Continuous Improvement Model**

The District is affiliated with Lesley University and is in its second phase of implementation for this comprehensive approach. Built upon the learning theory of Reading Recovery, this model incorporates individual literacy assessment for all K–5 students prior to and during the school year; strong literacy blocks for core instruction; targeted intervention and needs-based scheduling; progress monitoring software; coaching and support from a highly trained literacy lead teacher in every elementary school; ongoing constructivist professional development; leadership team development; and a calendar change that provides time for focused and data driven conversations for teacher teams on a regular basis. During the 2014–2015 school year, planning was also put in place to begin to build capacity to extend this model into the District's middle schools in Grade 6.

- **Common Formative Assessment**

At the secondary level, structure, support, and protocols for common formative assessment continued to be strengthened for use by content area teams. The initiative outlines a process for Learning Teams to develop and administer assessments which are organized by learning targets, analyze and discuss results, develop intervention and enrichment opportunities, and reflect on the process. The initiative facilitates the use of relevant data for all teacher teams with the goal of responding to student needs and continually improving core instruction.

- **Learning and Technology**

The District acknowledges that technology continues to change at an exponential rate, creating a dynamic world around us; and that educators need to work to ensure that our schools and classrooms are as dynamic and engaging as the world in which our students live, and as dynamic as the world of post-secondary education and careers for which they are preparing. In April of 2013, a task force of 37 members began a visioning process regarding learning and technology in the District. The task force's recommendations were approved by the School Board and the District began to build capacity with 46 beta classrooms having a 1:1 environment for the 2014–2015 school year. Plans were also developed to expand to 78 beta classrooms for the following year, in addition to another 75 teachers with mobile devices and wireless projection capability. A Facilities and Equipment Task Force worked during the 2014–2015 school year to develop recommendations for a bond and capital projects levy request to enable the full realization of the Learning and Technology Vision in the future in addition to space and safety-security needs.


### Facilities and Equipment

At its semi-annual planning meeting, the School Board authorized the Superintendent to establish a Strategic Planning Facilities and Equipment Task Force to study the District's facilities and equipment needs. The task force was tasked to develop recommendations to provide the facilities and equipment needed to support the District's strategic initiatives in teaching and learning, early learning, equity, and partnerships. The task force first met on August 15, 2014 and twice monthly through November 2014. There were multiple opportunities for the public to provide input. The final recommendations were presented to the School Board on March 9, 2015. Based on the results of a survey conducted during the first two weeks in April, the School Board approved a resolution to call for a special election on Tuesday, November 3, 2015. Voters in the District will decide on a bond referendum question that would address needs to improve safety and security at all district schools, additional space for learning, and increased access to technology for all students.

## ACKNOWLEDGMENTS

The preparation of this CAFR in a timely manner would not be possible without the assistance of the entire Finance Department staff. I would like to particularly thank our Controller, Joseph Bertram; Finance Department Supervisors Desiree Fleming, Cynthia Herman, and Joyce Peterson; and all the Finance Department staff for their work.

Sincerely,

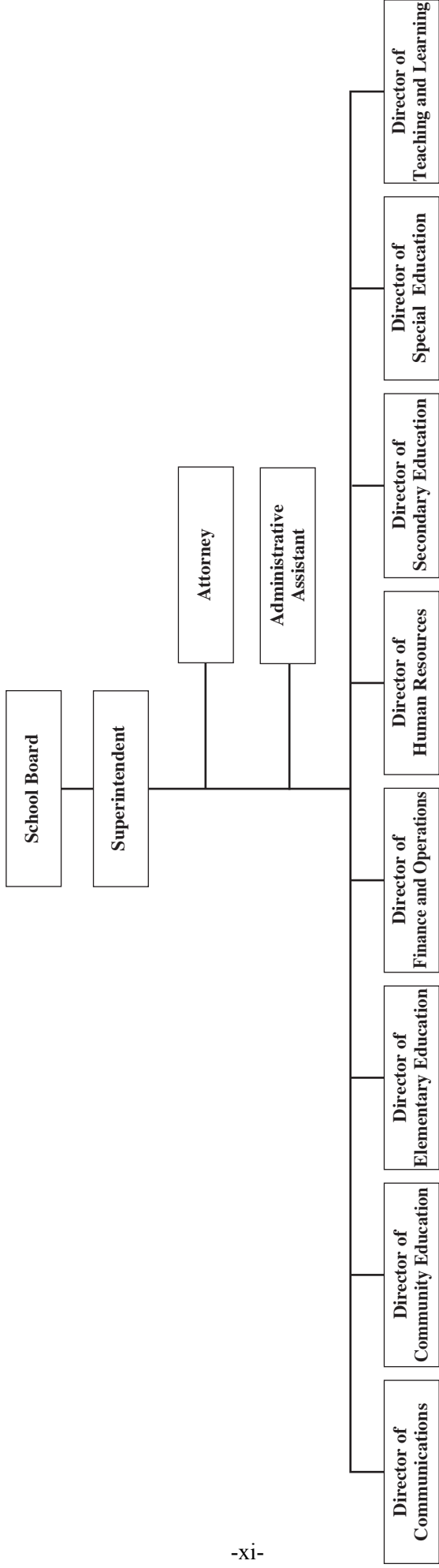
A handwritten signature in black ink, appearing to read "Stella Y. Johnson". The signature is fluid and cursive, with a large initial "S" and "J".

Stella Y. Johnson  
Coordinator of Finance

INDEPENDENT SCHOOL DISTRICT 196  
 Rosemount-Apple Valley-Eagan Public Schools  
*Educating our students to reach their full potential*

Series Number    **301.4.5AR**    Adopted    **October 1989**    Revised    **October 2012**

Title    **Organization Chart**



INDEPENDENT SCHOOL DISTRICT NO. 196

School Board and Superintendent's Cabinet  
for the Year Ended June 30, 2015

**SCHOOL BOARD**

|                 |                  |
|-----------------|------------------|
| Rob Duchscher   | Chairperson      |
| Jackie Magnuson | Vice Chairperson |
| Gary Huusko     | Clerk            |
| Art Coulson     | Treasurer        |
| Joel Albright   | Director         |
| Mike Roseen     | Director         |
| Bob Schutte     | Director         |

**SUPERINTENDENT'S CABINET**

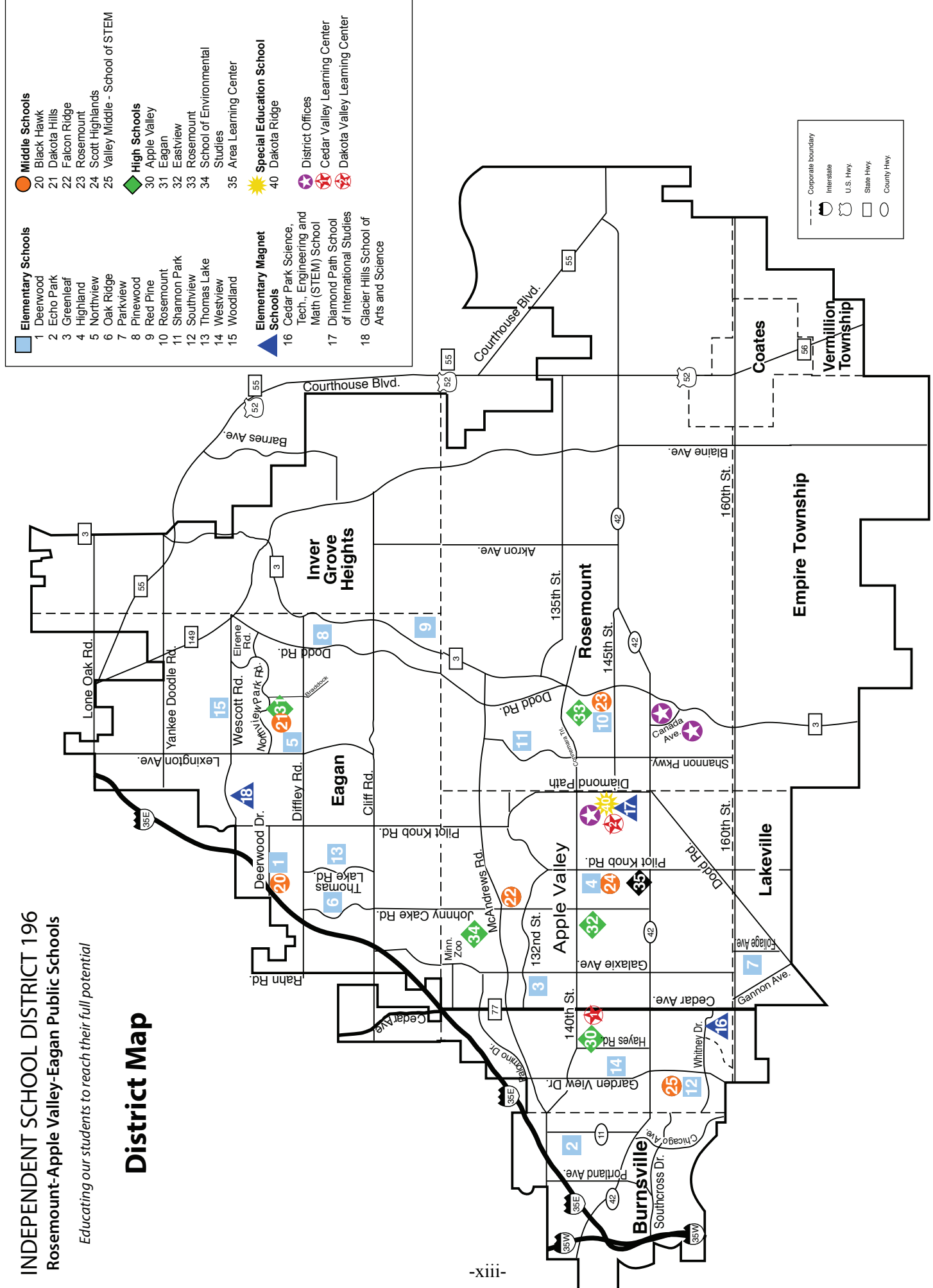
|                    |  |
|--------------------|--|
| Jane Berenz        | Superintendent                                 |
| Khia Brown         | Director of Community Education                |
| Jill Coyle         | School District Attorney                       |
| Kim Craven         | Administrative Assistant to the Superintendent |
| Mary Kreger        | Director of Special Education                  |
| Julie Olson        | Director of Elementary Education               |
| Mark Parr          | Director of Secondary Education                |
| Thomas Pederstuen  | Director of Human Resources                    |
| Jeffrey M. Solomon | Director of Finance and Operations             |
| Tony Taschner      | Director of Communications                     |
| Steve Troen        | Director of Teaching and Learning              |

# INDEPENDENT SCHOOL DISTRICT 196

## Rosemount-Apple Valley-Eagan Public Schools

*Educating our students to reach their full potential*

### District Map



# Association of School Business Officials International



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

**ISD No. 196 Rosemount-Apple  
Valley-Eagan Public Schools**

*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", is written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO  
President

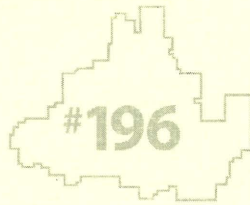
A handwritten signature in black ink, appearing to read "John D. Musso", is written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director



# SECTION II

## Financial







**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. 196  
Rosemount, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 196 (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, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **EMPHASIS OF MATTER**

As described in Note 1 of the notes to 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 October 27, 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.

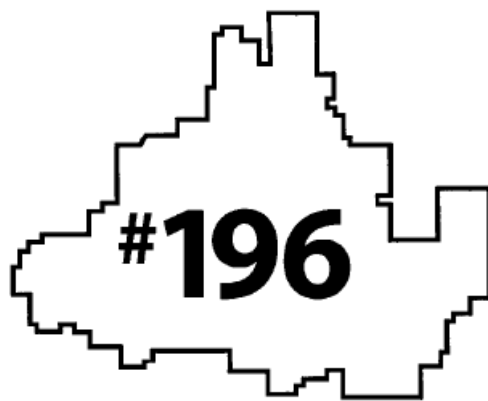
## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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 29, 2015



**Independent School District No. 196  
Rosemount, Minnesota**

*“Educating our students to reach their full potential”*

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

This section of Independent School District No. 196’s (the District) comprehensive annual financial report (CAFR) presents management’s discussion and analysis of the District’s financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

For the year ended June 30, 2015, the District showed an increase in total net position of \$12.51 million from current year activities, excluding a change in accounting principle that reduced beginning net position by \$222.72 million. Many factors contributed to this change. A few key financial highlights from the District’s basic financial statements for the 2014–2015 fiscal year are listed below:

- The liabilities and deferred inflows of resources of the District exceed its assets and deferred outflows of resources at the close of the 2014–2015 fiscal year by \$23.74 million. This amount includes a net investment in capital assets of \$158.92 million, \$8.76 million net position restricted for specific uses, and a negative unrestricted net position of \$191.42 million.
- The District’s total net position decreased by \$210.21 million in the current year. The District’s net investment in capital assets increased by \$10.13 million, due in part to the use of an available “alternate facilities levy” that allows the District to make significant facility improvements without having to issue debt. Restricted net position decreased by \$1.16 million. The unrestricted portion of the District’s net position decreased \$219.18 million. This decrease was mainly due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 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 unrestricted net position by \$222.72 million.
- As of June 30, 2015, the District’s governmental funds reported combined ending fund balances of \$51.67 million, a net decrease of \$10.21 million in comparison with the prior year. Approximately 40.24 percent of this total amount, or \$20.80 million, is unrestricted – unassigned.
- At the close of the 2014–2015 fiscal year, unrestricted – unassigned fund balance for the General Fund was \$21.07 million, or 6.68 percent, of total General Fund expenditures.
- The District’s long-term liabilities increased by \$179.32 million, or 111.36 percent, during the current fiscal year. The main reason for this increase was the change in accounting principle described above, which resulted in the District reporting net pension liabilities of \$40.20 million and \$153.71 million at year-end for the PERA and TRA pension plans, respectively. Other factors in this change were: a net decrease of outstanding bonds and certificates of participation payable (including unamortized premiums and discounts) of \$19.43 million; an increase of \$2.92 million in capital lease obligations; and a net increase of \$1.92 million in net other post-employment benefit (OPEB) obligations, severance, and vacation payable.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR consists of the following:

- Independent Auditor's Report;
- Management's Discussion and Analysis (MD&A);
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

The basic financial statements include two kinds of statements that present different views of the District:

- **Government-Wide Financial Statements** – The government-wide financial statements, including the Statement of Net Position and Statement of Activities, provide *short-term* and *long-term* information about the District's *overall* financial status.
- **Fund Financial Statements** – The fund financial statements focus on individual parts of the District, reporting the District's operation in *more detail* than the government-wide financial statements. The District maintains three groups of fund financial statements:
  1. **Governmental Fund Statements** – Governmental fund statements review how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
  2. **Proprietary Fund Statements** – Proprietary fund statements offer *short-term* and *long-term* financial information about the activities the District operates like businesses.
  3. **Fiduciary Fund Statements** – Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.



Figure 1 depicts how the various parts of this CAFR are arranged and their relationship to one another.

**Figure 1**  
**Organization of**  
**Comprehensive Annual Financial Report**

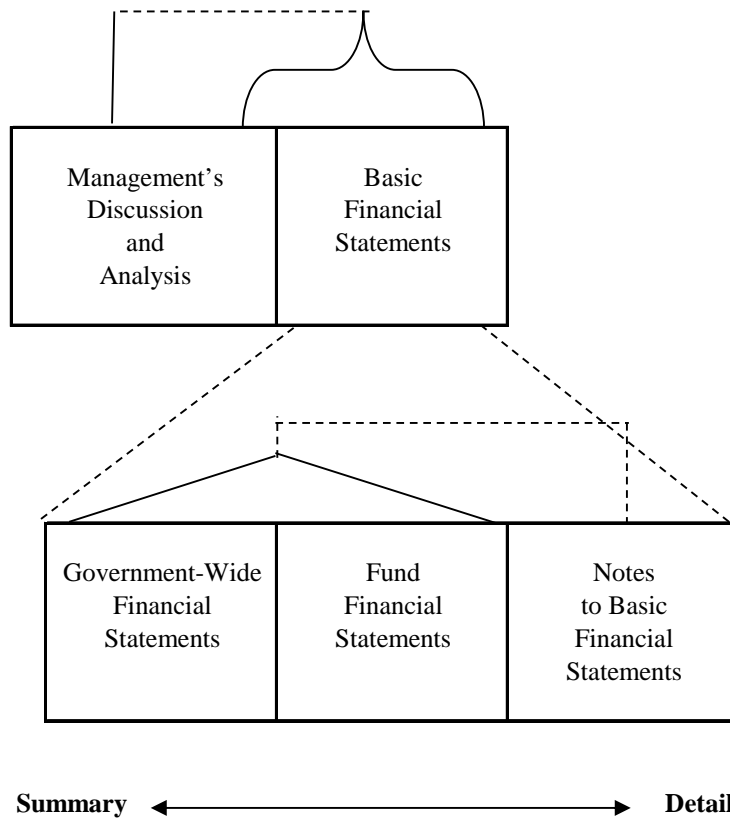


Figure 2, at the top of the next page, summarizes the major features of the District's financial statements, including portions of the District's activities covered and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-Wide and Fund Financial Statements**

|  | Government-Wide Financial Statements   | Fund Financial Statements   |  |   |
|--|--|---|--|---|
|  |  | Governmental Funds  | Proprietary Funds  | Fiduciary Funds   |
| <b>Scope</b>   | Entire district (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as building maintenance, food service, and community education   | Activities of the District that operate similar to private businesses: internal service funds  | Instances in which the District administers resources on behalf of someone else, such as the graduate credit program  |
| <b>Required financial statements</b>   | – Statement of Net Position<br><br>– Statement of Activities   | – Balance Sheet<br><br>– Statement of Revenue, Expenditures, and Changes in Fund Balances   | – Statement of Net Position<br><br>– Statement of Revenue, Expenses, and Changes in Fund Net Position<br><br>– Statement of Cash Flows           | – Statement of Fiduciary Net Position<br><br>– Statement of Changes in Fiduciary Net Position   |
| <b>Accounting basis and measurement focus</b>  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial focus   | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| <b>Type of asset/deferred outflow of resources/ liability/deferred inflow of resources information</b> | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources; both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included                     | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources; both financial and capital, short-term and long-term | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources; both short-term and long-term. Funds do not currently contain capital assets; although they can |
| <b>Type of inflow/outflow information</b>  | All revenues and expenses during the year, regardless of when cash is received or paid   | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, using accounting methods similar to those used by private sector companies.

- **Statement of Net Position** – Presents *all* of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in the District’s net position are indicators of whether its financial position is improving or deteriorating, respectively.
- **Statement of Activities** – Presents information showing how the District’s net position changed during the most recent fiscal year. 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.

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 shown in one category titled “governmental activities.” The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

## Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 presented in the supplemental information section.

The District maintains three kinds of funds:

- **Governmental Funds** – The District's basic services are included in governmental funds which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary Funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District currently has four internal service funds to account for severance benefits, OPEB, self-insured dental benefits, and self-insured health benefits.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the Employee Benefit Trust Fund, Scholarship Private-Purpose Trust Fund, and two agency funds. 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

The District's financial position is the product of many factors. As indicated earlier, net position may serve over time as a useful indicator of the District's financial position. The reader needs to understand that the determination of net position includes significant assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, may produce a significant difference in the calculation of the District's net investment in capital assets.

**Net Position** – The District’s *combined* net position was a deficit of \$23.74 million at June 30, 2015. This is a decrease of \$210.22 million, or 112.73 percent, from the prior year net position of \$186.48 million.

**Table 1**  
**Net Position – Governmental Activities**

|   | <u>2015</u>            | <u>2014</u>           | <u>Percent Change<br/>2014 to 2015</u> |
|---|------------------------|-----------------------|--|
| <b>Assets</b>                             |                        |                       |  |
| Current and other assets                  | \$ 248,410,405         | \$ 258,555,183        | (3.92%)                                |
| Capital assets                            | <u>223,310,531</u>     | <u>218,577,535</u>    | 2.17%                                  |
| Total assets                              | <u>\$ 471,720,936</u>  | <u>\$ 477,132,718</u> | (1.13%)                                |
| <b>Deferred outflows of resources</b>     |                        |                       |  |
| Pension plan deferments – PERA and TRA    | <u>\$ 34,289,912</u>   | <u>\$ –</u>           | 100.00%                                |
| <b>Liabilities</b>                        |                        |                       |  |
| Long-term liabilities                     | \$ 340,353,650         | \$ 161,031,981        | 111.36%                                |
| Other liabilities                         | <u>54,912,065</u>      | <u>54,512,094</u>     | 0.73%                                  |
| Total liabilities                         | <u>\$ 395,265,715</u>  | <u>\$ 215,544,075</u> | 83.38%                                 |
| <b>Deferred inflows of resources</b>      |                        |                       |  |
| Property taxes levied for subsequent year | \$ 75,298,216          | \$ 75,112,544         | 0.25%                                  |
| Pension plan deferments – PERA and TRA    | <u>59,187,595</u>      | <u>–</u>              | 100.00%                                |
| Total deferred inflows of resources       | <u>\$ 134,485,811</u>  | <u>\$ 75,112,544</u>  | 79.05%                                 |
| <b>Net position</b>                       |                        |                       |  |
| Net investment in capital assets          | \$ 158,918,349         | \$ 148,790,976        | 6.81%                                  |
| Restricted                                | 8,762,761              | 9,921,118             | (11.68%)                               |
| Unrestricted                              | <u>(191,421,788)</u>   | <u>27,764,005</u>     | (789.46%)                              |
| Total net position                        | <u>\$ (23,740,678)</u> | <u>\$ 186,476,099</u> | (112.73%)                              |

The District’s net investment in capital assets (\$158.92 million) reflects its investment in capital assets (e.g. land, buildings, and furniture and equipment) less any outstanding debt used to acquire those assets. Another portion of the District’s net position (\$8.76 million) represents resources that are restricted as to how they may be used, such as for capital assets acquisition and debt service payment needs. The remaining net position (a deficit of \$191.42 million) is unrestricted.

The \$210.22 million decrease in net position is the result of many factors. Some of the major ones are:

- In 2014–2015, the District’s net investment in capital assets increased \$10.13 million. A portion of this increase is due to the use of the “alternative facilities levy” to make facility improvements without having to issue debt. The balance of the increase is due to the use of state funding for equipment, facility improvements, and state-approved health and safety projects.
- The increases in deferred outflows of resources, long-term liabilities, and deferred inflows of resources are primarily the result of the District implementing GASB Statement No. 68, which is also the main reason for the \$219.19 million decrease in unrestricted net position.

Table 2, as presented below, contains a condensed version of the Change in Net Position of the District:

| <b>Table 2</b><br><b>Change in Net Position</b>         |                        |                       |  |
|---|------------------------|-----------------------|--|
|   | <b>2015</b>            | <b>2014</b>           | <b>Percent Change<br/>2014 to 2015</b> |
| <b>Revenues</b>   |                        |                       |  |
| Program revenues  |                        |                       |  |
| Charges for services                                    | \$ 18,374,392          | \$ 20,328,714         | (9.61%)                                |
| Operating grants and contributions                      | 54,043,906             | 48,096,296            | 12.37%                                 |
| Capital grants and contributions                        | 62,540                 | 103,677               | (39.68%)                               |
| General revenues  |                        |                       |  |
| Property taxes  | 79,066,937             | 50,064,503            | 57.93%                                 |
| General grants and aids                                 | 208,882,436            | 218,035,675           | (4.20%)                                |
| Other   | 1,247,943              | 7,734,941             | (83.87%)                               |
| Total revenues  | <u>361,678,154</u>     | <u>344,363,806</u>    | 5.03%                                  |
| <b>Expenses</b>   |                        |                       |  |
| Administration  | 12,801,745             | 12,788,255            | 0.11%                                  |
| District support services                               | 9,142,598              | 8,478,285             | 7.84%                                  |
| Elementary and secondary regular instruction            | 160,761,078            | 150,639,805           | 6.72%                                  |
| Vocational education instruction                        | 4,089,165              | 3,894,552             | 5.00%                                  |
| Special education instruction                           | 61,805,761             | 60,005,088            | 3.00%                                  |
| Instructional support services                          | 18,302,791             | 16,554,014            | 10.56%                                 |
| Pupil support services                                  | 22,639,915             | 22,561,249            | 0.35%                                  |
| Sites and buildings                                     | 24,878,718             | 25,311,941            | (1.71%)                                |
| Fiscal and other fixed cost programs                    | 651,864                | 697,917               | (6.60%)                                |
| Food service  | 11,787,045             | 11,359,961            | 3.76%                                  |
| Community service                                       | 7,954,502              | 9,802,212             | (18.85%)                               |
| Depreciation not allocated directly to programs         | 10,322,952             | 9,805,568             | 5.28%                                  |
| Interest and fiscal charges on long-term debt           | 4,033,890              | 4,601,447             | (12.33%)                               |
| Total expenses  | <u>349,172,024</u>     | <u>336,500,294</u>    | 3.77%                                  |
|   |                        |                       |  |
| Increase in net position                                | 12,506,130             | 7,863,512             | 59.04%                                 |
| <b>Net position – beginning, as previously reported</b> | 186,476,099            | 178,612,587           |  |
| <b>Change in accounting principle</b>                   | <u>(222,722,907)</u>   | <u>–</u>              |  |
| <b>Net position – beginning, as restated</b>            | <u>(36,246,808)</u>    | <u>178,612,587</u>    |  |
| <b>Net position – ending</b>                            | <u>\$ (23,740,678)</u> | <u>\$ 186,476,099</u> |  |

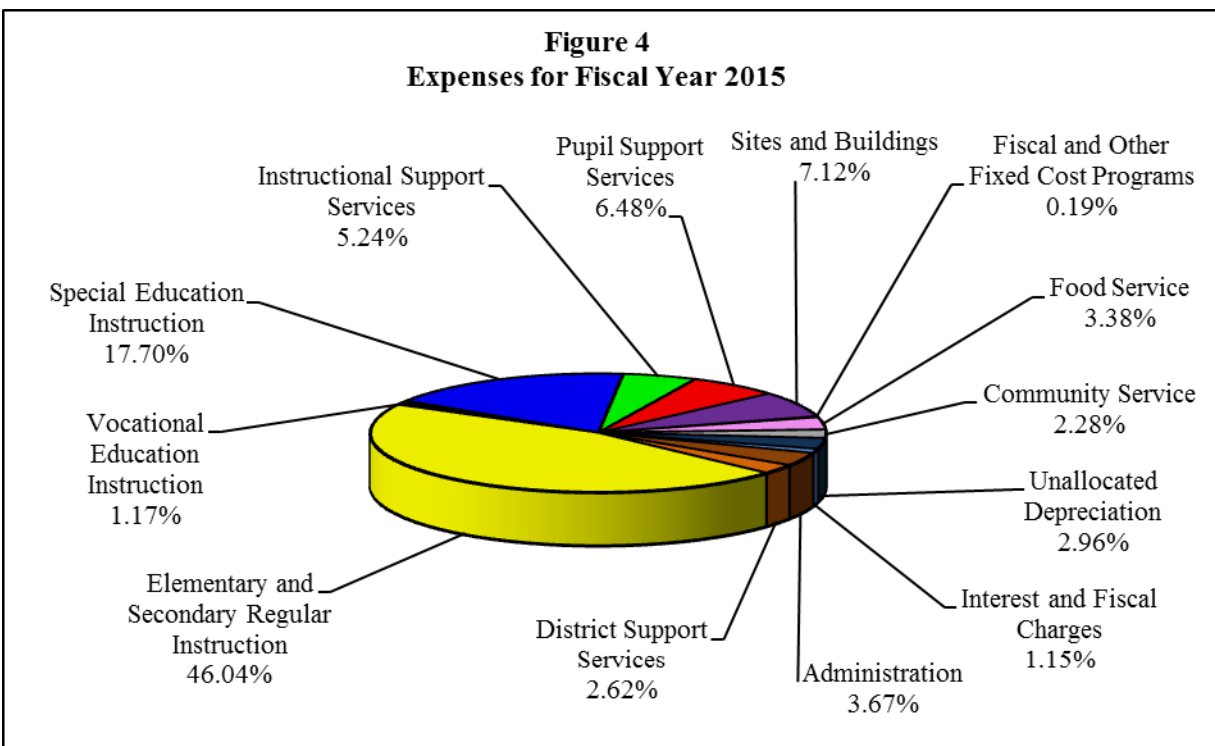
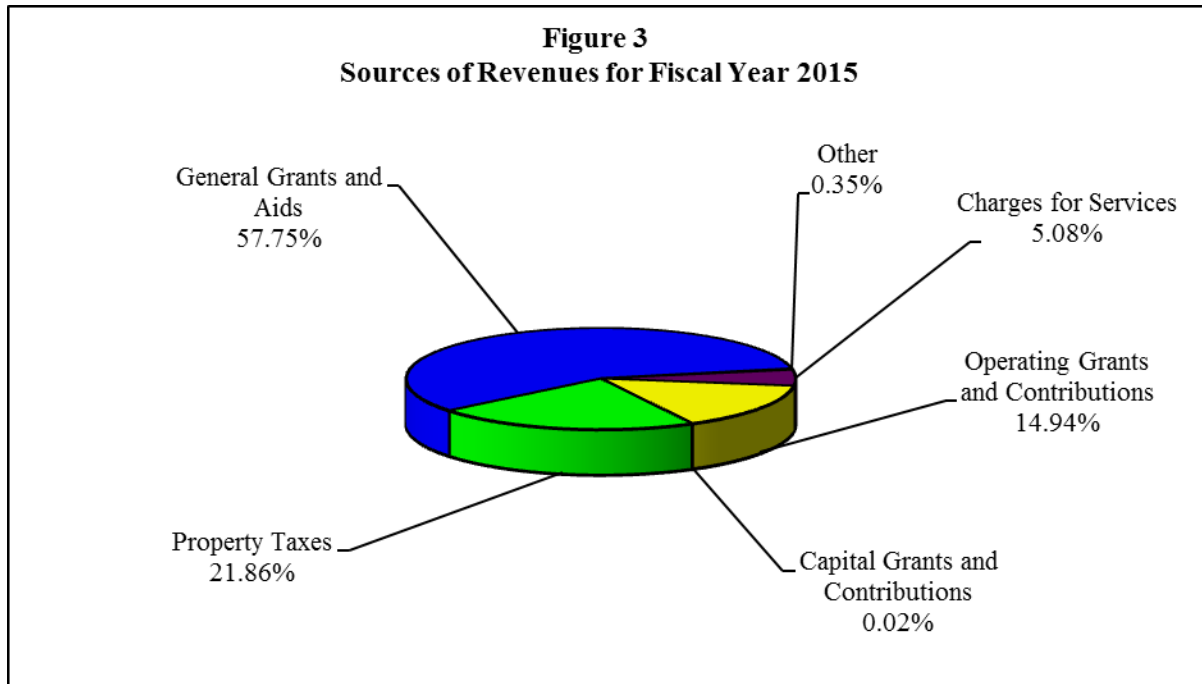
**Changes in Net Position** – The District’s total revenues were \$361.68 million for the year ended June 30, 2015, an increase of \$17.31 million (5.03 percent) from 2013–2014 actual revenues of \$344.36 million.

For 2014–2015, property taxes and general grants and aids accounted for 79.61 percent of total revenue for the year. About 14.96 percent of the District’s revenue came from operating and capital grants. Fees and charges for services accounted for 5.08 percent of the total revenue, while the remaining 0.35 percent came from other general revenue, including investment income.

For 2014–2015, the total cost of all programs and services was \$349.17 million. This is an increase of \$12.67 million (3.77 percent) from the 2013–2014 total cost of \$336.50 million.

As in past years, the bulk of the District’s resources (76.63 percent) were directed to providing instructional services to our students enrolled in regular education, special education, and vocational education programs (including instructional and pupil support). The administrative activities of the District accounted for 3.67 percent of total costs for the year.

Total revenues surpassed expenses, increasing the District’s net position by \$12.51 million.



The cost of all *governmental* activities for 2014–2015 was \$349.17 million. Of this amount, \$72.48 million was supported by “charges for services, operating grants, or capital grants” received by the schools.

- A majority of the District’s costs were paid for by state taxpayers based on the state-wide education aid formula, and property taxes paid by district taxpayers.
- The federal and state governments, and other local sources, subsidized certain programs with grants and contributions totaling \$54.11 million, or 14.96 percent, of the total costs for 2014–2015. In addition, federal, state, and local sources subsidized general district operations with grants and contributions of \$208.88 million, or 57.75 percent, of the total costs for 2014–2015.
- About 5.08 percent, or \$18.37 million, of costs were paid by the users of the District’s programs.
- Finally, \$1.25 million of district revenue came from investment earnings and other general revenue.

**Table 3**  
**Net Cost of Governmental Activities**

|   | <b>Net Cost of Services</b> |                       | <b>Percent Change<br/>2014 to 2015</b> |
|---|-----------------------------|-----------------------|--|
|   | <b>2015</b>                 | <b>2014</b>           |  |
| Administration                                  | \$ 12,783,417               | \$ 12,788,255         | (0.04%)                                |
| District support services                       | 8,998,880                   | 8,262,007             | 8.92%                                  |
| Elementary and secondary regular instruction    | 146,435,143                 | 137,427,595           | 6.55%                                  |
| Vocational education instruction                | 3,229,869                   | 3,058,364             | 5.61%                                  |
| Special education instruction                   | 23,688,429                  | 26,484,695            | (10.56%)                               |
| Instructional support services                  | 18,175,372                  | 16,436,655            | 10.58%                                 |
| Pupil support services                          | 20,511,960                  | 20,551,902            | (0.19%)                                |
| Sites and buildings                             | 24,605,854                  | 25,116,824            | (2.03%)                                |
| Fiscal and other fixed cost programs            | 651,864                     | 697,917               | (6.60%)                                |
| Food service                                    | 422,156                     | 219,923               | 91.96%                                 |
| Community service                               | 2,831,400                   | 2,520,455             | 12.34%                                 |
| Depreciation not allocated directly to programs | 10,322,952                  | 9,805,568             | 5.28%                                  |
| Interest and fiscal charges on long-term debt   | 4,033,890                   | 4,601,447             | (12.33%)                               |
| <b>Total</b>                                    | <b>\$ 276,691,186</b>       | <b>\$ 267,971,607</b> | <b>3.25%</b>                           |

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. As of June 30, 2015, the District's governmental funds reported a *combined* fund balance of \$51.67 million, a decrease of \$10.21 million, or 16.49 percent, from last year's ending fund balance of \$61.88 million. This net decrease is chiefly due to the following factors:

- In 2014–2015, actual revenues and other financing sources were \$0.80 million more than actual expenditures and other financing uses in the General Fund. The School Board-approved planned deficit spending for the General Fund was \$8.11 million. The actual result was \$8.91 million better than planned.
- During 2013–2014, the District issued \$13.71 million Certificates of Participation, Series 2013B. Proceeds from this issue were placed in the Capital Projects – Building Construction Fund and used to finance the construction of a new early childhood/adult education facility (Dakota Valley Learning Center) in the current year and the prior year. The District expended \$5.87 million of the proceeds in 2013–2014. Much of the remaining \$7.89 million was used to bring the project close to completion during the 2014–2015 school year.
- In 2014–2015, the District's 2014A Refunding Bonds proceeds (held in escrow) were used to call the remaining principal of the District's 2005B Refunding Bonds on August 1, 2014. The total payoff of the 2005B bonds amounted to \$2.33 million.

Table 4 shows the change in total fund balances of each of the District's governmental funds:

| <b>Table 4</b><br><b>Governmental Fund Balances</b> |               |               |                                |  |
|---|---------------|---------------|--------------------------------|--|
|   | <b>2015</b>   | <b>2014</b>   | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change<br/>2014 to 2015</b> |
| <b>Major funds</b>                                  |               |               |                                |  |
| General   | \$ 31,932,649 | \$ 31,130,886 | \$ 801,763                     | 2.58%                                      |
| Capital Projects –<br>Building Construction         | (3,788)       | 8,152,736     | (8,156,524)                    | (100.05%)                                  |
| Debt Service  | 16,385,721    | 18,831,629    | (2,445,908)                    | (12.99%)                                   |
| Total major funds                                   | 48,314,582    | 58,115,251    | (9,800,669)                    | (16.86%)                                   |
| <b>Nonmajor funds</b>                               |               |               |                                |  |
| Special revenue                                     |               |               |                                |  |
| Food Service  | 1,958,519     | 2,376,363     | (417,844)                      | (17.58%)                                   |
| Community Service                                   | 1,401,054     | 1,387,626     | 13,428                         | 0.97%                                      |
| Total nonmajor funds                                | 3,359,573     | 3,763,989     | (404,416)                      | (10.74%)                                   |
| Total major and nonmajor funds                      | \$ 51,674,155 | \$ 61,879,240 | \$ (10,205,085)                | (16.49%)                                   |



## GENERAL FUND

The General Fund is used by the District to record the primary operations of providing education services to students from kindergarten through Grade 12. Pupil transportation activities and capital and major maintenance projects are also included in the General Fund.

Funding for Minnesota school districts is largely driven by enrollment. Over the last five years, the District's enrollment has remained fairly stable in the number of students. Based on the results of an updated enrollment projection reviewed by the School Board in November 2014, it appears that enrollment for the District will increase slightly over the next four years, ranging from 27,577 for the 2015–2016 school year to 28,082 for the 2018–2019 school year.

The graph below (Figure 5) shows the District's actual average daily membership (ADM) over the last five years. The elementary ADM for 2014–2015 increased from the previous year with a small offsetting decrease in secondary ADM. Preliminary enrollment data for the 2015–2016 fiscal year shows an increase of 372.82 ADM over the 2014–2015 total of 27,204.18.

Figure 5  
Students (Average Daily Membership)

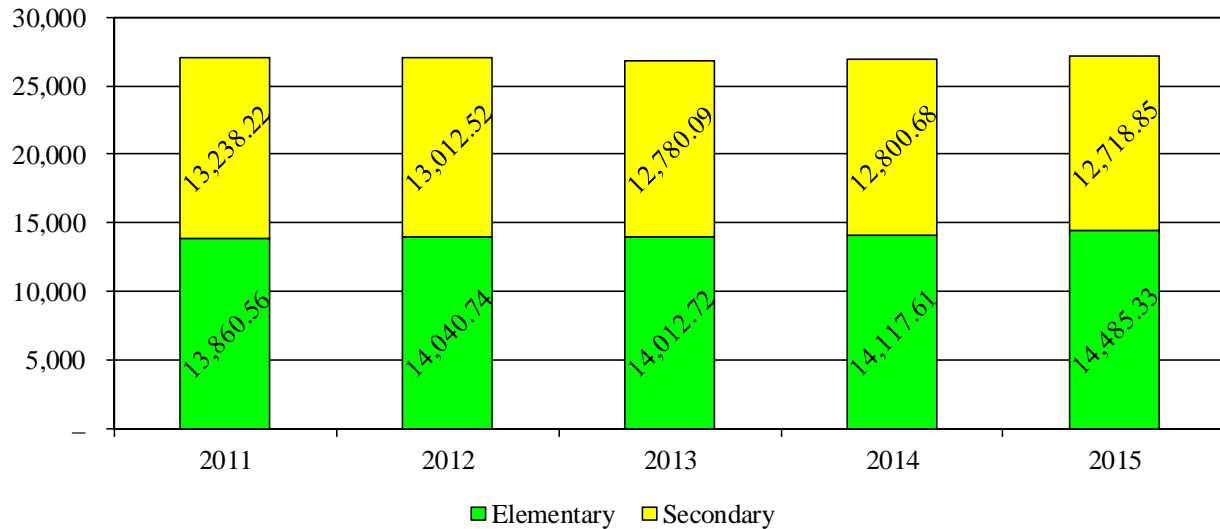


Table 5, as shown below, presents a summary of General Fund revenues and other financing sources:

|  | Year Ended June 30,   |                       | Amount of              | Percent                |
|--|-----------------------|-----------------------|------------------------|------------------------|
|  | 2015                  | 2014                  | Increase<br>(Decrease) | Increase<br>(Decrease) |
| <b>Revenues</b>  |                       |                       |                        |                        |
| Local sources  |                       |                       |                        |                        |
| Property taxes   | \$ 58,338,748         | \$ 30,849,978         | \$ 27,488,770          | 89.10%                 |
| Interest earnings  | 159,506               | 179,260               | (19,754)               | (11.02%)               |
| Other  | 11,300,222            | 12,397,513            | (1,097,291)            | (8.85%)                |
| State sources  | 244,220,251           | 248,498,788           | (4,278,537)            | (1.72%)                |
| Federal sources  | 8,318,522             | 7,811,310             | 507,212                | 6.49%                  |
| Total revenues   | 322,337,249           | 299,736,849           | 22,600,400             | 7.54%                  |
| <b>Other financing sources</b>                                     |                       |                       |                        |                        |
| Capital leases   | –                     | 96,569                | (96,569)               | 100.00%                |
| Certificates of participation                                      | –                     | 137,506               | (137,506)              | 100.00%                |
| Sale of capital assets   | 10,180                | 8,143                 | 2,037                  | 25.02%                 |
| Total other financing sources                                      | 10,180                | 242,218               | (232,038)              | (95.80%)               |
| <b>Total General Fund revenues<br/>and other financing sources</b> | <b>\$ 322,347,429</b> | <b>\$ 299,979,067</b> | <b>\$ 22,368,362</b>   | <b>7.46%</b>           |

During 2014–2015, the District’s total General Fund revenues and other financing sources increased \$22.37 million, or 7.46 percent, from the previous year. The increase was due to the following factors:

- The \$27.49 million increase in property taxes was chiefly due to a \$22.71 million change in the tax shift in the prior year, which was offset by a dollar-for-dollar decrease in state aid. The District’s General Fund tax levy also increased \$3.99 million.
- State aids for 2014–2015 were \$4.28 million less than the previous year. This decrease was mainly due to: 1) the \$22.71 million decrease in state aid revenue due to the prior year tax shift; 2) a \$529 per pupil unit increase in the basic general education aid; 3) an additional \$1.85 million in regular special education and excess cost aids due to under accrual in the 2013–2014 school year, and 4) an additional \$0.61 million in cross subsidy reduction aid. Cross subsidy reduction aid was approved by the 2013 Legislature to provide additional special education funding to school districts to reduce the burden on the District’s General Fund. The cross subsidy reduction aid expired after the 2014–2015 school year.
- For 2014–2015, federal sources increased by \$0.51 million. A majority, or \$0.42 million, of the increase is tied to the federal aid “earned” from the U.S. Department of Labor E3 STEM Grant. The District has a four-year, \$2.99 million grant from the U.S. Department of Labor to support STEM programs at Apple Valley High School.
- Miscellaneous local revenues (included in other local sources above) for 2014–2015 decreased by \$2.06 million. This is mainly due to the elimination of a fee-based all-day kindergarten program managed by the District’s community education department. The District currently provides all-day kindergarten programming with funding approved by the 2013 Legislature.
- During 2014–2015, actual gifts to schools and other district income were \$0.26 million better than budget. Gifts to schools include fundraising revenue, donations, and other contributions. Other district income includes reimbursements received from other school districts, miscellaneous student fees, cocurricular program participation fees, resale, sales of materials and obsolete equipment, etc.
- The decrease in other financing sources is due to the District not issuing any capital leases or certificates of participation in the current year.

Table 6, as shown below, presents a summary of General Fund expenditures and other financing uses:

| <b>Table 6</b><br><b>General Fund Expenditures and Other Financing Uses</b> |                     |                |                        |                        |
|---|---------------------|----------------|------------------------|------------------------|
|   | Year Ended June 30, |                | Amount of              | Percent                |
|   | 2015                | 2014           | Increase<br>(Decrease) | Increase<br>(Decrease) |
| Expenditures  |                     |                |                        |                        |
| Salaries  | \$ 202,126,162      | \$ 194,127,469 | \$ 7,998,693           | 4.12%                  |
| Employee benefits   | 70,510,733          | 67,515,737     | 2,994,996              | 4.44%                  |
| Purchased services  | 21,318,182          | 22,548,716     | (1,230,534)            | (5.46%)                |
| Supplies and materials  | 10,474,957          | 9,724,594      | 750,363                | 7.72%                  |
| Capital expenditures  | 7,060,004           | 6,175,866      | 884,138                | 14.32%                 |
| Other expenditures  | 3,829,790           | 2,383,201      | 1,446,589              | 60.70%                 |
| Total expenditures  | 315,319,828         | 302,475,583    | 12,844,245             | 4.25%                  |
| Other financing uses  |                     |                |                        |                        |
| Transfers out   | 6,225,838           | 6,128,424      | 97,414                 | 1.59%                  |
| Total General Fund expenditures<br>and other financing uses                 | \$ 321,545,666      | \$ 308,604,007 | \$ 12,941,659          | 4.19%                  |

Total General Fund expenditures and other financing uses increased \$12.94 million, or 4.19 percent, from the previous year.

Actual salaries for 2014–2015 were 4.12 percent higher than the prior year. The District’s staffing costs are driven by School Board-approved staffing guidelines, student enrollment, and School Board-approved employment contracts. The increase was mainly due to contractual salary increases and additional staff hired due to the increase in student enrollment.

Employee benefits increased \$2.99 million, or 4.44 percent, from the previous school year. This increase was mainly due to: 1) a 0.5 percent increase in the TRA (statutory retirement contribution for licensed/certified staff); 2) another 0.25 percent increase in the PERA statutory required minimum employer contribution rate, effective January 1, 2015; 3) a School Board-approved 1 percent increase in the District’s insurance premium contribution; and 4) more staff members hired in the current year making more employees eligible for the District’s benefits.

Purchased services decreased by \$1.23 million, or 5.46 percent, from the previous year. This was mainly due to the District allowing the leases to expire on the Rancliff Learning Center and the Early Childhood Learning Center in December 2014. The programs, previously housed at these two leased sites, were moved to the Dakota Valley Learning Center, which was constructed in the current year.

Supplies and materials increased by \$0.75 million, or 7.72 percent, from the prior year. Over half, or \$0.45 million, of the increase was in the budgets for textbooks and workbooks. The remaining increases were in the budgets for building maintenance, custodial cleaning supplies, and supplies needed for general vehicle maintenance.

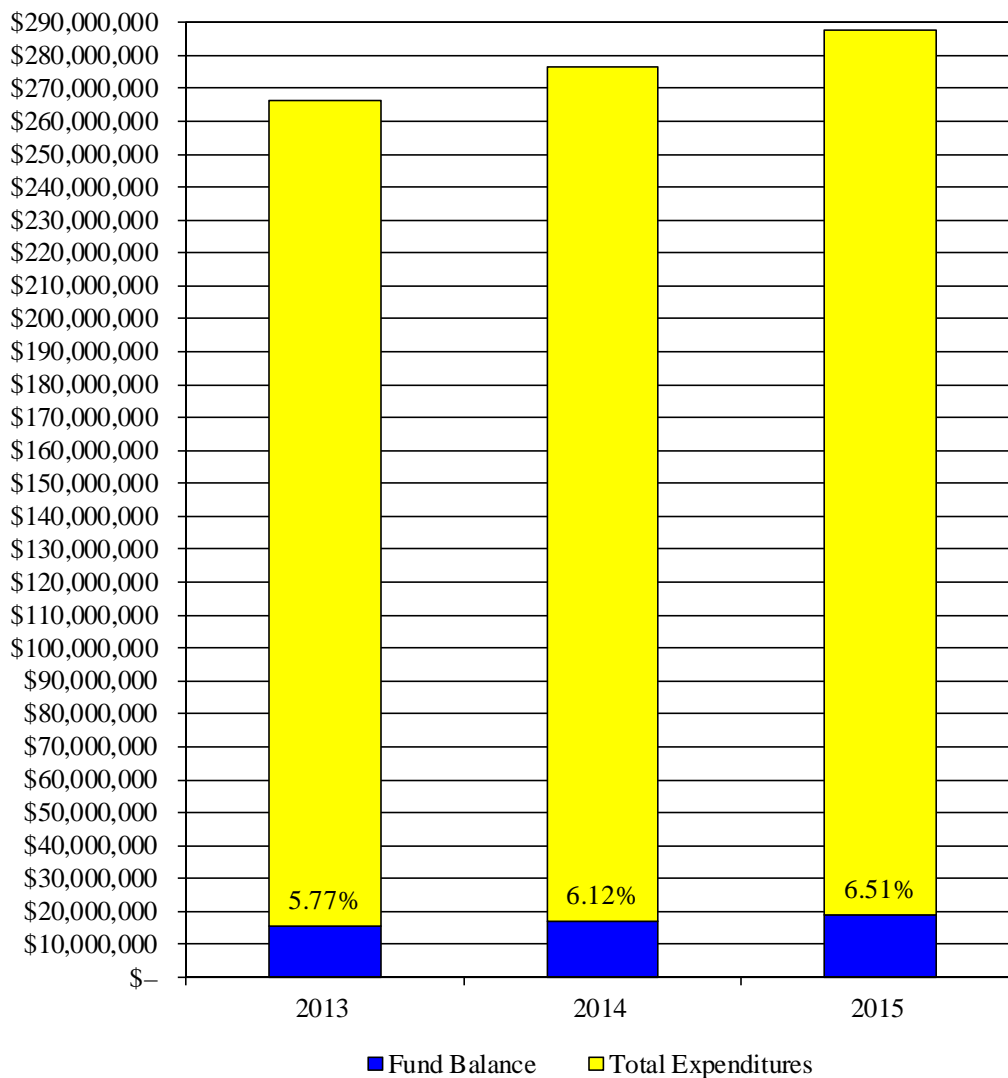
Capital expenditures increased by \$0.88 million, or 14.32 percent, from the previous year. There were many factors, both positive and negative, that have contributed to the increase.

Other expenditures increased \$1.45 million, or 60.70 percent, from the previous year. A majority, or \$1.32 million, of this increase is due to the addition of capital lease principal and interest payments for the Dakota Valley Learning Center.

In summary, 2014–2015 General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$0.80 million, increasing total fund balance by the same amount at June 30, 2015. After deducting statutory restrictions and internal assignments, the unrestricted – unassigned fund balance increased from \$18.73 million at June 30, 2014 to \$21.07 million at June 30, 2015.

Figure 6 and Table 7 show the General Fund – Operating Account unrestricted – unassigned fund balance as a percentage of expenditures.

**Figure 6**  
**General Fund – Operating Account**  
**Unrestricted – Unassigned Fund Balance as a Percentage of Expenditures**



The graph, as shown in Figure 6 above, is the single best measure of the District’s overall financial health. The unrestricted – unassigned fund balance of \$18.76 million in the Operating Account of the General Fund at June 30, 2015 represents 6.51 percent of annual Operating Account expenditures, or slightly over three weeks of operations.

To comply with financial reporting requirements, the unassigned fund balance of \$18.76 million in the Operating Account of the General Fund is exclusive of the \$4.07 million that the District has assigned for budgeted deficit spending in the 2015–2016 school year. Based on prior years’ performance, the District is confident that the actual deficit spending for the 2015–2016 school year will be much smaller than projected.

The District is committed to continuing to provide quality instructional services to our students; the administration and School Board will continue to monitor expenditures and maintain fund balance as prescribed in School Board policy.

| <b>Table 7</b><br><b>General Fund – Operating Account</b><br><b>Unrestricted – Unassigned Fund Balance and Expenditures</b> |                |                |                |  |
|---|----------------|----------------|----------------|--|
|   | <b>2013</b>    | <b>2014</b>    | <b>2015</b>    |  |
| Unrestricted – unassigned fund balance  | \$ 15,373,033  | \$ 16,930,805  | \$ 18,757,157  |  |
| Percent increase (decrease)   | (46.38%)       | 10.13%         | 10.79%         |  |
| Expenditures  | \$ 266,285,025 | \$ 276,661,284 | \$ 287,909,061 |  |
| Percent increase (decrease)   | 3.41%          | 3.90%          | 4.07%          |  |
| Percent of fund balance to expenditures   | 5.77%          | 6.12%          | 6.51%          |  |

### **General Fund Budgetary Highlights**

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1), referred to as the preliminary budget. Over the course of the year, the District revised its annual operating budget twice. These budget amendments fall into two categories:

1. Implementing budgets for specially funded projects, which include both federal and state grants, adjusting staffing and various instructional allocations to the schools based on actual enrollment on October 1, 2015, and unspent funds carried over from fiscal year 2014–2015.
2. Increase in appropriations for significant unbudgeted costs.

The final budget amounts, as shown in Table 8 below, include all of these adjustments and represent the District's revised estimates for 2014–2015:

| <b>Table 8</b><br><b>General Fund Budget</b> |                               |                     |                                |  |
|--|-------------------------------|---------------------|--------------------------------|--|
|  | <b>Preliminary<br/>Budget</b> | <b>Final Budget</b> | <b>Increase<br/>(Decrease)</b> | <b>Percent Change<br/>Preliminary<br/>to Final</b> |
| Revenue and other financing sources          | \$ 318,351,190                | \$ 320,457,803      | \$ 2,106,613                   | 0.66%  |
| Expenditures and other financing uses        | \$ 323,412,933                | \$ 328,571,010      | \$ 5,158,077                   | 1.59%  |
| Net gain (loss)                              | \$ (5,061,743)                | \$ (8,113,207)      | \$ (3,051,464)                 | (60.28%)   |

While the District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$8.11 million (net loss), the actual results for the year show a net gain of \$0.80 million.

- Actual revenues and other financing sources were about \$1.89 million more than expected. In 2014–2015, gifts to schools and other miscellaneous income to the District were \$3.11 million better than budget. This was partially offset by a budgeted transfer in of \$1.40 million from the District's OPEB Revocable Trust to subsidize the District's health insurance costs that were reported as an offset to expenditures.
- Actual expenditures and other financing uses were \$7.04 million, or 2.14 percent, lower than budget. There are many factors, both positive and negative, that have contributed to the net decrease. In 2014–2015, the District performed better than budget in the almost all areas of operating with the exception of administration, vocational education instruction, community service, and instructional support. Slightly more than one-third of this savings is due to schools not spending all of their 2014–2015 site allocations.

#### **CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND**

The Capital Projects – Building Construction Fund expenditures exceeded revenues and other financing sources by \$8.16 million for the year ended June 30, 2015, resulting in a decrease of the same amount in the June 30, 2015 fund balance. The decrease is the result of two main factors: 1) proceeds being spent from Series 2013B Certificates of Participation in 2014–2015 to complete the construction of the Dakota Valley Learning Center; 2) capital expenditures for the construction of the Parkview Elementary addition.

## **DEBT SERVICE FUND**

Revenues and expenditures for the District's Debt Service Fund are directly tied to the District's bond principal and interest payment needs. For 2014–2015, approximately 99.85 percent of the District's debt service revenues came from property taxes. The remaining balance came from the state in the form of agricultural market value property tax credits and interest income from short-term investments.

In 2014–2015, the District's total Debt Service Fund expenditures and other financing uses exceeded revenues by \$2.45 million. The difference is mainly due to a \$2.33 million payment being made for debt refunding using the proceeds of bonds issued in a previous year and held in escrow.

The June 30, 2015 Debt Service Fund balance totaled \$16.39 million. Of this amount, \$12.28 million is restricted for the future refunding of the Series 2005A Bonds, \$3.56 million is available for regular debt service, and the remaining \$0.54 million is restricted for OPEB debt service needs.

## **NONMAJOR FUNDS**

Expenditures exceeded revenues and other financing sources in the nonmajor funds by \$0.40 million.

### **Food Service Special Revenue Fund**

The Food Service Special Revenue Fund revenues for 2014–2015 totaled \$11.37 million and expenditures were \$11.79 million, resulting in a decrease in the fund balance of \$0.42 million. The June 30, 2015 Food Service Special Revenue Fund balance is \$1.96 million.

The 2014–2015 actual revenues were \$0.14 million, or 1.21 percent, less than the budgeted amount. This decrease is due to a combination of two offsetting factors. During 2014–2015, federal aids for the school lunch and breakfast programs were \$0.27 million less than projected, but state aids for school lunch and breakfast programs were \$0.15 million more than projected.

The actual 2014–2015 Food Service Special Revenue Fund expenditures were \$0.23 million, or 1.90 percent, less than the budgeted amount. The decrease is mainly due to a combination of three factors. During 2014–2015, actual expenditures for food, U.S. Department of Agriculture commodities, and milk were \$0.33 million more than budget. Actual capital expenditures, including building improvements, equipment, and technology equipment, were \$0.31 million less than budget, and salaries and benefits paid for employees during 2014–2015 were \$0.25 million less than budgeted.

Consistent with the food service comprehensive capital projects plan, the District will continue to use the accumulated fund balance to fund routine equipment purchases and major capital projects.

### **Community Service Special Revenue Fund**

In 2014–2015, the total revenues and other financing sources for the Community Service Special Revenue Fund were \$7.74 million and the total expenditures were \$7.72 million, resulting in an increase to fund balance of \$13,438. The Community Service Special Revenue Fund balance as of June 30, 2015 is \$1.40 million. Of this amount, \$0.56 million is restricted for community education programs, \$0.38 million is restricted for the Early Childhood Family Education Program, \$0.02 million is restricted for the School Readiness Program, \$0.44 million is restricted for the Adult Basic Education Program, \$1,150 is restricted for community services, and \$220 is nonspendable for prepaid items.

## INTERNAL SERVICE FUNDS

The District maintains four internal service funds. The Severance Benefits Internal Service Fund is used to fund severance or retirement pay for eligible retirees. For 2014–2015, the revenues for this fund include interest income from short-term investments and contributions paid from the District's governmental funds. The severance pay liabilities for the District on June 30, 2015 totaled \$12.75 million, and the net position of the fund was a deficit \$3.26 million.

The OPEB Benefits Internal Service Fund accounts for assets contributed to a revocable trust used by the District to finance its OPEB liabilities and the proceeds from the \$37.44 million general obligation taxable OPEB bonds issued in January 2009. The net OPEB obligation liability for the District at June 30, 2015 was \$19.39 million, and the net position of the fund was \$29.24 million. The net OPEB obligation liability recorded in the fund represents the cumulative excess of the actuarially determined annual required contributions over the actual OPEB costs paid by the District through the current year-end. The District's total unfunded actuarial accrued liability, as determined in its most recent actuarial study dated July 1, 2014, was \$46.58 million.

The Self-Insured Dental Benefits Internal Service Fund was established to report all activities related to the District's self-insured dental benefits plan. This plan covers all non-bargained staff, as well as principals, building chiefs, and vehicle technicians. The total contributions (both district and employee) for 2014–2015 totaled \$0.29 million, and claims paid or accrued totaled \$0.33 million, resulting in net position decreasing \$33,285 to \$46,263 at year-end.

The Self-Insured Health Benefits Internal Service Fund was established to report all activities related to the District's self-insured health benefits plan, which covers all district employees. The total contributions (both district and employee) to the plan for 2014–2015 totaled \$42.13 million, and claims paid or accrued totaled \$41.75 million, resulting in net position increasing \$385,070 to \$9.52 million at year-end.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At year-end, the District has net capital assets of \$223.31 million representing a broad range of capital assets, including school buildings; athletic facilities; and computer, audio-visual, and other equipment for instructional programs (see Table 9). Total depreciation expense for the year was \$12.92 million.

During 2014–2015, the District invested a total of \$17.77 million in buildings, furniture and equipment, and construction in progress. The majority of the capital investment can be attributed to major maintenance and building improvement projects approved by the state and funded by alternative facilities levy revenue, health and safety and operating capital revenues, and proceeds from the Series 2013B Certificates of Participation. Proceeds for this issuance were used to complete the construction of Dakota Valley Learning Center to house the District's early childhood and adult education programs.

| <b>Table 9</b><br><b>Capital Assets</b> |                       |                       |   |
|---|-----------------------|-----------------------|---|
|   | <u>2015</u>           | <u>2014</u>           | <u>Percent Change</u><br><u>2014–2015</u> |
| Land                                    | \$ 8,870,712          | \$ 8,870,712          | –   |
| Land improvements                       | 12,948,913            | 12,841,906            | 0.83%                                     |
| Buildings                               | 350,794,654           | 348,679,229           | 0.61%                                     |
| Furniture and equipment                 | 51,702,496            | 50,318,134            | 2.75%                                     |
| Construction in progress                | 20,054,092            | 7,619,954             | 163.18%                                   |
| Less accumulated depreciation           | <u>(221,060,336)</u>  | <u>(209,752,400)</u>  | 5.39%                                     |
| Total                                   | <u>\$ 223,310,531</u> | <u>\$ 218,577,535</u> | 2.17%                                     |



## LONG-TERM LIABILITIES

At year-end, the District had \$96.73 million in bonds, refunding bonds, and certificates of participation outstanding. This is a decrease of \$18.93 million from the previous year, as shown in Table 10.

- Outstanding bonds show a net decrease of \$17.93 million, mainly due to the retirement of existing debt and the payment of one refunding bond issue (as described in previous sections). The District continues to make required scheduled payments.
- During 2014–2015, the District had an increase in capital leases payable due to the District entering into a lease purchase agreement (noted previously) for \$4.2 million and also retiring \$1.28 million of existing capital lease principal.
- The District implemented GASB Statement No. 68 into the current year financial statements, causing the District to recognize a liability for its share of the PERA and TRA net pension liabilities.

**Table 10**  
**Outstanding Long-Term Liabilities**

|                                    | 2015                  | 2014                  | Percent Change<br>2014 to 2015 |
|------------------------------------|-----------------------|-----------------------|--------------------------------|
| General obligation bonds           | \$ 46,180,000         | \$ 51,730,000         | (10.73%)                       |
| General obligation refunding bonds | 35,595,000            | 47,975,000            | (25.81%)                       |
| Certificates of participation      | 14,955,000            | 15,955,000            | (6.27%)                        |
| Premiums (discounts) on bonds      | 3,768,638             | 4,270,288             | (11.75%)                       |
| Capital leases payable             | 10,519,319            | 7,594,863             | 38.51%                         |
| Net pension liability – PERA       | 40,201,196            | –                     | 100.00%                        |
| Net pension liability – TRA        | 153,711,262           | –                     | 100.00%                        |
| Severance benefits payable         | 12,751,466            | 13,499,565            | (5.54%)                        |
| Accrued vacation payable           | 3,284,150             | 3,436,701             | (4.44%)                        |
| Net OPEB obligation                | 19,387,619            | 16,570,564            | 17.00%                         |
|                                    | <u>\$ 340,353,650</u> | <u>\$ 161,031,981</u> | 111.36%                        |

### Bond Ratings

The District's general obligation bonds carry a rating of Aa1, upgraded by Moody's Investors Service in April 2010, and confirmed in May 2014. This Aa1 rating remained the same for the 2014–2015 school year.

### Limitation on Debt

The state limits the amount of general obligation debt the District can issue up to 15 percent of actual market value of all taxable property within the District's boundaries. The estimated market value of all taxable property is \$14.25 billion for calendar year 2015 and the District's debt limit is \$2.14 billion.

The District's outstanding debt is significantly below this limit. The District's outstanding debt as of June 30, 2015 is \$81.78 million. The amount that is applicable to the debt limit calculation is \$65.39 million (total outstanding debt less Debt Service Fund balance).

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 and building bond referendum, the District is dependent on the state of Minnesota for its revenue authority.

The state's budget outlook has improved steadily since 2012 and during the 2013–2014 school year, the state used its budget reserve to “buy back” outstanding school aid payments shifts in 2012–2013. In addition, the state has returned school districts to a 90 percent in the current year and 10 percent in the subsequent year state aid payment schedule and used the remaining budget reserve to reduce the school district property tax recognition shift.

The 2013 Legislature approved additional funding for K–12 education for the 2013–2015 biennium with a majority of the new funding dedicated to full-day kindergarten and the equivalent of 1.5 percent and 2.0 percent per pupil unit annual increases to the basic general education formula allowance for the 2013–2014 and 2014–2015 school years, respectively. The basic general education formula allowance is set to increase 2.0 percent annually for the 2015–2016 and 2016–2017 school years.

To avoid major staffing and program cuts, the School Board voted to place a levy referendum question in the November 5, 2013 General Election. District voters approved a single ballot question to revoke the District's existing levy for \$1,111 per pupil unit and replace it with a new 10-year levy for \$1,486 per pupil, an increase of \$375 per pupil, or an additional \$11 million for the District. The District began to receive the additional funds in the 2014–2015 school year.

With a revised projected excess of \$1.23 billion in the February 2014 economic forecast, the 2014 Legislature adopted a supplemental budget which contained \$54.0 million in additional state aid appropriations for K–12 education for the 2014–2015 fiscal year, including a \$25 increase to the basic general education formula allowance. The 2014 Legislature also adopted a number of technical corrections and modifications to the education funding changes adopted by the 2013 Legislature.

The District appreciates and welcomes the additional funding. However, with funding not sufficient to keep pace with inflation over the past decade, steady student enrollment and the costs of educating our students continuing to rise, and the financial outlook for the District continues to present challenges.

The District is committed to continuing to engage parents, staff, and business and community members in further budget adjustment discussions and to consider other options for increasing revenues.

The administration appreciates the continued support from the community and is committed to continuing to monitor its spending and striving to maintain sustainable operations.

## **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 report or need additional financial information, contact the Finance Department, Independent School District No. 196, Rosemount – Apple Valley – Eagan Public Schools, 3455 – 153rd Street West, Rosemount, Minnesota 55068.

## BASIC FINANCIAL STATEMENTS

## INDEPENDENT SCHOOL DISTRICT NO. 196

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                                     | \$ 110,172,909          | \$ 110,478,025        |
| Receivables  |                         |                       |
| Current taxes  | 43,055,783              | 42,876,055            |
| Delinquent taxes   | 538,412                 | 733,788               |
| Accounts and interest  | 488,066                 | 530,152               |
| Due from other governmental units                                  | 28,707,357              | 29,325,539            |
| Inventory  | 856,432                 | 854,878               |
| Prepaid items  | 200,593                 | 257,716               |
| Restricted assets – temporarily restricted                         |                         |                       |
| Cash and investments for other post-employment benefits            | 50,029,502              | 49,380,030            |
| Cash and investments for construction                              | 2,078,529               | 9,065,980             |
| Cash and investments for debt service                              | 12,270,384              | 15,027,385            |
| Interest receivable for debt service                               | 12,438                  | 25,635                |
| Capital assets   |                         |                       |
| Not depreciated  | 28,924,804              | 16,490,666            |
| Depreciated, net of accumulated depreciation                       | 194,385,727             | 202,086,869           |
| Total capital assets, net of accumulated depreciation              | <u>223,310,531</u>      | <u>218,577,535</u>    |
| Total assets   | 471,720,936             | 477,132,718           |
| Deferred outflows of resources                                     |                         |                       |
| Pension plan deferments – PERA and TRA                             | 34,289,912              | –                     |
| Total assets and deferred outflows of resources                    | <u>\$ 506,010,848</u>   | <u>\$ 477,132,718</u> |
| Liabilities  |                         |                       |
| Salaries payable   | \$ 18,557,012           | \$ 18,271,343         |
| Accounts and contracts payable                                     | 21,686,949              | 24,080,947            |
| Accrued interest payable   | 1,702,413               | 1,753,533             |
| Due to other governmental units                                    | 3,698,231               | 3,085,145             |
| Unearned revenue   | 9,267,460               | 7,321,126             |
| Long-term liabilities  |                         |                       |
| Due within one year  | 28,594,616              | 24,381,546            |
| Due in more than one year  | 311,759,034             | 136,650,435           |
| Total long-term liabilities  | <u>340,353,650</u>      | <u>161,031,981</u>    |
| Total liabilities  | 395,265,715             | 215,544,075           |
| Deferred inflows of resources                                      |                         |                       |
| Property taxes levied for subsequent year                          | 75,298,216              | 75,112,544            |
| Pension plan deferments – PERA and TRA                             | 59,187,595              | –                     |
| Total deferred inflows of resources                                | <u>134,485,811</u>      | <u>75,112,544</u>     |
| Net position   |                         |                       |
| Net investment in capital assets                                   | 158,918,349             | 148,790,976           |
| Restricted for   |                         |                       |
| Capital asset acquisition  | 3,017,560               | 3,109,569             |
| Debt service   | 2,521,510               | 3,146,047             |
| Other purposes (state funding restrictions)                        | 3,223,691               | 3,665,502             |
| Unrestricted   | (191,421,788)           | 27,764,005            |
| Total net position   | <u>(23,740,678)</u>     | <u>186,476,099</u>    |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 506,010,848</u>   | <u>\$ 477,132,718</u> |

See notes to basic financial statements

## INDEPENDENT SCHOOL DISTRICT NO. 196

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

| Functions/Programs                               | Expenses              | 2015                 |                     |                  | 2014                   |                       |
|--|-----------------------|----------------------|---------------------|------------------|------------------------|-----------------------|
|  |                       |                      |                     |                  | Net (Expense)          | Net (Expense)         |
|  |                       |                      |                     |                  | Revenue and            | Revenue and           |
|  |                       | Program Revenues     |                     |                  | Changes in             | Changes in            |
|  |                       | Charges for          | Operating           | Capital          | Net Position           | Net Position          |
|  |                       | Services             | Grants and          | Grants and       | Governmental           | Governmental          |
|  |                       |                      | Contributions       | Contributions    | Activities             | Activities            |
| Governmental activities                          |                       |                      |                     |                  |                        |                       |
| Administration                                   | \$ 12,801,745         | \$ —                 | \$ 18,328           | \$ —             | \$ (12,783,417)        | \$ (12,788,255)       |
| District support services                        | 9,142,598             | 141,218              | 2,500               | —                | (8,998,880)            | (8,262,007)           |
| Elementary and secondary regular instruction     | 160,761,078           | 5,966,969            | 8,323,802           | 35,164           | (146,435,143)          | (137,427,595)         |
| Vocational education instruction                 | 4,089,165             | 17,997               | 841,299             | —                | (3,229,869)            | (3,058,364)           |
| Special education instruction                    | 61,805,761            | 978,884              | 37,138,448          | —                | (23,688,429)           | (26,484,695)          |
| Instructional support services                   | 18,302,791            | 24,389               | 103,030             | —                | (18,175,372)           | (16,436,655)          |
| Pupil support services                           | 22,639,915            | 1,249,628            | 878,327             | —                | (20,511,960)           | (20,551,902)          |
| Sites and buildings                              | 24,878,718            | 245,482              | 6                   | 27,376           | (24,605,854)           | (25,116,824)          |
| Fiscal and other fixed cost programs             | 651,864               | —                    | —                   | —                | (651,864)              | (697,917)             |
| Food service                                     | 11,787,045            | 6,376,625            | 4,988,264           | —                | (422,156)              | (219,923)             |
| Community service                                | 7,954,502             | 3,373,200            | 1,749,902           | —                | (2,831,400)            | (2,520,455)           |
| Depreciation not allocated directly to programs  | 10,322,952            | —                    | —                   | —                | (10,322,952)           | (9,805,568)           |
| Interest and fiscal charges                      | 4,033,890             | —                    | —                   | —                | (4,033,890)            | (4,601,447)           |
| Total governmental activities                    | <u>\$ 349,172,024</u> | <u>\$ 18,374,392</u> | <u>\$54,043,906</u> | <u>\$ 62,540</u> | (276,691,186)          | (267,971,607)         |
| General revenue                                  |                       |                      |                     |                  |                        |                       |
| Taxes  |                       |                      |                     |                  |                        |                       |
| Property taxes, levied for general purposes      |                       |                      |                     |                  | 51,982,775             | 24,660,338            |
| Property taxes, levied for community service     |                       |                      |                     |                  | 1,678,863              | 850,036               |
| Property taxes, levied for facility improvement  |                       |                      |                     |                  | 6,220,053              | 6,020,570             |
| Property taxes, levied for debt service          |                       |                      |                     |                  | 19,185,246             | 18,533,559            |
| General grants and aids                          |                       |                      |                     |                  | 208,882,436            | 218,035,675           |
| Other general revenues                           |                       |                      |                     |                  | 383,544                | 2,329,934             |
| Investment earnings                              |                       |                      |                     |                  | 864,399                | 5,405,007             |
| Total general revenues                           |                       |                      |                     |                  | <u>289,197,316</u>     | <u>275,835,119</u>    |
| Change in net position                           |                       |                      |                     |                  | 12,506,130             | 7,863,512             |
| Net position – beginning, as previously reported |                       |                      |                     |                  | 186,476,099            | 178,612,587           |
| Change in accounting principle                   |                       |                      |                     |                  | (222,722,907)          | —                     |
| Net position – beginning, restated               |                       |                      |                     |                  | <u>(36,246,808)</u>    | <u>178,612,587</u>    |
| Net position – ending                            |                       |                      |                     |                  | <u>\$ (23,740,678)</u> | <u>\$ 186,476,099</u> |

See notes to basic financial statements

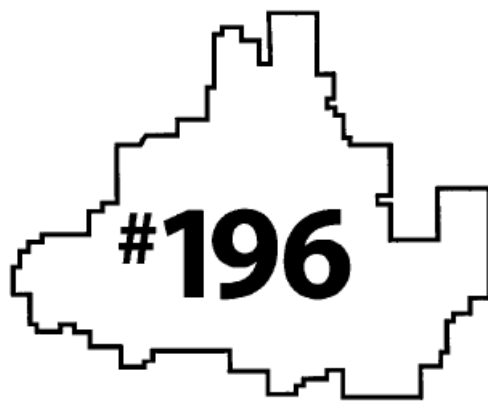
## INDEPENDENT SCHOOL DISTRICT NO. 196

Balance Sheet  
Governmental Funds  
as of June 30, 2015  
(With Partial Comparative Information as of June 30, 2014)

|  | General Fund          | Capital Projects –<br>Building<br>Construction Fund | Debt<br>Service Fund |
|--|-----------------------|---|----------------------|
| Assets   |                       |   |                      |
| Cash and temporary investments   | \$ 63,796,852         | \$ 1,047,169  | \$ 10,672,246        |
| Cash and investments held by trustee                                   | –                     | 2,078,529   | 12,270,384           |
| Receivables  |                       |   |                      |
| Current taxes  | 34,097,795            | –   | 8,043,160            |
| Delinquent taxes   | 391,145               | –   | 135,535              |
| Accounts and interest  | 424,409               | –   | 12,438               |
| Due from other governmental units                                      | 28,153,196            | –   | 75,381               |
| Due from other funds   | 1,400,000             | –   | 543                  |
| Inventory  | 736,833               | –   | –                    |
| Prepaid items  | 187,903               | –   | –                    |
|  | <u>\$ 129,188,133</u> | <u>\$ 3,125,698</u>                                 | <u>\$ 31,209,687</u> |
| Liabilities  |                       |   |                      |
| Salaries payable   | \$ 17,998,103         | \$ –  | \$ –                 |
| Accounts and contracts payable   | 16,096,484            | 1,402,240   | –                    |
| Due to other governmental units  | 3,695,810             | –   | –                    |
| Due to other funds   | 543                   | –   | –                    |
| Unearned revenue   | 134,840               | 1,727,246   | –                    |
| Total liabilities  | <u>37,925,780</u>     | <u>3,129,486</u>                                    | <u>–</u>             |
| Deferred inflows of resources  |                       |   |                      |
| Unavailable revenue – delinquent taxes                                 | 391,145               | –   | 135,535              |
| Property taxes levied for subsequent year                              | 58,938,559            | –   | 14,688,431           |
| Total deferred inflows of resources                                    | <u>59,329,704</u>     | <u>–</u>  | <u>14,823,966</u>    |
| Fund balances (deficits)   |                       |   |                      |
| Nonspendable   | 924,736               | –   | –                    |
| Restricted   | 3,296,572             | 275,224   | 16,385,721           |
| Assigned   | 6,636,835             | –   | –                    |
| Unassigned   | 21,074,506            | (279,012)   | –                    |
| Total fund balances (deficits)   | <u>31,932,649</u>     | <u>(3,788)</u>                                      | <u>16,385,721</u>    |
|  | <u>\$ 129,188,133</u> | <u>\$ 3,125,698</u>                                 | <u>\$ 31,209,687</u> |
| Total liabilities, deferred inflows of<br>resources, and fund balances |                       |   |                      |
|  | <u>\$ 129,188,133</u> | <u>\$ 3,125,698</u>                                 | <u>\$ 31,209,687</u> |

See notes to basic financial statements

| Nonmajor Funds      | Total Governmental Funds |                       |
|---------------------|--------------------------|-----------------------|
|                     | 2015                     | 2014                  |
| \$ 5,088,461        | \$ 80,604,728            | \$ 82,550,530         |
| —                   | 14,348,913               | 24,093,365            |
| 914,828             | 43,055,783               | 42,876,055            |
| 11,732              | 538,412                  | 733,788               |
| 44,814              | 481,661                  | 529,618               |
| 478,780             | 28,707,357               | 29,325,539            |
| —                   | 1,400,543                | 235                   |
| 119,599             | 856,432                  | 854,878               |
| 12,690              | 200,593                  | 257,716               |
| <u>\$ 6,670,904</u> | <u>\$ 170,194,422</u>    | <u>\$ 181,221,724</u> |
| \$ 558,909          | \$ 18,557,012            | \$ 18,271,343         |
| 419,571             | 17,918,295               | 21,364,948            |
| 2,421               | 3,698,231                | 3,085,145             |
| —                   | 543                      | 235                   |
| 647,472             | 2,509,558                | 774,481               |
| <u>1,628,373</u>    | <u>42,683,639</u>        | <u>43,496,152</u>     |
| 11,732              | 538,412                  | 733,788               |
| 1,671,226           | 75,298,216               | 75,112,544            |
| <u>1,682,958</u>    | <u>75,836,628</u>        | <u>75,846,332</u>     |
| 132,289             | 1,057,025                | 1,112,594             |
| 3,227,284           | 23,184,801               | 33,586,790            |
| —                   | 6,636,835                | 8,451,360             |
| —                   | 20,795,494               | 18,728,496            |
| <u>3,359,573</u>    | <u>51,674,155</u>        | <u>61,879,240</u>     |
| <u>\$ 6,670,904</u> | <u>\$ 170,194,422</u>    | <u>\$ 181,221,724</u> |





INDEPENDENT SCHOOL DISTRICT NO. 196

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   | \$ 51,674,155          | \$ 61,879,240         |
| 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   | 444,370,867            | 428,329,935           |
| Accumulated depreciation   | (221,060,336)          | (209,752,400)         |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses. |                        |                       |
| General obligation bonds payable   | (81,775,000)           | (99,705,000)          |
| Certificates of participation payable  | (14,955,000)           | (15,955,000)          |
| (Premium) discount on bonds  | (3,768,638)            | (4,270,288)           |
| Capital leases payable   | (10,519,319)           | (7,594,863)           |
| Net pension liability – PERA   | (40,201,196)           | –                     |
| Net pension liability – TRA  | (153,711,262)          | –                     |
| Accrued vacation payable   | (3,284,150)            | (3,436,701)           |
| Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.  |                        |                       |
|  | (1,702,413)            | (1,753,533)           |
| 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.                                      |                        |                       |
|  | 35,550,885             | 38,000,921            |
| 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   | 34,289,912             | –                     |
| Deferred inflows – PERA and TRA pension plans  | (59,187,595)           | –                     |
| Deferred inflows – delinquent property taxes   | 538,412                | 733,788               |
| Total net position – governmental activities   | <u>\$ (23,740,678)</u> | <u>\$ 186,476,099</u> |

See notes to basic financial statements

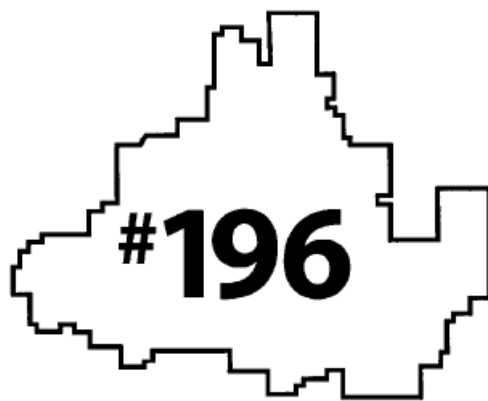
INDEPENDENT SCHOOL DISTRICT NO. 196

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)

|  | General Fund  | Capital Projects –<br>Building<br>Construction Fund | Debt<br>Service Fund |
|--|---------------|---|----------------------|
| Revenue  |               |   |                      |
| Local sources                                    |               |   |                      |
| Property taxes                                   | \$ 58,338,748 | \$ –  | \$ 19,240,242        |
| Investment earnings                              | 159,506       | 963   | 25,897               |
| Other  | 11,300,222    | 27,375  | –                    |
| State sources                                    | 244,220,251   | –   | 3,553                |
| Federal sources                                  | 8,318,522     | –   | –                    |
| Total revenue                                    | 322,337,249   | 28,338  | 19,269,692           |
| Expenditures                                     |               |   |                      |
| Current  |               |   |                      |
| Administration                                   | 13,188,527    | –   | –                    |
| District support services                        | 8,802,535     | –   | –                    |
| Elementary and secondary regular instruction     | 160,442,599   | –   | –                    |
| Vocational education instruction                 | 4,161,539     | –   | –                    |
| Special education instruction                    | 62,011,436    | –   | –                    |
| Instructional support services                   | 18,361,748    | –   | –                    |
| Pupil support services                           | 22,991,342    | –   | –                    |
| Sites and buildings                              | 21,468,077    | –   | –                    |
| Fiscal and other fixed cost programs             | 651,864       | –   | –                    |
| Food service                                     | –             | –   | –                    |
| Community service                                | 163,557       | –   | –                    |
| Capital outlay                                   | –             | 18,604,915  | –                    |
| Debt service                                     |               |   |                      |
| Principal  | 2,275,544     | –   | 15,605,000           |
| Interest and fiscal charges                      | 801,060       | –   | 3,785,600            |
| Total expenditures                               | 315,319,828   | 18,604,915  | 19,390,600           |
| Excess (deficiency) of revenue over expenditures | 7,017,421     | (18,576,577)  | (120,908)            |
| Other financing sources (uses)                   |               |   |                      |
| Refunding bonds issued                           | –             | –   | –                    |
| Capital lease                                    | –             | 4,200,000   | –                    |
| Certificates of participation                    | –             | –   | –                    |
| Debt issuance premiums                           | –             | –   | –                    |
| Bond refunding payments                          | –             | –   | (2,325,000)          |
| Sale of capital assets                           | 10,180        | –   | –                    |
| Transfers in                                     | –             | 6,220,053   | –                    |
| Transfers (out)                                  | (6,225,838)   | –   | –                    |
| Total other financing sources (uses)             | (6,215,658)   | 10,420,053  | (2,325,000)          |
| Net change in fund balances                      | 801,763       | (8,156,524)   | (2,445,908)          |
| Fund balances (deficits)                         |               |   |                      |
| Beginning of year                                | 31,130,886    | 8,152,736   | 18,831,629           |
| End of year                                      | \$ 31,932,649 | \$ (3,788)  | \$ 16,385,721        |

See notes to basic financial statements

| Nonmajor Funds | Total Governmental Funds |               |
|----------------|--------------------------|---------------|
|                | 2015                     | 2014          |
| \$ 1,683,323   | \$ 79,262,313            | \$ 50,312,679 |
| 10,898         | 197,264                  | 254,245       |
| 9,855,768      | 21,183,365               | 24,827,075    |
| 3,047,020      | 247,270,824              | 251,943,911   |
| 4,502,392      | 12,820,914               | 12,123,310    |
| 19,099,401     | 360,734,680              | 339,461,220   |
| —              | 13,188,527               | 12,662,675    |
| —              | 8,802,535                | 8,245,964     |
| —              | 160,442,599              | 151,453,547   |
| —              | 4,161,539                | 3,899,432     |
| —              | 62,011,436               | 60,749,987    |
| —              | 18,361,748               | 16,734,739    |
| —              | 22,991,342               | 23,318,080    |
| —              | 21,468,077               | 22,906,580    |
| —              | 651,864                  | 697,917       |
| 11,509,963     | 11,509,963               | 11,253,357    |
| 7,576,070      | 7,739,627                | 9,784,435     |
| 423,569        | 19,028,484               | 13,388,239    |
| —              | 17,880,544               | 16,460,404    |
| —              | 4,586,660                | 4,897,774     |
| 19,509,602     | 372,824,945              | 356,453,130   |
| (410,201)      | (12,090,265)             | (16,991,910)  |
| —              | —                        | 2,230,000     |
| —              | 4,200,000                | 96,569        |
| —              | —                        | 13,710,000    |
| —              | —                        | 325,933       |
| —              | (2,325,000)              | (26,850,000)  |
| —              | 10,180                   | 8,143         |
| 5,785          | 6,225,838                | 6,128,424     |
| —              | (6,225,838)              | (6,128,424)   |
| 5,785          | 1,885,180                | (10,479,355)  |
| (404,416)      | (10,205,085)             | (27,471,265)  |
| 3,763,989      | 61,879,240               | 89,350,505    |
| \$ 3,359,573   | \$ 51,674,155            | \$ 61,879,240 |



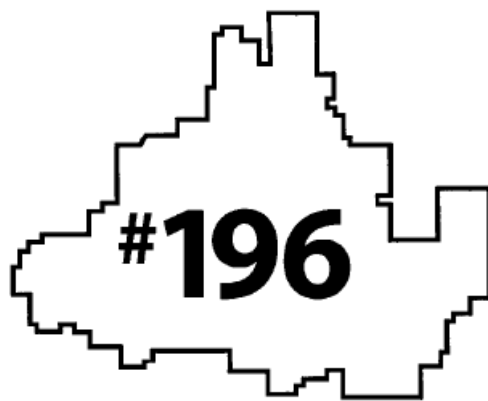
INDEPENDENT SCHOOL DISTRICT NO. 196

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)

|  | 2015                 | 2014                |
|--|----------------------|---------------------|
| Total net change in fund balances – governmental funds   | \$ (10,205,085)      | \$ (27,471,265)     |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |                      |                     |
| Capital outlays are recorded as assets in the Statement of 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  | 17,768,343           | 13,285,256          |
| Depreciation expense   | (12,924,620)         | (12,406,640)        |
| 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.   |                      |                     |
|  | (110,727)            | (309,530)           |
| 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.   |                      |                     |
|  | (4,200,000)          | (16,036,569)        |
| Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.   |                      |                     |
| General obligation bonds and certificates of participation   | 18,930,000           | 42,085,000          |
| Capital leases   | 1,275,544            | 1,225,404           |
| 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.  |                      |                     |
|  | 51,120               | 281,520             |
| 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.                  |                      |                     |
|  | 501,650              | (311,126)           |
| Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.   |                      |                     |
| Net pension liability – PERA   | 6,389,189            | –                   |
| Net pension liability – TRA  | 36,337,354           | –                   |
| Accrued vacation payable   | 152,551              | (123,785)           |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.               |                      |                     |
|  | (2,450,036)          | 7,893,423           |
| 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   | 20,373,818           | –                   |
| Deferred inflows – PERA and TRA pension plans  | (59,187,595)         | –                   |
| Deferred inflows – delinquent property taxes   | (195,376)            | (248,176)           |
| Change in net position – governmental activities   | <u>\$ 12,506,130</u> | <u>\$ 7,863,512</u> |

See notes to basic financial statements



INDEPENDENT SCHOOL DISTRICT NO. 196

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

|  | Budgeted Amounts      |                       | Actual               | Over (Under)<br>Final Budget |
|--|-----------------------|-----------------------|----------------------|------------------------------|
|  | Original              | Final                 |                      |                              |
| Revenue  |                       |                       |                      |                              |
| Local sources                                    |                       |                       |                      |                              |
| Property taxes                                   | \$ 57,589,150         | \$ 57,589,150         | \$ 58,338,748        | \$ 749,598                   |
| Investment earnings                              | 100,000               | 100,000               | 159,506              | 59,506                       |
| Other  | 7,941,340             | 8,185,562             | 11,300,222           | 3,114,660                    |
| State sources                                    | 243,477,996           | 244,510,362           | 244,220,251          | (290,111)                    |
| Federal sources                                  | 7,842,704             | 8,672,729             | 8,318,522            | (354,207)                    |
| Total revenue                                    | <u>316,951,190</u>    | <u>319,057,803</u>    | <u>322,337,249</u>   | <u>3,279,446</u>             |
| Expenditures                                     |                       |                       |                      |                              |
| Current  |                       |                       |                      |                              |
| Administration                                   | 13,345,981            | 12,768,445            | 13,188,527           | 420,082                      |
| District support services                        | 10,612,824            | 11,060,031            | 8,802,535            | (2,257,496)                  |
| Elementary and secondary regular instruction     | 161,542,903           | 165,726,200           | 160,442,599          | (5,283,601)                  |
| Vocational education instruction                 | 4,147,057             | 4,112,123             | 4,161,539            | 49,416                       |
| Special education instruction                    | 61,731,688            | 62,103,030            | 62,011,436           | (91,594)                     |
| Community service                                | 147,452               | 95,832                | 163,557              | 67,725                       |
| Instructional support services                   | 15,210,873            | 16,089,444            | 18,361,748           | 2,272,304                    |
| Pupil support services                           | 23,868,885            | 23,956,169            | 22,991,342           | (964,827)                    |
| Sites and buildings                              | 22,726,841            | 22,581,307            | 21,468,077           | (1,113,230)                  |
| Fiscal and other fixed cost programs             | 781,771               | 781,771               | 651,864              | (129,907)                    |
| Debt service                                     |                       |                       |                      |                              |
| Principal  | 2,275,544             | 2,275,544             | 2,275,544            | —                            |
| Interest and fiscal charges                      | 801,061               | 801,061               | 801,060              | (1)                          |
| Total expenditures                               | <u>317,192,880</u>    | <u>322,350,957</u>    | <u>315,319,828</u>   | <u>(7,031,129)</u>           |
| Excess (deficiency) of revenue over expenditures | (241,690)             | (3,293,154)           | 7,017,421            | 10,310,575                   |
| Other financing sources (uses)                   |                       |                       |                      |                              |
| Sale of capital assets                           | —                     | —                     | 10,180               | 10,180                       |
| Transfers in                                     | 1,400,000             | 1,400,000             | —                    | (1,400,000)                  |
| Transfers (out)                                  | (6,220,053)           | (6,220,053)           | (6,225,838)          | (5,785)                      |
| Total other financing sources (uses)             | <u>(4,820,053)</u>    | <u>(4,820,053)</u>    | <u>(6,215,658)</u>   | <u>(1,395,605)</u>           |
| Net change in fund balances                      | <u>\$ (5,061,743)</u> | <u>\$ (8,113,207)</u> | 801,763              | <u>\$ 8,914,970</u>          |
| Fund balances                                    |                       |                       |                      |                              |
| Beginning of year                                |                       |                       | <u>31,130,886</u>    |                              |
| End of year                                      |                       |                       | <u>\$ 31,932,649</u> |                              |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 196

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                    | \$ 29,568,181               | \$ 27,927,495               |
| Receivables                                       |                             |                             |
| Accounts and interest                             | 18,843                      | 26,169                      |
| Restricted assets                                 |                             |                             |
| Cash and cash equivalents                         | 31,966,771                  | 32,728,523                  |
| Investments                                       | 18,062,731                  | 16,651,507                  |
| Total assets                                      | <u>79,616,526</u>           | <u>77,333,694</u>           |
| Liabilities                                       |                             |                             |
| Current liabilities                               |                             |                             |
| Severance benefits payable                        | 2,540,974                   | 3,486,487                   |
| Claims payable                                    | 3,768,654                   | 2,715,999                   |
| Due to other funds                                | 1,400,000                   | —                           |
| Unearned revenue                                  | 6,757,902                   | 6,546,645                   |
| Total current liabilities                         | <u>14,467,530</u>           | <u>12,749,131</u>           |
| Long-term liabilities                             |                             |                             |
| Severance benefits payable                        | 10,210,492                  | 10,013,078                  |
| Net obligation for other post-employment benefits | 19,387,619                  | 16,570,564                  |
| Total long-term liabilities                       | <u>29,598,111</u>           | <u>26,583,642</u>           |
| Total liabilities                                 | 44,065,641                  | 39,332,773                  |
| Net position                                      |                             |                             |
| Restricted for other post-employment benefits     | 29,241,883                  | 32,809,466                  |
| Unrestricted                                      | 6,309,002                   | 5,191,455                   |
| Total net position                                | <u><u>\$ 35,550,885</u></u> | <u><u>\$ 38,000,921</u></u> |

See notes to basic financial statements

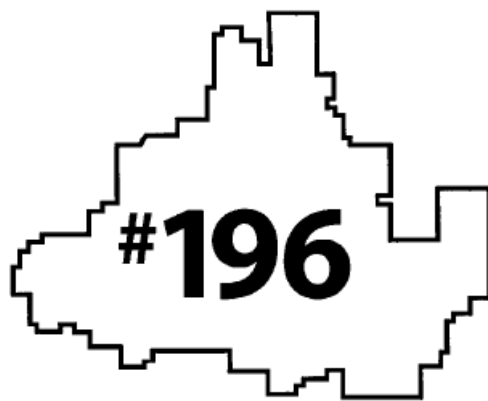


INDEPENDENT SCHOOL DISTRICT NO. 196

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                     |                             |                             |
| Local sources                         |                             |                             |
| Contributions from governmental funds | \$ 39,852,581               | \$ 40,250,350               |
| Contributions from employees          | <u>5,503,936</u>            | <u>5,460,365</u>            |
| Total operating revenue               | <u>45,356,517</u>           | <u>45,710,715</u>           |
| Operating expenses                    |                             |                             |
| Severance benefits                    | 711,441                     | 951,131                     |
| Other post-employment benefits        | 5,688,651                   | 5,462,592                   |
| Self-insured benefits                 | <u>42,073,596</u>           | <u>36,554,331</u>           |
| Total operating expenses              | <u>48,473,688</u>           | <u>42,968,054</u>           |
| Operating income (loss)               | (3,117,171)                 | 2,742,661                   |
| Nonoperating revenue                  |                             |                             |
| Investment earnings                   | <u>667,135</u>              | <u>5,150,762</u>            |
| Change in net position                | (2,450,036)                 | 7,893,423                   |
| Net position                          |                             |                             |
| Beginning of year                     | <u>38,000,921</u>           | <u>30,107,498</u>           |
| End of year                           | <u><u>\$ 35,550,885</u></u> | <u><u>\$ 38,000,921</u></u> |

See notes to basic financial statements



## INDEPENDENT SCHOOL DISTRICT NO. 196

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   |                             |                             |
| Received from assessments made to other funds  | \$ 41,458,153               | \$ 40,348,225               |
| Received from employee contributions   | 5,503,936                   | 5,460,365                   |
| Severance, other post-employment benefits,<br>and self-insurance claims                  | <u>(45,352,077)</u>         | <u>(41,013,154)</u>         |
| Net cash flows from operating activities   | 1,610,012                   | 4,795,436                   |
| Cash flows from investing activities   |                             |                             |
| Purchase of investments  | (3,847,849)                 | (6,500,250)                 |
| Sale of investments  | 2,436,625                   | 4,063,337                   |
| Interest on investments  | <u>680,146</u>              | <u>5,143,794</u>            |
| Net cash flows from investing activities   | <u>(731,078)</u>            | <u>2,706,881</u>            |
| Net change in cash and cash equivalents  | 878,934                     | 7,502,317                   |
| Cash and cash equivalents  |                             |                             |
| Beginning of year  | <u>60,656,018</u>           | <u>53,153,701</u>           |
| End of year  | <u><u>\$ 61,534,952</u></u> | <u><u>\$ 60,656,018</u></u> |
| Reconciliation of operating income (loss) to net<br>cash flows from operating activities |                             |                             |
| Operating income (loss)  | \$ (3,117,171)              | \$ 2,742,661                |
| Adjustments to reconcile operating income<br>to net cash flows from operating activities |                             |                             |
| Changes in assets and liabilities  |                             |                             |
| Accounts receivable  | (5,685)                     | 220                         |
| Due to other funds   | 1,400,000                   | —                           |
| Severance benefits payable   | (748,099)                   | 2,090                       |
| Net obligation for other post-employment benefits  | 2,817,055                   | 1,832,608                   |
| Claims payable   | 1,052,655                   | 120,202                     |
| Unearned revenue   | <u>211,257</u>              | <u>97,655</u>               |
| Net cash flows from operating activities   | <u><u>\$ 1,610,012</u></u>  | <u><u>\$ 4,795,436</u></u>  |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 196

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

|  | Employee<br>Benefit<br>Trust Fund | Scholarship<br>Private-Purpose<br>Trust Fund | Agency<br>Funds  |
|--|-----------------------------------|--|------------------|
| Assets   |                                   |  |                  |
| Current assets   |                                   |  |                  |
| Cash and temporary investments                         | \$ 466,923                        | \$ 20,615                                    | <u>\$ 94,008</u> |
| Liabilities  |                                   |  |                  |
| Current liabilities                                    |                                   |  |                  |
| Accounts and contracts payable                         | <u>—</u>                          | <u>—</u>                                     | <u>\$ 94,008</u> |
| Net position   |                                   |  |                  |
| Held in trust for employee benefits and other purposes | <u>\$ 466,923</u>                 | <u>\$ 20,615</u>                             |                  |

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

|                        | Employee<br>Benefit<br>Trust Fund | Scholarship<br>Private-Purpose<br>Trust Fund |
|------------------------|-----------------------------------|--|
| Additions              |                                   |  |
| Contributions          |                                   |  |
| From plan members      | \$ 1,547,985                      | \$ —   |
| Deductions             |                                   |  |
| Employee benefits      | 1,499,211                         | —  |
| Scholarships           | <u>—</u>                          | <u>1,000</u>                                 |
| Total deductions       | <u>1,499,211</u>                  | <u>1,000</u>                                 |
| Change in net position | 48,774                            | (1,000)                                      |
| Net position           |                                   |  |
| Beginning of year      | <u>418,149</u>                    | <u>21,615</u>                                |
| End of year            | <u>\$ 466,923</u>                 | <u>\$ 20,615</u>                             |

See notes to basic financial statements

## INDEPENDENT SCHOOL DISTRICT NO. 196

### Notes to Basic Financial Statements Year Ended June 30, 2015

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Organization**

Independent School District No. 196 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-member School Board elected by 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 \$1,039,832 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

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 “depreciation not allocated directly to programs.” 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. The proprietary (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 statements of the proprietary (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. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose 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 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 Minnesota Statutes (which include state aid funding formulas for specific fiscal years) and accounting principles generally accepted in the United States of America. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary and fiduciary funds use the accrual basis of accounting as described earlier in these notes. Proprietary and trust funds are reported using the economic resources measurement focus.

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

### Description of Funds

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

### Major Governmental Funds

**General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The District maintains three accounts within the General Fund:

**Operating Account** – The Operating Account is used to account for the general operations of the District.

**Pupil Transportation Account** – The Pupil Transportation Account is used to account for pupil transportation activities of the District.

**Capital Expenditure Account** – The Capital Expenditure Account is used to account for the maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

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

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation long-term debt principal, interest, and related costs. The District maintains a separate Other Post-Employment Benefits (OPEB) Account within the Debt Service Fund to account for OPEB-related debt activity. All other debt service is recorded in the General Debt Service Account.

### 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.

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

**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**

**Internal Service Funds** – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District has established four internal service funds to account for the District's liabilities for severance benefits, OPEB, self-insured dental benefits, and self-insured health benefits.

### **Fiduciary Funds**

**Employee Benefit Trust Fund** – The District maintains an Employee Benefit Trust Fund 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).

**Scholarship Private-Purpose Trust Fund** – The Scholarship Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to students.

**Agency Funds** – Agency funds are established to account for cash and other assets held by the District as the agent for others. The District maintains two agency funds used to account for a Graduate Credit Program (a continuing education program organized for the benefit of district certified staff) and Local Collaborative Time Study (LCTS) grant funds.

### **E. Budgeting**

The School Board adopted annual budgets for the General Fund (including separate budgets for the Operating, Pupil Transportation, and Capital Expenditure Accounts), Food Service Special Revenue, Community Service Special Revenue, Capital Projects – Building Construction, and Debt Service Funds (including separate budgets for the General Account and OPEB Account). The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. All appropriations lapse at year-end. Actual expenditures for the year ended June 30, 2015 exceeded budget in the Debt Service Fund – General Account by \$288,074.

### **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, the Debt Service Fund, and all trust funds are allocated directly to those funds/accounts.

Cash and investments include balances held in segregated accounts established for specific purposes. In the Capital Projects – Building Construction Fund, this represents capital lease proceeds held by a trustee available for the renovation of an elementary school. In the Debt Service Fund, this includes assets held in an escrow for a future bond refunding. In the OPEB Internal Service Fund, this includes assets held in a revocable trust established to finance the District's OPEB liability. Investment income from these investments is allocated directly to these funds. In the government-wide financial statements, these accounts are reported as restricted assets.



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

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

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

### 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 delinquent property taxes receivable.

Amounts due from other governmental units at June 30, 2015 consist of the following:

|  | Governmental Funds   |                  |                   | Total                |
|--|----------------------|------------------|-------------------|----------------------|
|  | General              | Debt Service     | Nonmajor          |                      |
| Due from Minnesota Department of Education | \$ 27,580,093        | \$ 383           | \$ 472,264        | \$ 28,052,740        |
| Due from federal government                | 187,981              | –                | –                 | 187,981              |
| Due from Dakota County                     | 385,122              | 74,998           | 6,516             | 466,636              |
| Total due from other governmental units    | <u>\$ 28,153,196</u> | <u>\$ 75,381</u> | <u>\$ 478,780</u> | <u>\$ 28,707,357</u> |

### H. Inventories

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

### I. Prepaid Items

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

### J. Interfund Balances and Transfers

The current portion of interfund balances representative of lending/borrowing arrangements outstanding at year-end is reported as due to/due from other funds. Interfund balances and transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

At June 30, 2015, the OPEB Internal Service Fund had a payable of \$1,400,000 due to the General Fund for the reimbursement of OPEB expenditures from the revocable OPEB trust. The General Fund had a payable of \$543 due to the Debt Service Fund to allocate expenditures to the appropriate fund.

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

During the year, the District transferred \$6,220,053 from the General Fund to the Capital Projects – Building Construction Fund to allocate its alternative facilities levy to the fund from which it will be spent, and \$5,785 from the General Fund to the Community Service Special Revenue Fund to support community service operations.

### **K. Property Taxes**

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,327,567 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 the subsequent year).

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

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

### **L. 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 assets are generally sold for an immaterial amount or scrapped when 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 land improvements and buildings, and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

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

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

### **M. Long-Term Obligations**

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

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

### **N. Compensated Absences**

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Unused sick leave enters into the calculation of certain termination payments for some employees. Compensated absences are accrued in governmental fund financial statements only when used or matured prior to year-end due to employee termination or similar circumstances, and are paid by the General Fund and nonmajor special revenue funds. Unused vacation pay is accrued when incurred in the government-wide financial statements.

### **O. Severance Benefits**

The District provides lump sum severance benefits to eligible employees in accordance with provisions of certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. Severance benefits for any individual cannot exceed one year's salary.

Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan established under Internal Revenue Service Code Section 403(b). The amount of any severance benefits due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment. If the District's 403(b) matching contributions for an individual employee exceed the severance benefits due that individual, the excess would then reduce any OPEB (described later in these notes) earned by that individual.

Severance benefits are required to be paid out within 30 days following the effective date of retirement. Severance benefits for eligible teachers are paid into a post-retirement healthcare savings plan administered by the Minnesota State Retirement System. For other employees, severance benefits are paid into a pay deferral plan or healthcare savings plan as directed by the individual retirees.

The District has established a separate Internal Service Fund to account for its severance benefits liability. Severance benefits payable, along with any related benefit costs, are accrued in the government-wide and proprietary fund financial statements as they are earned and it becomes probable they will vest at some point in the future.

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

### P. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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. Risk Management

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2015.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its uninsured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

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

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of dental claim liabilities for the last two years were as follows:

| Fiscal Year<br>Ended<br>June 30, | Claims Payable<br>Beginning<br>of Year | Current<br>Year Claims<br>and Changes<br>in Estimates | Claim Payments | Claims Payable<br>End of Year |
|----------------------------------|--|---|----------------|-------------------------------|
| 2014                             | \$ 8,424                               | \$ 313,130  | \$ 310,984     | \$ 10,570                     |
| 2015                             | \$ 10,570                              | \$ 326,845  | \$ 328,355     | \$ 9,060                      |

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

Changes in the balance for health insurance claim liabilities for the last two years were as follows:

| <u>Fiscal Year<br/>Ended<br/>June 30,</u> | <u>Claims Payable<br/>Beginning<br/>of Year</u> | <u>Current<br/>Year Claims<br/>and Changes<br/>in Estimates</u> | <u>Claim Payments</u> | <u>Claims Payable<br/>End of Year</u> |
|---|---|---|-----------------------|---------------------------------------|
| 2014                                      | \$ 2,587,373                                    | \$ 36,241,201   | \$ 36,123,145         | \$ 2,705,429                          |
| 2015                                      | \$ 2,705,429                                    | \$ 41,746,751   | \$ 40,692,586         | \$ 3,759,594                          |

**R. Deferred 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, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

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

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

The third item, deferred inflows of resources related to pensions, is reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

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

### S. Fund Balances

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

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

### T. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted** – 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.

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

### **U. 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.

### **V. Deficit Fund Balance and Net Position**

At June 30, 2015, the Capital Projects – Building Construction Fund reported a fund balance deficit of \$3,788. This deficit will be eliminated through future alternative facilities levies.

At June 30, 2015, the Severance Benefits Internal Service Fund reported a deficit net position of \$3,256,167. This deficit will be eliminated through future contributions from the governmental funds.

### **W. Restricted Assets**

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

### **X. 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.

### **Y. 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 statements as of June 30, 2014 was decreased by \$222,722,907. This change reflects the District’s proportionate share of the net pension liabilities (\$236,639,001 decrease in net position) and related deferred outflows of resources (\$13,916,094 increase in net position) for the PERA and 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     | \$ 34,666,995                |
| Investments  | 140,457,610                  |
| Cash on hand | <u>8,265</u>                 |
| Total        | <u><u>\$ 175,132,870</u></u> |

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

|  |                              |
|--|------------------------------|
| Statement of Net Position                                    |                              |
| Cash and temporary investments                               | \$ 110,172,909               |
| Restricted assets – cash and investments for OPEB            | 50,029,502                   |
| Restricted assets – cash and investments for construction    | 2,078,529                    |
| Restricted assets – cash and investments for bond refunding  | 12,270,384                   |
| Statement of Fiduciary Net Position                          |                              |
| Cash and temporary investments – Employee Benefit Trust Fund | 466,923                      |
| Cash and temporary investments – Private-Purpose Trust Fund  | 20,615                       |
| Cash and temporary investments – Agency Fund                 | <u>94,008</u>                |
| Total  | <u><u>\$ 175,132,870</u></u> |

### B. Deposits

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

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

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

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

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

At year-end, the carrying amount of the District’s deposits was \$34,666,995, and the balance on the bank records was \$34,675,516. All deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.



## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District has the following investments at year-end:

| Investment Type                       | Credit Risk |         | Interest Risk – Maturity Duration in Years |               |           | Total                 |
|---------------------------------------|-------------|---------|--|---------------|-----------|-----------------------|
|                                       | Rating      | Agency  | No Maturity<br>Date                        | Less Than 1   | 1 to 5    |                       |
| State and local time deposits (SLUGS) | N/R         | N/A     | \$ –                                       | \$ 12,270,384 | \$ –      | \$ 12,270,384         |
| U.S. agency securities                | AA          | S&P     | –  | 456,224       | 1,763,826 | 2,220,050             |
| Corporate obligations                 | AAA         | S&P     | –  | –             | 880,540   | 880,540               |
| Corporate obligations                 | Aa          | Moody's | –  | –             | 200,170   | 200,170               |
| Corporate obligations                 | AA          | S&P     | –  | 406,996       | 1,129,372 | 1,536,368             |
| Corporate obligations                 | A           | Moody's | –  | –             | 2,128,920 | 2,128,920             |
| Corporate obligations                 | A           | S&P     | –  | 1,243,889     | 7,844,648 | 9,088,537             |
| Corporate obligations                 | Baa         | Moody's | –  | –             | 650,133   | 650,133               |
| Corporate obligations                 | BBB         | S&P     | –  | –             | 1,358,014 | 1,358,014             |
| Commercial paper                      | A-1         | S&P     | –  | 29,266,396    | –         | 29,266,396            |
| Negotiable certificates of deposit    | N/R         | N/A     | –  | 747,447       | –         | 747,447               |
| Equities                              | N/R         | N/A     | 9,761,731                                  | –             | –         | 9,761,731             |
| Real estate investment trusts         | N/R         | N/A     | 100,067                                    | –             | –         | 100,067               |
| Investment pools/mutual funds         | AAA         | S&P     | 37,827,006                                 | 11,200,000    | N/A       | 49,027,006            |
| Investment pools/mutual funds         | N/R         | N/A     | 21,221,847                                 | –             | –         | 21,221,847            |
| Total investments                     |             |         |  |               |           | <u>\$ 140,457,610</u> |

N/A – Not Applicable

N/R – Not Rated

The amount in investment pools/mutual funds includes \$5,164,862 invested in the Minnesota School District Liquid Asset Fund and \$42,979,145 invested in the MnTrust Investment Shares Portfolio. These funds are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in these funds is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximated 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 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.

**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.

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

### NOTE 3 – CAPITAL ASSETS

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

|                                       | Balance –<br>Beginning<br>of Year | Additions    | Deletions    | Completed<br>Construction | Balance –<br>End of Year |
|---------------------------------------|-----------------------------------|--------------|--------------|---------------------------|--------------------------|
| Capital assets, not depreciated       |                                   |              |              |                           |                          |
| Land                                  | \$ 8,870,712                      | \$ –         | \$ –         | \$ –                      | \$ 8,870,712             |
| Construction in progress              | 7,619,954                         | 14,802,261   | –            | (2,368,123)               | 20,054,092               |
| Total capital assets, not depreciated | 16,490,666                        | 14,802,261   | –            | (2,368,123)               | 28,924,804               |
| Capital assets, depreciated           |                                   |              |              |                           |                          |
| Land improvements                     | 12,841,906                        | –            | –            | 107,007                   | 12,948,913               |
| Buildings                             | 348,679,229                       | 399,692      | (227,647)    | 1,943,380                 | 350,794,654              |
| Furniture and equipment               | 50,318,134                        | 2,566,390    | (1,499,764)  | 317,736                   | 51,702,496               |
| Total capital assets, depreciated     | 411,839,269                       | 2,966,082    | (1,727,411)  | 2,368,123                 | 415,446,063              |
| Less accumulated depreciation for     |                                   |              |              |                           |                          |
| Land improvements                     | (9,440,731)                       | (327,324)    | –            | –                         | (9,768,055)              |
| Buildings                             | (166,825,906)                     | (9,144,770)  | 154,917      | –                         | (175,815,759)            |
| Furniture and equipment               | (33,485,763)                      | (3,452,526)  | 1,461,767    | –                         | (35,476,522)             |
| Total accumulated depreciation        | (209,752,400)                     | (12,924,620) | 1,616,684    | –                         | (221,060,336)            |
| Net capital assets, depreciated       | 202,086,869                       | (9,958,538)  | (110,727)    | 2,368,123                 | 194,385,727              |
| Total capital assets, net             | \$ 218,577,535                    | \$ 4,843,723 | \$ (110,727) | \$ –                      | \$ 223,310,531           |

Depreciation expense for the year ended June 30, 2015 was charged to the following governmental functions:

|   |               |
|---|---------------|
| Administration                                  | \$ 9,524      |
| District support services                       | 79,208        |
| Elementary and secondary regular instruction    | 851,767       |
| Vocational education instruction                | 12,229        |
| Special education instruction                   | 22,630        |
| Community education                             | 2,167         |
| Instructional support                           | 11,522        |
| Pupil support services – transportation         | 1,231,522     |
| Food services                                   | 87,512        |
| Sites and buildings                             | 293,587       |
| Depreciation not allocated directly to programs | 10,322,952    |
| Total depreciation expense                      | \$ 12,924,620 |

## 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 | Final Maturity | Principal Outstanding |
|--|------------|---------------|----------------|----------------|-----------------------|
| 2005A School Building Bonds            | 08/01/2005 | 3.50–5.00%    | \$ 20,125,000  | 02/01/2025     | \$ 12,125,000         |
| 2009A Taxable OPEB Bonds               | 02/12/2009 | 3.00–5.00%    | \$ 37,440,000  | 02/01/2019     | 34,055,000            |
| 2012C Refunding Bonds                  | 06/07/2012 | 3.00–4.50%    | \$ 24,210,000  | 02/01/2025     | 21,595,000            |
| 2013A Refunding Bonds                  | 06/15/2013 | 2.00–3.00%    | \$ 12,100,000  | 02/01/2025     | 12,100,000            |
| 2014A Refunding Bonds                  | 06/04/2014 | 3.00%         | \$ 2,230,000   | 02/01/2020     | 1,900,000             |
| Total general obligation bonds payable |            |               |                |                | <u>\$ 81,775,000</u>  |

These bonds were issued to finance the acquisition and/or construction of capital facilities, the retirement (refunding) of prior bond issues, or OPEB. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds and notes. The annual future debt service levies authorized equal 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 June 2013, the District issued \$12,100,000 of General Obligation School Building Refunding Bonds, Series 2013A. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2016 through 2025 maturities of the District's 2005A General Obligation School Building Bonds. The proceeds of the 2013A issue have been placed in an escrow account pending the August 1, 2015 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 2013A 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 2013A issue. This advance "crossover refunding" will reduce the District's total future debt service payments by approximately \$1,462,345 and will result in present value savings of approximately \$1,310,486.

In June 2014, the District issued \$2,230,000 of General Obligation School Building Refunding Bonds, Series 2014A. The proceeds of this issue and interest earned thereon were used to refund, in advance of their stated maturities, the 2015 through 2019 maturities of the District's 2005B General Obligation School Building Refunding Bonds, on the August 1, 2014 call date of the refunded issue. This advance "crossover refunding" reduced the District's total future debt service payments by approximately \$177,955 and resulted in present value savings of approximately \$172,614.

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

### B. Certificates of Participation

The District issued certificates of participation of \$2,705,000 in October 2010 to finance the purchase and renovation of a building. This debt requires semiannual principal and interest payments of varying amounts (at rates ranging from 2.0 to 3.5 percent) for 15 years, maturing in April 2026. These certificates are being repaid from the General Fund.

The District issued certificates of participation of \$13,710,000 in December 2013 to finance the construction of a new Early Childhood/Adult Education facility. This debt requires semiannual principal and interest payments of varying amounts (at rates ranging from 2.0 to 4.0 percent) for 15 years, maturing in February 2029. These certificates are being repaid from the General Fund.

### C. Capital Leases

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

| Asset Leased   | Asset Value<br>Capitalized | Interest<br>Rate | Lease Date | Final<br>Maturity | Principal<br>Outstanding |
|--|----------------------------|------------------|------------|-------------------|--------------------------|
| Dakota Ridge Building – refunding secured by land and building   | \$ 6,646,800               | 4.49%            | 11/30/2006 | 02/01/2016        | \$ 525,751               |
| Additions to four elementary schools – secured by ground lease on land and additions                                     | \$ 4,213,517               | 4.25–5.00%       | 05/20/1999 | 02/01/2019        | 1,251,217                |
| Addition to Red Pine Elementary School – secured by ground lease on land and additions                                   | \$ 475,000                 | 4.75–5.70%       | 04/01/2000 | 02/01/2016        | 45,000                   |
| Generators – School of Environmental Studies and Red Pine Elementary – final purchase option of \$1 at end of lease term | \$ 392,979                 | 5.50%            | 08/31/2009 | 08/31/2019        | 190,221                  |
| Maintenance vehicles and equipment – final purchase option of \$1 at end of lease term                                   | \$ 449,937                 | 2.13–2.55%       | 10/01/2011 | 08/01/2015        | 91,959                   |
| ATP Building – final purchase option of \$1 at end of lease term   | \$ 5,028,875               | 4.54%            | 06/29/2012 | 06/01/2027        | 4,182,667                |
| High school band uniforms – ownership transfers to the District at end of the lease term                                 | \$ 96,569 *                | 4.00%            | 05/17/2013 | 9/15/2015         | 32,504                   |
| Parkview Elementary School – final purchase option of \$1 at end of lease term   | \$ 4,200,000               | 2.91%            | 11/25/2014 | 02/01/2030        | 4,200,000                |
|  |                            |                  |            |                   | <u>\$ 10,519,319</u>     |

\*Band uniforms were not capitalized as value of individual assets was below the District's capitalization threshold.

Amortization of the assets capitalized through these lease agreements is included in depreciation expense in the government-wide financial statements. The amount charged to depreciation for the year ended June 30, 2015 was \$759,981.

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

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

|                               | Building             | Furniture and<br>Equipment | Total                |
|-------------------------------|----------------------|----------------------------|----------------------|
| Assets                        | \$ 20,564,192        | \$ 842,916                 | \$ 21,407,108        |
| Less accumulated depreciation | 10,309,265           | 319,696                    | 10,628,961           |
|                               | <u>\$ 10,254,927</u> | <u>\$ 523,220</u>          | <u>\$ 10,778,147</u> |

#### D. Minimum Debt Payments

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

| Year<br>Ending<br>June 30, | General Obligation Bonds |                      | Certificates of Participation |                     | Capital Leases       |                     |
|----------------------------|--------------------------|----------------------|-------------------------------|---------------------|----------------------|---------------------|
|                            | Principal                | Interest             | Principal                     | Interest            | Principal            | Interest            |
| 2016                       | \$ 22,995,000            | \$ 3,119,152         | \$ 925,000                    | \$ 482,644          | \$ 1,531,882         | \$ 351,524          |
| 2017                       | 11,460,000               | 2,422,220            | 945,000                       | 463,731             | 890,214              | 273,847             |
| 2018                       | 11,885,000               | 1,953,470            | 960,000                       | 443,981             | 922,933              | 241,128             |
| 2019                       | 12,470,000               | 1,405,420            | 985,000                       | 415,181             | 956,969              | 207,093             |
| 2020                       | 3,455,000                | 830,770              | 1,025,000                     | 377,531             | 587,918              | 176,598             |
| 2021–2025                  | 19,510,000               | 2,171,653            | 5,625,000                     | 1,399,638           | 3,211,175            | 611,407             |
| 2026–2030                  | –                        | –                    | 4,490,000                     | 432,425             | 2,418,228            | 158,914             |
|                            | <u>\$ 81,775,000</u>     | <u>\$ 11,902,685</u> | <u>\$ 14,955,000</u>          | <u>\$ 4,015,131</u> | <u>\$ 10,519,319</u> | <u>\$ 2,020,511</u> |

#### E. Changes in Long-Term Liabilities

|                                       | Balance –<br>Beginning<br>of Year | Change in<br>Accounting<br>Principle* | Additions            | Retirements          | Balance –<br>End of Year | Due Within<br>One Year |
|---------------------------------------|-----------------------------------|---------------------------------------|----------------------|----------------------|--------------------------|------------------------|
| General obligation bonds payable      | \$ 99,705,000                     | \$ –                                  | \$ –                 | \$ 17,930,000        | \$ 81,775,000            | \$ 22,995,000          |
| Certificates of participation payable | 15,955,000                        | –                                     | –                    | 1,000,000            | 14,955,000               | 925,000                |
| Premiums                              | 4,464,741                         | –                                     | –                    | 587,092              | 3,877,649                | –                      |
| Discounts                             | (194,453)                         | –                                     | –                    | (85,442)             | (109,011)                | –                      |
| Total bonds payable                   | 119,930,288                       | –                                     | –                    | 19,431,650           | 100,498,638              | 23,920,000             |
| Capital leases payable                | 7,594,863                         | –                                     | 4,200,000            | 1,275,544            | 10,519,319               | 1,531,882              |
| Net pension liability – PERA          | –                                 | 46,590,385                            | 2,970,211            | 9,359,400            | 40,201,196               | –                      |
| Net pension liability – TRA           | –                                 | 190,048,616                           | 8,916,024            | 45,253,378           | 153,711,262              | –                      |
| Severance benefits payable            | 13,499,565                        | –                                     | 711,441              | 1,459,540            | 12,751,466               | 2,540,974              |
| Accrued vacation payable              | 3,436,701                         | –                                     | 2,364,667            | 2,517,218            | 3,284,150                | 601,760                |
| Net OPEB obligation                   | 16,570,564                        | –                                     | 5,688,651            | 2,871,596            | 19,387,619               | –                      |
|                                       | <u>\$ 161,031,981</u>             | <u>\$ 236,639,001</u>                 | <u>\$ 24,850,994</u> | <u>\$ 82,168,326</u> | <u>\$ 340,353,650</u>    | <u>\$ 28,594,616</u>   |

\*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 this report. Any restrictions which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. However, a description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

### A. Classifications

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

|   | General Fund         | Capital<br>Projects –<br>Building<br>Construction<br>Fund | Debt Service<br>Fund | Nonmajor<br>Funds   | Total                |
|---|----------------------|---|----------------------|---------------------|----------------------|
| <b>Nonspendable</b>                                       |                      |   |                      |                     |                      |
| Inventory   | \$ 736,833           | \$ –  | \$ –                 | \$ 119,599          | \$ 856,432           |
| Prepaid items   | 187,903              | –   | –                    | 12,690              | 200,593              |
| Total nonspendable  | 924,736              | –   | –                    | 132,289             | 1,057,025            |
| <b>Restricted</b>   |                      |   |                      |                     |                      |
| Health and safety   | 508,628              | –   | –                    | –                   | 508,628              |
| Operating capital   | 2,072,323            | –   | –                    | –                   | 2,072,323            |
| Capital projects levy                                     | 715,621              | –   | –                    | –                   | 715,621              |
| Community education programs                              | –                    | –   | –                    | 561,602             | 561,602              |
| Early childhood family education programs                 | –                    | –   | –                    | 381,284             | 381,284              |
| School readiness  | –                    | –   | –                    | 16,217              | 16,217               |
| Adult basic education                                     | –                    | –   | –                    | 440,581             | 440,581              |
| Building projects funded by certificates of participation | –                    | 275,224   | –                    | –                   | 275,224              |
| Bond refundings   | –                    | –   | 12,282,822           | –                   | 12,282,822           |
| Debt service  | –                    | –   | 4,102,899            | –                   | 4,102,899            |
| Food service  | –                    | –   | –                    | 1,826,450           | 1,826,450            |
| Community service   | –                    | –   | –                    | 1,150               | 1,150                |
| Total restricted  | 3,296,572            | 275,224   | 16,385,721           | 3,227,284           | 23,184,801           |
| <b>Assigned</b>   |                      |   |                      |                     |                      |
| Subsequent year budget deficit                            | 4,070,659            | –   | –                    | –                   | 4,070,659            |
| Building carryover  | 2,566,176            | –   | –                    | –                   | 2,566,176            |
| Total assigned  | 6,636,835            | –   | –                    | –                   | 6,636,835            |
| <b>Unassigned</b>   |                      |   |                      |                     |                      |
| Safe schools restricted account deficit                   | (821,170)            | –   | –                    | –                   | (821,170)            |
| Alternative facilities restricted account deficit         | –                    | (279,012)   | –                    | –                   | (279,012)            |
| Unassigned  | 21,895,676           | –   | –                    | –                   | 21,895,676           |
| Total unassigned  | 21,074,506           | (279,012)   | –                    | –                   | 20,795,494           |
| <b>Total</b>  | <u>\$ 31,932,649</u> | <u>\$ (3,788)</u>   | <u>\$ 16,385,721</u> | <u>\$ 3,359,573</u> | <u>\$ 51,674,155</u> |

### B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum fund balance for the General Fund. The policy establishes a minimum General Fund balance of 5 percent of the annual projected operating expenditures.

## **NOTE 6 – 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 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### 1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated 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<br>per Year |
|---|--|------------------------|
| <b>Basic Plan</b>   |  |                        |
| First 10 years  |  | 2.2 percent            |
| All years after   |  | 2.7 percent            |
| <b>Coordinated Plan</b>   |  |                        |
| First 10 years if service years are prior to July 1, 2006             |  | 1.2 percent            |
| First 10 years if service years are July 1, 2006 or after             |  | 1.4 percent            |
| All other years of service if service years are prior to July 1, 2006 |  | 1.7 percent            |
| All other years of service if service years are July 1, 2006 or after |  | 1.9 percent            |

With these provisions:

- (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 6 – 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 \$3,401,561. 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 |
| <b>Basic Plan</b>       | 10.5%               | 11.0%    | 11.0%    | 11.5%    |
| <b>Coordinated Plan</b> | 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 \$11,925,725. The District's contributions were equal to the required contributions for each year as set by state statutes.

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2015, the District reported a liability of \$40,201,196 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 0.8558 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,970,211 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<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience             | \$ 616,963                           | \$ –                                |
| Changes in actuarial assumptions  | 4,143,133                            | –                                   |
| Differences between projected and actual investment earnings            | –                                    | 10,862,327                          |
| District's contributions to the GERF subsequent to the measurement date | 3,401,561                            | –                                   |
| Total   | <u>\$ 8,161,657</u>                  | <u>\$ 10,862,327</u>                |

A total of \$3,401,561 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<br>June 30, | Pension<br>Expense<br>Amount |
|------------------------|------------------------------|
| 2016                   | \$ (1,128,883)               |
| 2017                   | \$ (1,128,883)               |
| 2018                   | \$ (1,128,883)               |
| 2019                   | \$ (2,715,582)               |

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### 2. TRA Pension Costs

At June 30, 2015, the District reported a liability of \$153,711,262 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 3.3358 percent at the end of the measurement period and 3.3129 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                               | \$ 153,711,262 |
| State's proportionate share of the net pension liability associated with the District | \$ 10,813,476  |

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 \$8,444,309. It also recognized \$471,715 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<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 13,115,732                        | \$ –                                |
| Difference between projected and actual investment earnings  | –                                    | 48,325,268                          |
| Changes in proportion and differences between contributions made and the District's proportionate share of contributions | 1,086,798                            | –                                   |
| District's contributions to the TRA subsequent to the measurement date   | 11,925,725                           | –                                   |
| Total  | <u>\$ 26,128,255</u>                 | <u>\$ 48,325,268</u>                |

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

A total of \$11,925,725 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<br>June 30, | Pension<br>Expense<br>Amount |
|------------------------|------------------------------|
| 2016                   | \$ (9,116,279)               |
| 2017                   | \$ (9,116,279)               |
| 2018                   | \$ (9,116,279)               |
| 2019                   | \$ (9,116,279)               |
| 2020                   | \$ 2,342,378                 |

### 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 GERF 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 GERF 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 6 – 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:

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

### 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:

|  | 1% Decrease in Discount Rate | Discount Rate  | 1% Increase in Discount Rate |
|--|------------------------------|----------------|------------------------------|
| GERF discount rate   | 6.90%                        | 7.90%          | 8.90%                        |
| District's proportionate share of the GERF net pension liability | \$ 64,805,951                | \$ 40,201,196  | \$ 19,957,273                |
| TRA discount rate  | 7.25%                        | 8.25%          | 9.25%                        |
| District's proportionate share of the TRA net pension liability  | \$ 254,032,078               | \$ 153,711,262 | \$ 70,078,386                |

### 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](http://www.mnpera.org); by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

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

## **NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**

### **A. Plan Description**

The District provides post-employment 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 separate financial report. These benefits are summarized as follows:

**Teachers’ Post-Employment Health Care Savings Benefits** – Eligible teachers receive at retirement an amount equal to 25 days of pay multiplied by their daily rate of pay at retirement, plus an additional \$12,000. Teachers may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan established under Internal Revenue Service Code Section 403(b). The amount of any post-employment healthcare savings plan benefits due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual’s employment, to the extent that such 403(b) contributions exceed any severance (as described earlier in these notes) earned by the individual.

**Post-Employment Insurance Benefits** – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree’s premiums for medical, dental, and/or life insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month (ranging from \$182 to \$1,290), and some covering the full monthly premium costs. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

### **B. Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined periodically by the District. The District has established a separate Internal Service Fund to account for these obligations. The District’s OPEB Internal Service Fund had cash and investments of \$50,029,502 and net position of \$29,241,883 as of June 30, 2015. The resources in this fund are available to finance the District’s OPEB liability. However, because these assets are maintained in a revocable trust, they are not considered to be plan assets.

## NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

### C. Annual OPEB Cost and Net OPEB Obligation

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

|   |                             |
|---|-----------------------------|
| ARC                                     | \$ 5,942,581                |
| Interest on net OPEB obligation         | 911,381                     |
| Adjustment to ARC                       | (1,165,311)                 |
| Annual OPEB cost (expense)              | <u>5,688,651</u>            |
| Contributions made                      | <u>2,871,596</u>            |
| Increase in net OPEB obligation         | 2,817,055                   |
| Net OPEB obligation – beginning of year | <u>16,570,564</u>           |
| Net OPEB obligation – end of year       | <u><u>\$ 19,387,619</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2013, 2014, and 2015 are as follows:

| Fiscal<br>Year Ended | Annual<br>OPEB Cost | Employer<br>Contribution | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|--------------------------|--|------------------------|
| June 30, 2013        | \$ 5,505,012        | \$ 3,063,217             | 55.6%  | \$ 14,737,956          |
| June 30, 2014        | \$ 5,462,592        | \$ 3,629,984             | 66.5%  | \$ 16,570,564          |
| June 30, 2015        | \$ 5,688,651        | \$ 2,871,596             | 50.5%  | \$ 19,387,619          |

### D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded and the actuarial accrued liability for benefits was \$46,583,176, resulting in an unfunded actuarial accrued liability (UAAL) of \$46,583,176. The covered payroll (annual payroll of active employees covered by the plan) was \$178,477,487, and the ratio of the UAAL to the covered payroll was 26.1 percent.

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



## **NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

### **E. Actuarial Methods and Assumptions**

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; a 3.0 percent rate of projected salary increases through June 30, 2015, and a 3.0 percent increase thereafter; an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 10 years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. A 2.5 percent inflation rate is included in these assumptions. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2014 was not to exceed 30 years.

## **NOTE 8 – FLEXIBLE BENEFIT PLAN**

The District offers its employees a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under § 125 of the Internal Revenue Code (which includes pre-tax insurance premiums, unreimbursed medical expenses, and dependant care expenses). All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

The Plan is being administered by an independent contract administrator. The unreimbursed medical expense and dependant care expense portions of the Plan were recorded in the Employee Benefit Trust Fund. However, the health insurance premium reimbursements were accounted for in the District's operating funds.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors 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 9 – COMMITMENTS AND CONTINGENCIES**

### **A. Legal Claims**

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose.

### **B. Federal and State Receivables**

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.

### **C. Contract Commitments**

The District is committed to a number of contracts awarded for various construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2015 was approximately \$2,452,587.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 196

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**

|  | 2014          |
|--|---------------|
| District's proportion of the net pension liability (asset)   | 0.8558%       |
| District's proportionate share of the net pension liability (asset)                                      | \$ 40,201,196 |
| District's covered-employee payroll  | \$ 44,913,931 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 89.51%        |
| Plan fiduciary net position as a percentage of the total pension liability                               | 78.70%        |

**Teachers Retirement Association**

|  |                |
|--|----------------|
| District's proportion of the net pension liability (asset)   | 3.3358%        |
| District's proportionate share of the net pension liability (asset) (a)  | \$ 153,711,262 |
| District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)                                  | 10,813,476     |
| 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) | \$ 164,524,738 |
| District's covered-employee payroll  | \$ 152,270,353 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll   | 100.95%        |
| Plan fiduciary net position as a percentage of the total pension liability   | 81.50%         |

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. 196

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                                   | \$ 3,401,561         |
| Contributions in relation to the statutorily required contributions | <u>3,401,561</u>     |
| Contribution deficiency (excess)                                    | <u>\$ —</u>          |
| District's covered-employee payroll                                 | <u>\$ 46,021,245</u> |
| Contributions as a percentage of covered-employee payroll           | <u>7.39%</u>         |

**Teachers Retirement Association**

|   |                       |
|---|-----------------------|
| Statutorily required contribution                                   | \$ 11,925,725         |
| Contributions in relation to the statutorily required contributions | <u>11,925,725</u>     |
| Contribution deficiency (excess)                                    | <u>\$ —</u>           |
| District's covered-employee payroll                                 | <u>\$ 159,010,347</u> |
| Contributions as a percentage of covered-employee payroll           | <u>7.50%</u>          |

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

INDEPENDENT SCHOOL DISTRICT NO. 196

Other Post-Employment Benefits Plan  
Schedule of Funding Progress  
June 30, 2015

**Schedule of Funding Progress**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Accrued<br>Liability | Actuarial<br>Value of<br>Plan Assets | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | Unfunded<br>Liability as a<br>Percentage of<br>Payroll |
|--------------------------------|-----------------------------------|--------------------------------------|---|-----------------|--------------------|--|
| July 1, 2010                   | \$ 45,153,418                     | \$ —                                 | \$ 45,153,418   | — %             | \$ 174,903,306     | 25.8 %   |
| July 1, 2012                   | \$ 45,117,841                     | \$ —                                 | \$ 45,117,841   | — %             | \$ 171,521,056     | 26.3 %   |
| July 1, 2014                   | \$ 46,583,176                     | \$ —                                 | \$ 46,583,176   | — %             | \$ 178,477,487     | 26.1 %   |

Note: On October 15, 2009, the District issued taxable other post-employment benefit bonds to fund a significant portion of the actuarial accrued liability. The bond proceeds were placed in a trust, which held cash and investments of \$50.0 million at June 30, 2015. These are not considered plan assets because the trust is revocable.

SUPPLEMENTAL INFORMATION

## INDEPENDENT SCHOOL DISTRICT NO. 196

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

|   | Special Revenue Funds |                     |                     |
|---|-----------------------|---------------------|---------------------|
|   | Food Service          | Community Service   | Total               |
| Assets  |                       |                     |                     |
| Cash and temporary investments                                      | \$ 2,474,908          | \$ 2,613,553        | \$ 5,088,461        |
| Receivables   |                       |                     |                     |
| Current taxes   | —                     | 914,828             | 914,828             |
| Delinquent taxes  | —                     | 11,732              | 11,732              |
| Accounts and interest   | 9,027                 | 35,787              | 44,814              |
| Due from other governmental units                                   | 197,860               | 280,920             | 478,780             |
| Inventory   | 119,599               | —                   | 119,599             |
| Prepaid items   | 12,470                | 220                 | 12,690              |
|   |                       |                     |                     |
| Total assets  | <u>\$ 2,813,864</u>   | <u>\$ 3,857,040</u> | <u>\$ 6,670,904</u> |
| Liabilities   |                       |                     |                     |
| Salaries payable  | \$ 250,066            | \$ 308,843          | \$ 558,909          |
| Accounts and contracts payable                                      | 223,678               | 195,893             | 419,571             |
| Due to other governmental units                                     | —                     | 2,421               | 2,421               |
| Unearned revenue  | 381,601               | 265,871             | 647,472             |
| Total liabilities   | <u>855,345</u>        | <u>773,028</u>      | <u>1,628,373</u>    |
| Deferred inflows of resources                                       |                       |                     |                     |
| Unavailable revenue – delinquent taxes                              | —                     | 11,732              | 11,732              |
| Property taxes levied for subsequent year                           | —                     | 1,671,226           | 1,671,226           |
| Total deferred inflows of resources                                 | <u>—</u>              | <u>1,682,958</u>    | <u>1,682,958</u>    |
| Fund balances   |                       |                     |                     |
| Nonspendable for inventory  | 119,599               | —                   | 119,599             |
| Nonspendable for prepaid items                                      | 12,470                | 220                 | 12,690              |
| Restricted  | 1,826,450             | 1,400,834           | 3,227,284           |
| Total fund balances   | <u>1,958,519</u>      | <u>1,401,054</u>    | <u>3,359,573</u>    |
|   |                       |                     |                     |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,813,864</u>   | <u>\$ 3,857,040</u> | <u>\$ 6,670,904</u> |



INDEPENDENT SCHOOL DISTRICT NO. 196

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

|  | Special Revenue Funds |                     |                     |
|--|-----------------------|---------------------|---------------------|
|  | Food Service          | Community Service   | Total               |
| Revenue  |                       |                     |                     |
| Local sources                                    |                       |                     |                     |
| Property taxes                                   | \$ —                  | \$ 1,683,323        | \$ 1,683,323        |
| Investment earnings                              | 5,289                 | 5,609               | 10,898              |
| Other  | 6,376,625             | 3,479,143           | 9,855,768           |
| State sources                                    | 581,450               | 2,465,570           | 3,047,020           |
| Federal sources                                  | 4,406,814             | 95,578              | 4,502,392           |
| Total revenue                                    | <u>11,370,178</u>     | <u>7,729,223</u>    | <u>19,099,401</u>   |
| Expenditures                                     |                       |                     |                     |
| Current  |                       |                     |                     |
| Food service                                     | 11,509,963            | —                   | 11,509,963          |
| Community service                                | —                     | 7,576,070           | 7,576,070           |
| Capital outlay                                   | 278,059               | 145,510             | 423,569             |
| Total expenditures                               | <u>11,788,022</u>     | <u>7,721,580</u>    | <u>19,509,602</u>   |
| Excess (deficiency) of revenue over expenditures | (417,844)             | 7,643               | (410,201)           |
| Other financing sources                          |                       |                     |                     |
| Transfers in                                     | <u>—</u>              | <u>5,785</u>        | <u>5,785</u>        |
| Net change in fund balances                      | (417,844)             | 13,428              | (404,416)           |
| Fund balances                                    |                       |                     |                     |
| Beginning of year                                | <u>2,376,363</u>      | <u>1,387,626</u>    | <u>3,763,989</u>    |
| End of year                                      | <u>\$ 1,958,519</u>   | <u>\$ 1,401,054</u> | <u>\$ 3,359,573</u> |

## INDEPENDENT SCHOOL DISTRICT NO. 196

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

|   | 2015                  | 2014                  |
|---|-----------------------|-----------------------|
| Assets  |                       |                       |
| Cash and temporary investments                                      | \$ 63,796,852         | \$ 62,232,478         |
| Cash and investments held by trustee                                | —                     | 137,506               |
| Receivables   |                       |                       |
| Current taxes   | 34,097,795            | 31,451,667            |
| Delinquent taxes  | 391,145               | 527,065               |
| Accounts and interest   | 424,409               | 396,557               |
| Due from other governmental units                                   | 28,153,196            | 28,884,728            |
| Due from other funds  | 1,400,000             | —                     |
| Inventory   | 736,833               | 697,647               |
| Prepaid items   | 187,903               | 242,562               |
|   | <u>\$ 129,188,133</u> | <u>\$ 124,570,210</u> |
| Liabilities   |                       |                       |
| Salaries payable  | \$ 17,998,103         | \$ 17,712,851         |
| Accounts and contracts payable                                      | 16,096,484            | 17,762,796            |
| Due to other governmental units                                     | 3,695,810             | 3,083,869             |
| Due to other funds  | 543                   | 235                   |
| Unearned revenue  | 134,840               | 113,255               |
| Total liabilities   | <u>37,925,780</u>     | <u>38,673,006</u>     |
| Deferred inflows of resources                                       |                       |                       |
| Unavailable revenue – delinquent taxes                              | 391,145               | 527,065               |
| Property taxes levied for subsequent year                           | 58,938,559            | 54,239,253            |
| Total deferred inflows of resources                                 | <u>59,329,704</u>     | <u>54,766,318</u>     |
| Fund balances (deficits)  |                       |                       |
| Nonspendable for inventory  | 736,833               | 697,647               |
| Nonspendable for prepaid items                                      | 187,903               | 242,562               |
| Restricted for staff development                                    | —                     | 24,727                |
| Restricted for health and safety                                    | 508,628               | 437,092               |
| Restricted for capital projects levy                                | 715,621               | 349,640               |
| Restricted for operating capital                                    | 2,072,323             | 2,061,856             |
| Restricted for debt service on certificates of participation        | —                     | 137,506               |
| Assigned for subsequent year budget deficit                         | 4,070,659             | 5,061,743             |
| Assigned for building carryover                                     | 2,566,176             | 3,189,617             |
| Assigned for special education                                      | —                     | 200,000               |
| Unassigned – safe schools restricted account deficit                | (821,170)             | (739,930)             |
| Unassigned  | 21,895,676            | 19,468,426            |
| Total fund balances   | <u>31,932,649</u>     | <u>31,130,886</u>     |
|   |                       |                       |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 129,188,133</u> | <u>\$ 124,570,210</u> |

INDEPENDENT SCHOOL DISTRICT NO. 196

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) | 2014          |
|--|---------------|---------------|--------------|---------------|
|  | Budget        | Actual        | Budget       | Actual        |
| Revenue  |               |               |              |               |
| Local sources                                      |               |               |              |               |
| Property taxes                                     | \$ 57,589,150 | \$ 58,338,748 | \$ 749,598   | \$ 30,849,978 |
| Investment earnings                                | 100,000       | 159,506       | 59,506       | 179,260       |
| Other  | 8,185,562     | 11,300,222    | 3,114,660    | 12,397,513    |
| State sources                                      | 244,510,362   | 244,220,251   | (290,111)    | 248,498,788   |
| Federal sources                                    | 8,672,729     | 8,318,522     | (354,207)    | 7,811,310     |
| Total revenue                                      | 319,057,803   | 322,337,249   | 3,279,446    | 299,736,849   |
| Expenditures                                       |               |               |              |               |
| Current  |               |               |              |               |
| Administration                                     |               |               |              |               |
| Salaries   | 8,578,987     | 9,359,614     | 780,627      | 8,845,483     |
| Employee benefits                                  | 3,444,457     | 3,275,682     | (168,775)    | 3,219,850     |
| Purchased services                                 | 384,844       | 297,821       | (87,023)     | 364,005       |
| Supplies and materials                             | 135,491       | 97,133        | (38,358)     | 90,841        |
| Capital expenditures                               | 104,529       | 36,631        | (67,898)     | 33,852        |
| Other expenditures                                 | 120,137       | 121,646       | 1,509        | 108,644       |
| Total administration                               | 12,768,445    | 13,188,527    | 420,082      | 12,662,675    |
| District support services                          |               |               |              |               |
| Salaries   | 4,924,533     | 4,238,852     | (685,681)    | 4,157,969     |
| Employee benefits                                  | 3,218,602     | 1,965,916     | (1,252,686)  | 1,835,984     |
| Purchased services                                 | 2,321,292     | 1,994,033     | (327,259)    | 2,021,746     |
| Supplies and materials                             | 141,011       | 108,524       | (32,487)     | 65,235        |
| Capital expenditures                               | 404,415       | 362,361       | (42,054)     | 135,954       |
| Other expenditures                                 | 50,178        | 132,849       | 82,671       | 29,076        |
| Total district support services                    | 11,060,031    | 8,802,535     | (2,257,496)  | 8,245,964     |
| Elementary and secondary regular instruction       |               |               |              |               |
| Salaries   | 115,224,249   | 111,317,924   | (3,906,325)  | 105,114,006   |
| Employee benefits                                  | 36,032,009    | 35,313,939    | (718,070)    | 33,727,749    |
| Purchased services                                 | 5,442,644     | 6,153,689     | 711,045      | 5,446,856     |
| Supplies and materials                             | 6,030,207     | 5,698,274     | (331,933)    | 4,921,168     |
| Capital expenditures                               | 2,762,041     | 1,728,618     | (1,033,423)  | 1,961,646     |
| Other expenditures                                 | 235,050       | 230,155       | (4,895)      | 282,122       |
| Total elementary and secondary regular instruction | 165,726,200   | 160,442,599   | (5,283,601)  | 151,453,547   |

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 196

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)

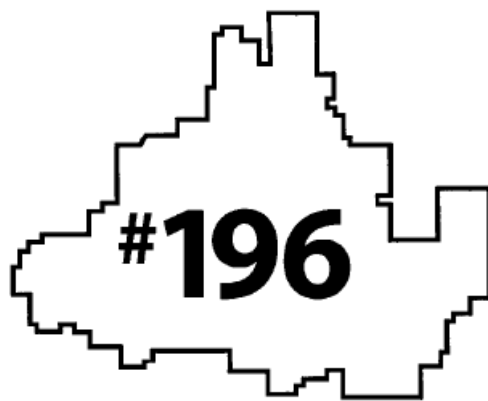
|  | 2015       |            | 2014                   |
|--|------------|------------|------------------------|
|  | Budget     | Actual     | Over (Under)<br>Budget |
|  |            |            | Actual                 |
| Expenditures (continued)               |            |            |                        |
| Current (continued)                    |            |            |                        |
| Vocational education instruction       |            |            |                        |
| Salaries                               | 2,750,382  | 2,838,017  | 87,635                 |
| Employee benefits                      | 879,044    | 943,773    | 64,729                 |
| Purchased services                     | 264,710    | 210,641    | (54,069)               |
| Supplies and materials                 | 111,634    | 98,862     | (12,772)               |
| Capital expenditures                   | 71,655     | 56,365     | (15,290)               |
| Other expenditures                     | 34,698     | 13,881     | (20,817)               |
| Total vocational education instruction | 4,112,123  | 4,161,539  | 49,416                 |
| Special education instruction          |            |            |                        |
| Salaries                               | 43,469,577 | 43,546,043 | 76,466                 |
| Employee benefits                      | 16,031,550 | 16,244,426 | 212,876                |
| Purchased services                     | 1,451,002  | 1,104,345  | (346,657)              |
| Supplies and materials                 | 868,091    | 499,043    | (369,048)              |
| Capital expenditures                   | 216,723    | 508,607    | 291,884                |
| Other expenditures                     | 66,087     | 108,972    | 42,885                 |
| Total special education instruction    | 62,103,030 | 62,011,436 | (91,594)               |
| Community service                      |            |            |                        |
| Salaries                               | 33,956     | 103,952    | 69,996                 |
| Employee benefits                      | 8,182      | 22,901     | 14,719                 |
| Purchased services                     | 48,400     | 33,325     | (15,075)               |
| Supplies and materials                 | 3,150      | 1,235      | (1,915)                |
| Capital expenditures                   | 2,144      | 2,144      | —                      |
| Total community service                | 95,832     | 163,557    | 67,725                 |
| Instructional support services         |            |            |                        |
| Salaries                               | 9,495,280  | 11,296,618 | 1,801,338              |
| Employee benefits                      | 3,100,374  | 3,601,137  | 500,763                |
| Purchased services                     | 1,764,025  | 1,704,140  | (59,885)               |
| Supplies and materials                 | 857,166    | 926,142    | 68,976                 |
| Capital expenditures                   | 797,132    | 779,541    | (17,591)               |
| Other expenditures                     | 75,467     | 54,170     | (21,297)               |
| Total instructional support services   | 16,089,444 | 18,361,748 | 2,272,304              |
| Pupil support services                 |            |            |                        |
| Salaries                               | 11,227,743 | 11,398,697 | 170,954                |
| Employee benefits                      | 5,392,970  | 5,249,817  | (143,153)              |
| Purchased services                     | 3,453,106  | 2,641,608  | (811,498)              |
| Supplies and materials                 | 2,236,030  | 2,070,185  | (165,845)              |
| Capital expenditures                   | 1,599,840  | 1,564,426  | (35,414)               |
| Other expenditures                     | 46,480     | 66,609     | 20,129                 |
| Total pupil support services           | 23,956,169 | 22,991,342 | (964,827)              |

(continued)

## INDEPENDENT SCHOOL DISTRICT NO. 196

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)<br>Budget | Actual        |
| Expenditures (continued)                            |                |               |                        |               |
| Current (continued)                                 |                |               |                        |               |
| Sites and buildings                                 |                |               |                        |               |
| Salaries  | 8,051,242      | 8,026,445     | (24,797)               | 8,110,332     |
| Employee benefits                                   | 3,848,782      | 3,893,142     | 44,360                 | 3,788,395     |
| Purchased services                                  | 6,907,306      | 6,526,716     | (380,590)              | 8,095,328     |
| Supplies and materials                              | 1,275,662      | 975,559       | (300,103)              | 1,011,761     |
| Capital expenditures                                | 2,496,115      | 2,021,311     | (474,804)              | 1,886,322     |
| Other expenditures                                  | 2,200          | 24,904        | 22,704                 | 14,442        |
| Total sites and buildings                           | 22,581,307     | 21,468,077    | (1,113,230)            | 22,906,580    |
| Fiscal and other fixed cost programs                |                |               |                        |               |
| Purchased services                                  | 781,771        | 651,864       | (129,907)              | 697,917       |
| Debt service  |                |               |                        |               |
| Principal   | 2,275,544      | 2,275,544     | —                      | 1,380,404     |
| Interest and fiscal charges                         | 801,061        | 801,060       | (1)                    | 376,005       |
| Total debt service                                  | 3,076,605      | 3,076,604     | (1)                    | 1,756,409     |
| Total expenditures                                  | 322,350,957    | 315,319,828   | (7,031,129)            | 302,475,583   |
| Excess (deficiency) of revenue<br>over expenditures | (3,293,154)    | 7,017,421     | 10,310,575             | (2,738,734)   |
| Other financing sources (uses)                      |                |               |                        |               |
| Capital lease                                       | —              | —             | —                      | 96,569        |
| Certificates of participation                       | —              | —             | —                      | 137,506       |
| Sale of capital assets                              | —              | 10,180        | 10,180                 | 8,143         |
| Transfers in  | 1,400,000      | —             | (1,400,000)            | —             |
| Transfers (out)                                     | (6,220,053)    | (6,225,838)   | (5,785)                | (6,128,424)   |
| Total other financing sources (uses)                | (4,820,053)    | (6,215,658)   | (1,395,605)            | (5,886,206)   |
| Net change in fund balances                         | \$ (8,113,207) | 801,763       | \$ 8,914,970           | (8,624,940)   |
| Fund balances                                       |                |               |                        |               |
| Beginning of year                                   |                | 31,130,886    |                        | 39,755,826    |
| End of year   |                | \$ 31,932,649 |                        | \$ 31,130,886 |



INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
Year Ended June 30, 2015

|   | <u>Operating</u>   | <u>Pupil<br/>Transportation</u> | <u>Capital<br/>Expenditure</u> | <u>Total</u>       |
|---|--------------------|---------------------------------|--------------------------------|--------------------|
| Revenue   |                    |                                 |                                |                    |
| Local sources   |                    |                                 |                                |                    |
| Property taxes  | \$ 51,695,773      | \$ —                            | \$ 6,642,975                   | \$ 58,338,748      |
| Investment earnings                                   | 159,506            | —                               | —                              | 159,506            |
| Other   | 10,006,299         | 1,239,696                       | 54,227                         | 11,300,222         |
| State sources   | 224,231,647        | 15,599,204                      | 4,389,400                      | 244,220,251        |
| Federal sources                                       | 8,318,522          | —                               | —                              | 8,318,522          |
| Total revenue   | <u>294,411,747</u> | <u>16,838,900</u>               | <u>11,086,602</u>              | <u>322,337,249</u> |
| Expenditures  |                    |                                 |                                |                    |
| Current   |                    |                                 |                                |                    |
| Administration  |                    |                                 |                                |                    |
| Salaries  | 9,359,614          | —                               | —                              | 9,359,614          |
| Employee benefits                                     | 3,275,682          | —                               | —                              | 3,275,682          |
| Purchased services                                    | 287,759            | —                               | 10,062                         | 297,821            |
| Supplies and materials                                | 97,133             | —                               | —                              | 97,133             |
| Capital expenditures                                  | 14,970             | —                               | 21,661                         | 36,631             |
| Other expenditures                                    | 121,646            | —                               | —                              | 121,646            |
| Total administration                                  | <u>13,156,804</u>  | <u>—</u>                        | <u>31,723</u>                  | <u>13,188,527</u>  |
| District support services                             |                    |                                 |                                |                    |
| Salaries  | 4,238,852          | —                               | —                              | 4,238,852          |
| Employee benefits                                     | 1,965,916          | —                               | —                              | 1,965,916          |
| Purchased services                                    | 1,236,412          | —                               | 757,621                        | 1,994,033          |
| Supplies and materials                                | 100,374            | —                               | 8,150                          | 108,524            |
| Capital expenditures                                  | 45,809             | —                               | 316,552                        | 362,361            |
| Other expenditures                                    | 132,849            | —                               | —                              | 132,849            |
| Total district support services                       | <u>7,720,212</u>   | <u>—</u>                        | <u>1,082,323</u>               | <u>8,802,535</u>   |
| Elementary and secondary<br>regular instruction       |                    |                                 |                                |                    |
| Salaries  | 111,317,924        | —                               | —                              | 111,317,924        |
| Employee benefits                                     | 35,313,939         | —                               | —                              | 35,313,939         |
| Purchased services                                    | 6,026,279          | —                               | 127,410                        | 6,153,689          |
| Supplies and materials                                | 3,458,555          | —                               | 2,239,719                      | 5,698,274          |
| Capital expenditures                                  | 720,958            | —                               | 1,007,660                      | 1,728,618          |
| Other expenditures                                    | 230,155            | —                               | —                              | 230,155            |
| Total elementary and secondary<br>regular instruction | <u>157,067,810</u> | <u>—</u>                        | <u>3,374,789</u>               | <u>160,442,599</u> |

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account (continued)  
Year Ended June 30, 2015

|  | <u>Operating</u>  | <u>Pupil<br/>Transportation</u> | <u>Capital<br/>Expenditure</u> | <u>Total</u>      |
|--|-------------------|---------------------------------|--------------------------------|-------------------|
| Expenditures (continued)               |                   |                                 |                                |                   |
| Current (continued)                    |                   |                                 |                                |                   |
| Vocational education instruction       |                   |                                 |                                |                   |
| Salaries                               | 2,838,017         | —                               | —                              | 2,838,017         |
| Employee benefits                      | 943,773           | —                               | —                              | 943,773           |
| Purchased services                     | 210,641           | —                               | —                              | 210,641           |
| Supplies and materials                 | 92,769            | —                               | 6,093                          | 98,862            |
| Capital expenditures                   | 28,186            | —                               | 28,179                         | 56,365            |
| Other expenditures                     | 13,881            | —                               | —                              | 13,881            |
| Total vocational education instruction | <u>4,127,267</u>  | <u>—</u>                        | <u>34,272</u>                  | <u>4,161,539</u>  |
| Special education instruction          |                   |                                 |                                |                   |
| Salaries                               | 43,546,043        | —                               | —                              | 43,546,043        |
| Employee benefits                      | 16,244,426        | —                               | —                              | 16,244,426        |
| Purchased services                     | 1,104,345         | —                               | —                              | 1,104,345         |
| Supplies and materials                 | 499,043           | —                               | —                              | 499,043           |
| Capital expenditures                   | 500,368           | —                               | 8,239                          | 508,607           |
| Other expenditures                     | 108,972           | —                               | —                              | 108,972           |
| Total special education instruction    | <u>62,003,197</u> | <u>—</u>                        | <u>8,239</u>                   | <u>62,011,436</u> |
| Community service                      |                   |                                 |                                |                   |
| Salaries                               | 103,952           | —                               | —                              | 103,952           |
| Employee benefits                      | 22,901            | —                               | —                              | 22,901            |
| Supplies and materials                 | 33,325            | —                               | —                              | 33,325            |
| Capital expenditures                   | 1,235             | —                               | —                              | 1,235             |
| Other expenditures                     | —                 | —                               | 2,144                          | 2,144             |
| Total community service                | <u>161,413</u>    | <u>—</u>                        | <u>2,144</u>                   | <u>163,557</u>    |
| Instructional support services         |                   |                                 |                                |                   |
| Salaries                               | 11,277,771        | —                               | 18,847                         | 11,296,618        |
| Employee benefits                      | 3,593,512         | —                               | 7,625                          | 3,601,137         |
| Purchased services                     | 1,704,140         | —                               | —                              | 1,704,140         |
| Supplies and materials                 | 608,222           | —                               | 317,920                        | 926,142           |
| Capital expenditures                   | 29,336            | —                               | 750,205                        | 779,541           |
| Other expenditures                     | 54,170            | —                               | —                              | 54,170            |
| Total instructional support services   | <u>17,267,151</u> | <u>—</u>                        | <u>1,094,597</u>               | <u>18,361,748</u> |
| Pupil support services                 |                   |                                 |                                |                   |
| Salaries                               | 4,747,454         | 6,651,243                       | —                              | 11,398,697        |
| Employee benefits                      | 1,634,909         | 3,614,908                       | —                              | 5,249,817         |
| Purchased services                     | 325,825           | 2,312,318                       | 3,465                          | 2,641,608         |
| Supplies and materials                 | 31,748            | 2,038,437                       | —                              | 2,070,185         |
| Capital expenditures                   | 7,530             | 1,555,205                       | 1,691                          | 1,564,426         |
| Other expenditures                     | 4,126             | 62,483                          | —                              | 66,609            |
| Total pupil support services           | <u>6,751,592</u>  | <u>16,234,594</u>               | <u>5,156</u>                   | <u>22,991,342</u> |

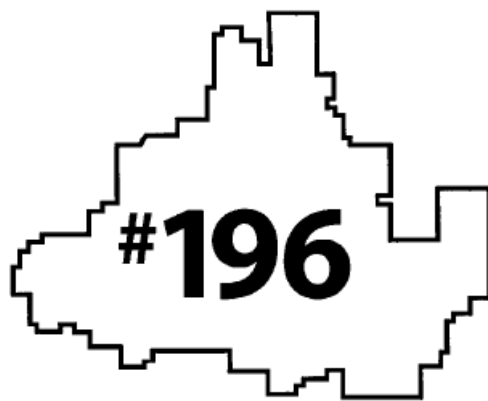
(continued)



## INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account (continued)  
Year Ended June 30, 2015

|   | <u>Operating</u>     | <u>Pupil<br/>Transportation</u> | <u>Capital<br/>Expenditure</u> | <u>Total</u>         |
|---|----------------------|---------------------------------|--------------------------------|----------------------|
| Expenditures (continued)                            |                      |                                 |                                |                      |
| Current (continued)                                 |                      |                                 |                                |                      |
| Sites and buildings                                 |                      |                                 |                                |                      |
| Salaries  | 7,899,711            | —                               | 126,734                        | 8,026,445            |
| Employee benefits                                   | 3,844,474            | —                               | 48,668                         | 3,893,142            |
| Purchased services                                  | 5,371,664            | —                               | 1,155,052                      | 6,526,716            |
| Supplies and materials                              | 950,280              | —                               | 25,279                         | 975,559              |
| Capital expenditures                                | 862,556              | —                               | 1,158,755                      | 2,021,311            |
| Other expenditures                                  | 310                  | —                               | 24,594                         | 24,904               |
| Total sites and buildings                           | <u>18,928,995</u>    | <u>—</u>                        | <u>2,539,082</u>               | <u>21,468,077</u>    |
| Fiscal and other fixed cost programs                |                      |                                 |                                |                      |
| Purchased services                                  | 651,864              | —                               | —                              | 651,864              |
| Debt service  |                      |                                 |                                |                      |
| Principal   | 54,960               | —                               | 2,220,584                      | 2,275,544            |
| Interest  | 17,796               | —                               | 783,264                        | 801,060              |
| Total debt service                                  | <u>72,756</u>        | <u>—</u>                        | <u>3,003,848</u>               | <u>3,076,604</u>     |
| Total expenditures                                  | <u>287,909,061</u>   | <u>16,234,594</u>               | <u>11,176,173</u>              | <u>315,319,828</u>   |
| Excess (deficiency) of revenue<br>over expenditures | 6,502,686            | 604,306                         | (89,571)                       | 7,017,421            |
| Other financing sources (uses)                      |                      |                                 |                                |                      |
| Sale of capital assets                              | 8,090                | 2,090                           | —                              | 10,180               |
| Transfers (out)                                     | (6,225,838)          | —                               | —                              | (6,225,838)          |
| Total other financing sources (uses)                | <u>(6,217,748)</u>   | <u>2,090</u>                    | <u>—</u>                       | <u>(6,215,658)</u>   |
| Net change in fund balances                         | 284,938              | 606,396                         | (89,571)                       | 801,763              |
| Fund balances                                       |                      |                                 |                                |                      |
| Beginning of year                                   | <u>25,453,218</u>    | <u>3,007,146</u>                | <u>2,670,522</u>               | <u>31,130,886</u>    |
| End of year   | <u>\$ 25,738,156</u> | <u>\$ 3,613,542</u>             | <u>\$ 2,580,951</u>            | <u>\$ 31,932,649</u> |



INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund – Operating Account  
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)<br>Budget | Actual        |
| Revenue   |               |               |                        |               |
| Local sources   |               |               |                        |               |
| Property taxes  | \$ 50,946,175 | \$ 51,695,773 | \$ 749,598             | \$ 24,077,190 |
| Investment earnings                                   | 100,000       | 159,506       | 59,506                 | 179,260       |
| Other   | 7,062,062     | 10,006,299    | 2,944,237              | 11,166,929    |
| State sources   | 224,121,143   | 224,231,647   | 110,504                | 229,150,440   |
| Federal sources                                       | 8,672,729     | 8,318,522     | (354,207)              | 7,811,310     |
| Total revenue   | 290,902,109   | 294,411,747   | 3,509,638              | 272,385,129   |
| Expenditures  |               |               |                        |               |
| Current   |               |               |                        |               |
| Administration  |               |               |                        |               |
| Salaries  | 8,578,987     | 9,359,614     | 780,627                | 8,845,483     |
| Employee benefits                                     | 3,444,457     | 3,275,682     | (168,775)              | 3,219,850     |
| Purchased services                                    | 363,811       | 287,759       | (76,052)               | 353,943       |
| Supplies and materials                                | 135,491       | 97,133        | (38,358)               | 90,841        |
| Capital expenditures                                  | 47,069        | 14,970        | (32,099)               | 15,015        |
| Other expenditures                                    | 120,137       | 121,646       | 1,509                  | 108,644       |
| Total administration                                  | 12,689,952    | 13,156,804    | 466,852                | 12,633,776    |
| District support services                             |               |               |                        |               |
| Salaries  | 4,924,533     | 4,238,852     | (685,681)              | 4,157,969     |
| Employee benefits                                     | 3,218,602     | 1,965,916     | (1,252,686)            | 1,835,984     |
| Purchased services                                    | 1,564,978     | 1,236,412     | (328,566)              | 1,265,185     |
| Supplies and materials                                | 141,011       | 100,374       | (40,637)               | 65,235        |
| Capital expenditures                                  | 42,900        | 45,809        | 2,909                  | 37,039        |
| Other expenditures                                    | 50,178        | 132,849       | 82,671                 | 29,076        |
| Total district support services                       | 9,942,202     | 7,720,212     | (2,221,990)            | 7,390,488     |
| Elementary and secondary<br>regular instruction       |               |               |                        |               |
| Salaries  | 115,224,249   | 111,317,924   | (3,906,325)            | 105,114,006   |
| Employee benefits                                     | 36,032,009    | 35,313,939    | (718,070)              | 33,727,749    |
| Purchased services                                    | 5,318,421     | 6,026,279     | 707,858                | 5,315,864     |
| Supplies and materials                                | 3,680,080     | 3,458,555     | (221,525)              | 3,123,135     |
| Capital expenditures                                  | 950,473       | 720,958       | (229,515)              | 532,678       |
| Other expenditures                                    | 235,050       | 230,155       | (4,895)                | 282,122       |
| Total elementary and secondary<br>regular instruction | 161,440,282   | 157,067,810   | (4,372,472)            | 148,095,554   |

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund – Operating Account  
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)

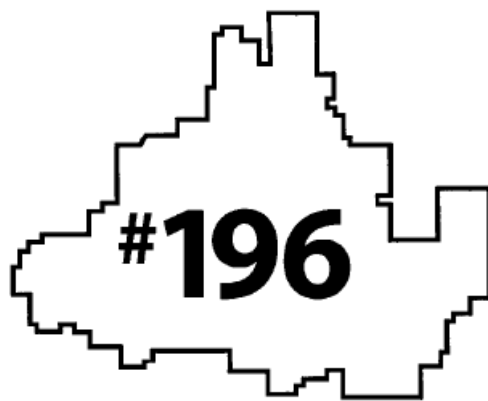
|  | 2015       |            | 2014                   |
|--|------------|------------|------------------------|
|  | Budget     | Actual     | Over (Under)<br>Budget |
|  |            |            | Actual                 |
| Expenditures (continued)               |            |            |                        |
| Current (continued)                    |            |            |                        |
| Vocational education instruction       |            |            |                        |
| Salaries                               | 2,750,382  | 2,838,017  | 87,635                 |
| Employee benefits                      | 879,044    | 943,773    | 64,729                 |
| Purchased services                     | 264,710    | 210,641    | (54,069)               |
| Supplies and materials                 | 102,426    | 92,769     | (9,657)                |
| Capital expenditures                   | 46,078     | 28,186     | (17,892)               |
| Other expenditures                     | 34,698     | 13,881     | (20,817)               |
| Total vocational education instruction | 4,077,338  | 4,127,267  | 49,929                 |
| Special education instruction          |            |            |                        |
| Salaries                               | 43,469,577 | 43,546,043 | 76,466                 |
| Employee benefits                      | 16,031,550 | 16,244,426 | 212,876                |
| Purchased services                     | 1,451,002  | 1,104,345  | (346,657)              |
| Supplies and materials                 | 868,091    | 499,043    | (369,048)              |
| Capital expenditures                   | 202,441    | 500,368    | 297,927                |
| Other expenditures                     | 66,087     | 108,972    | 42,885                 |
| Total special education instruction    | 62,088,748 | 62,003,197 | (85,551)               |
| Community service                      |            |            |                        |
| Salaries                               | 33,956     | 103,952    | 69,996                 |
| Employee benefits                      | 8,182      | 22,901     | 14,719                 |
| Purchased services                     | 48,400     | 33,325     | (15,075)               |
| Supplies and materials                 | 3,150      | 1,235      | (1,915)                |
| Total community service                | 93,688     | 161,413    | 67,725                 |
| Instructional support services         |            |            |                        |
| Salaries                               | 9,431,435  | 11,277,771 | 1,846,336              |
| Employee benefits                      | 3,090,178  | 3,593,512  | 503,334                |
| Purchased services                     | 1,764,025  | 1,704,140  | (59,885)               |
| Supplies and materials                 | 677,989    | 608,222    | (69,767)               |
| Capital expenditures                   | 26,200     | 29,336     | 3,136                  |
| Other expenditures                     | 75,467     | 54,170     | (21,297)               |
| Total instructional support services   | 15,065,294 | 17,267,151 | 2,201,857              |
| Pupil support services                 |            |            |                        |
| Salaries                               | 4,530,640  | 4,747,454  | 216,814                |
| Employee benefits                      | 1,576,085  | 1,634,909  | 58,824                 |
| Purchased services                     | 328,506    | 325,825    | (2,681)                |
| Supplies and materials                 | 61,630     | 31,748     | (29,882)               |
| Capital expenditures                   | 2,130      | 7,530      | 5,400                  |
| Other expenditures                     | 4,480      | 4,126      | (354)                  |
| Total pupil support services           | 6,503,471  | 6,751,592  | 248,121                |

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund – Operating Account  
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)<br>Budget |
|   |                |               | Actual                 |
| Expenditures (continued)                            |                |               |                        |
| Current (continued)                                 |                |               |                        |
| Sites and buildings                                 |                |               |                        |
| Salaries  | 7,926,685      | 7,899,711     | (26,974)               |
| Employee benefits                                   | 3,800,054      | 3,844,474     | 44,420                 |
| Purchased services                                  | 5,789,403      | 5,371,664     | (417,739)              |
| Supplies and materials                              | 1,221,162      | 950,280       | (270,882)              |
| Capital expenditures                                | 1,140,772      | 862,556       | (278,216)              |
| Other expenditures                                  | 2,200          | 310           | (1,890)                |
| Total sites and buildings                           | 19,880,276     | 18,928,995    | (951,281)              |
| Fiscal and other fixed cost programs                |                |               |                        |
| Purchased services                                  | 781,771        | 651,864       | (129,907)              |
| Debt service  |                |               |                        |
| Principal   | 54,960         | 54,960        | –                      |
| Interest  | 17,797         | 17,796        | (1)                    |
| Total debt service                                  | 72,757         | 72,756        | (1)                    |
| Total expenditures                                  | 292,635,779    | 287,909,061   | (4,726,718)            |
| Excess (deficiency) of revenue<br>over expenditures | (1,733,670)    | 6,502,686     | 8,236,356              |
| Other financing sources (uses)                      |                |               |                        |
| Capital lease                                       | –              | –             | –                      |
| Sale of capital assets                              | –              | 8,090         | 8,090                  |
| Transfers in  | 1,400,000      | –             | (1,400,000)            |
| Transfers (out)                                     | (6,220,053)    | (6,225,838)   | (5,785)                |
| Total other financing sources (uses)                | (4,820,053)    | (6,217,748)   | (1,397,695)            |
| Net change in fund balances                         | \$ (6,553,723) | 284,938       | \$ 6,838,661           |
| Fund balances                                       |                |               |                        |
| Beginning of year                                   |                | 25,453,218    | 35,753,989             |
| End of year   |                | \$ 25,738,156 | \$ 25,453,218          |



INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund – Pupil Transportation Account  
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)<br>Budget | Actual       |
| Revenue   |              |              |                        |              |
| Local sources                                       |              |              |                        |              |
| Other   | \$ 1,123,500 | \$ 1,239,696 | \$ 116,196             | \$ 1,198,346 |
| State sources                                       | 16,029,510   | 15,599,204   | (430,306)              | 15,955,824   |
| Total revenue                                       | 17,153,010   | 16,838,900   | (314,110)              | 17,154,170   |
| Expenditures  |              |              |                        |              |
| Current   |              |              |                        |              |
| Pupil support services                              |              |              |                        |              |
| Salaries  | 6,697,103    | 6,651,243    | (45,860)               | 6,731,557    |
| Employee benefits                                   | 3,816,885    | 3,614,908    | (201,977)              | 3,447,526    |
| Purchased services                                  | 3,121,600    | 2,312,318    | (809,282)              | 2,709,006    |
| Supplies and materials                              | 2,174,400    | 2,038,437    | (135,963)              | 2,004,729    |
| Capital expenditures                                | 1,596,000    | 1,555,205    | (40,795)               | 1,641,782    |
| Other expenditures                                  | 42,000       | 62,483       | 20,483                 | 39,830       |
| Total pupil support services                        | 17,447,988   | 16,234,594   | (1,213,394)            | 16,574,430   |
| Excess (deficiency) of<br>revenue over expenditures | (294,978)    | 604,306      | 899,284                | 579,740      |
| Other financing sources                             |              |              |                        |              |
| Sale of capital assets                              | —            | 2,090        | 2,090                  | 904          |
| Net change in fund balances                         | \$ (294,978) | 606,396      | \$ 901,374             | 580,644      |
| Fund balances                                       |              |              |                        |              |
| Beginning of year                                   |              | 3,007,146    |                        | 2,426,502    |
| End of year   |              | \$ 3,613,542 |                        | \$ 3,007,146 |

INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund – Capital Expenditure Account  
 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)<br>Budget | Actual       |
| Revenue   |              |              |                        |              |
| Local sources   |              |              |                        |              |
| Property taxes  | \$ 6,642,975 | \$ 6,642,975 | \$ –                   | \$ 6,772,788 |
| Other   | –            | 54,227       | 54,227                 | 32,238       |
| State sources   | 4,359,709    | 4,389,400    | 29,691                 | 3,392,524    |
| Total revenue   | 11,002,684   | 11,086,602   | 83,918                 | 10,197,550   |
| Expenditures  |              |              |                        |              |
| Current   |              |              |                        |              |
| Administration  |              |              |                        |              |
| Purchased services                                    | 21,033       | 10,062       | (10,971)               | 10,062       |
| Capital expenditures                                  | 57,460       | 21,661       | (35,799)               | 18,837       |
| Total administration                                  | 78,493       | 31,723       | (46,770)               | 28,899       |
| District support services                             |              |              |                        |              |
| Purchased services                                    | 756,314      | 757,621      | 1,307                  | 756,561      |
| Supplies and material                                 | –            | 8,150        | 8,150                  | –            |
| Capital expenditures                                  | 361,515      | 316,552      | (44,963)               | 98,915       |
| Total district support services                       | 1,117,829    | 1,082,323    | (35,506)               | 855,476      |
| Elementary and secondary<br>regular instruction       |              |              |                        |              |
| Purchased services                                    | 124,223      | 127,410      | 3,187                  | 130,992      |
| Supplies and material                                 | 2,350,127    | 2,239,719    | (110,408)              | 1,798,033    |
| Capital expenditures                                  | 1,811,568    | 1,007,660    | (803,908)              | 1,428,968    |
| Total elementary and secondary<br>regular instruction | 4,285,918    | 3,374,789    | (911,129)              | 3,357,993    |
| Vocational education instruction                      |              |              |                        |              |
| Supplies and material                                 | 9,208        | 6,093        | (3,115)                | –            |
| Capital expenditures                                  | 25,577       | 28,179       | 2,602                  | 17,424       |
| Total vocational education instruction                | 34,785       | 34,272       | (513)                  | 17,424       |
| Special education instruction                         |              |              |                        |              |
| Capital expenditures                                  | 14,282       | 8,239        | (6,043)                | 10,126       |
| Community service                                     |              |              |                        |              |
| Capital expenditures                                  | 2,144        | 2,144        | –                      | 2,057        |

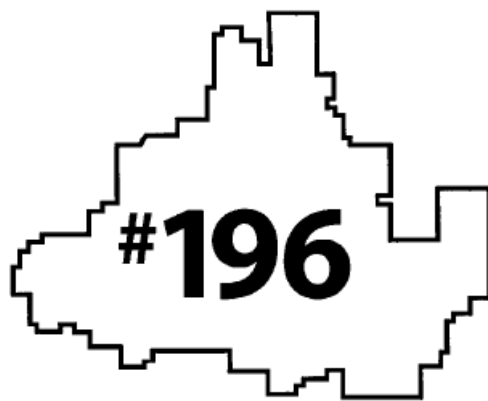
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## INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund – Capital Expenditure Account  
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)<br>Budget | Actual       |
| Expenditures (continued)                            |                |              |                        |              |
| Current (continued)                                 |                |              |                        |              |
| Instructional support services                      |                |              |                        |              |
| Salaries  | 63,845         | 18,847       | (44,998)               | –            |
| Employee benefits                                   | 10,196         | 7,625        | (2,571)                | –            |
| Supplies and materials                              | 179,177        | 317,920      | 138,743                | 153,492      |
| Capital expenditures                                | 770,932        | 750,205      | (20,727)               | 63,193       |
| Total instructional support services                | 1,024,150      | 1,094,597    | 70,447                 | 216,685      |
| Pupil support services                              |                |              |                        |              |
| Purchased services                                  | 3,000          | 3,465        | 465                    | 2,957        |
| Capital expenditures                                | 1,710          | 1,691        | (19)                   | 834          |
| Total pupil support services                        | 4,710          | 5,156        | 446                    | 3,791        |
| Sites and buildings                                 |                |              |                        |              |
| Salaries  | 124,557        | 126,734      | 2,177                  | 106,640      |
| Employee benefits                                   | 48,728         | 48,668       | (60)                   | 44,710       |
| Purchased services                                  | 1,117,903      | 1,155,052    | 37,149                 | 2,271,883    |
| Supplies and materials                              | 54,500         | 25,279       | (29,221)               | 40,842       |
| Capital expenditures                                | 1,355,343      | 1,158,755    | (196,588)              | 587,092      |
| Other expenditures                                  | –              | 24,594       | 24,594                 | 12,098       |
| Total sites and buildings                           | 2,701,031      | 2,539,082    | (161,949)              | 3,063,265    |
| Debt service  |                |              |                        |              |
| Principal   | 2,220,584      | 2,220,584    | –                      | 1,327,376    |
| Interest and fiscal charges                         | 783,264        | 783,264      | –                      | 356,777      |
| Total debt service                                  | 3,003,848      | 3,003,848    | –                      | 1,684,153    |
| Total expenditures                                  | 12,267,190     | 11,176,173   | (1,091,017)            | 9,239,869    |
| Excess (deficiency) of revenue<br>over expenditures | (1,264,506)    | (89,571)     | 1,174,935              | 957,681      |
| Other financing sources (uses)                      |                |              |                        |              |
| Certificates of participation                       | –              | –            | –                      | 137,506      |
| Net change in fund balances                         | \$ (1,264,506) | (89,571)     | \$ 1,174,935           | 1,095,187    |
| Fund balances                                       |                |              |                        |              |
| Beginning of year                                   |                | 2,670,522    |                        | 1,575,335    |
| End of year   |                | \$ 2,580,951 |                        | \$ 2,670,522 |



INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund  
Schedule of Special Education Revenue and Expenditures  
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)<br>Budget | Actual                 |
| Revenue   |                        |                        |                        |                        |
| Local sources                                       |                        |                        |                        |                        |
| Other   | \$ 500,000             | \$ 1,018,845           | \$ 518,845             | \$ 281,736             |
| State sources                                       | 29,442,745             | 31,808,117             | 2,365,372              | 28,303,711             |
| Federal sources                                     | 5,237,781              | 5,224,220              | (13,561)               | 5,151,925              |
| Total revenue                                       | <u>35,180,526</u>      | <u>38,051,182</u>      | <u>2,870,656</u>       | <u>33,737,372</u>      |
| Expenditures  |                        |                        |                        |                        |
| Current   |                        |                        |                        |                        |
| Special education instruction                       |                        |                        |                        |                        |
| Salaries  | 43,473,656             | 42,722,989             | (750,667)              | 42,049,618             |
| Employee benefits                                   | 16,032,117             | 16,123,636             | 91,519                 | 15,533,730             |
| Purchased services                                  | 1,457,551              | 1,099,740              | (357,811)              | 1,128,806              |
| Supplies and materials                              | 861,598                | 497,010                | (364,588)              | 658,085                |
| Capital expenditures                                | 202,441                | 496,933                | 294,492                | 301,674                |
| Other expenditures                                  | 66,087                 | 108,972                | 42,885                 | 105,029                |
| Total expenditures                                  | <u>62,093,450</u>      | <u>61,049,280</u>      | <u>(1,044,170)</u>     | <u>59,776,942</u>      |
| Excess (deficiency) of<br>revenue over expenditures | <u>\$ (26,912,924)</u> | <u>\$ (22,998,098)</u> | <u>\$ 3,914,826</u>    | <u>\$ (26,039,570)</u> |

## INDEPENDENT SCHOOL DISTRICT NO. 196

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      | \$ 2,474,908               | \$ 2,888,915               |
| Receivables                         |                            |                            |
| Accounts and interest               | 9,027                      | 3,776                      |
| Due from other governmental units   | 197,860                    | 141,051                    |
| Inventory                           | 119,599                    | 157,231                    |
| Prepaid items                       | <u>12,470</u>              | <u>14,204</u>              |
| Total assets                        | <u><u>\$ 2,813,864</u></u> | <u><u>\$ 3,205,177</u></u> |
| Liabilities                         |                            |                            |
| Salaries payable                    | \$ 250,066                 | \$ 251,867                 |
| Accounts and contracts payable      | 223,678                    | 233,865                    |
| Due to other governmental units     | —                          | 1,016                      |
| Unearned revenue                    | <u>381,601</u>             | <u>342,066</u>             |
| Total liabilities                   | 855,345                    | 828,814                    |
| Fund balances                       |                            |                            |
| Nonspendable for inventory          | 119,599                    | 157,231                    |
| Nonspendable for prepaid items      | 12,470                     | 14,204                     |
| Restricted for food service         | <u>1,826,450</u>           | <u>2,204,928</u>           |
| Total fund balances                 | <u><u>1,958,519</u></u>    | <u><u>2,376,363</u></u>    |
| Total liabilities and fund balances | <u><u>\$ 2,813,864</u></u> | <u><u>\$ 3,205,177</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 196

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)<br>Budget | Actual              |
| Revenue                      |                     |                     |                        |                     |
| Local sources                |                     |                     |                        |                     |
| Investment earnings          | \$ 1,500            | \$ 5,289            | \$ 3,789               | \$ 2,604            |
| Other – primarily meal sales | 6,378,886           | 6,376,625           | (2,261)                | 6,519,363           |
| State sources                | 435,455             | 581,450             | 145,995                | 405,390             |
| Federal sources              | 4,693,335           | 4,406,814           | (286,521)              | 4,215,285           |
| Total revenue                | <u>11,509,176</u>   | <u>11,370,178</u>   | <u>(138,998)</u>       | <u>11,142,642</u>   |
| Expenditures                 |                     |                     |                        |                     |
| Current                      |                     |                     |                        |                     |
| Salaries                     | 4,180,093           | 4,104,946           | (75,147)               | 4,041,569           |
| Employee benefits            | 1,431,820           | 1,260,302           | (171,518)              | 1,228,400           |
| Purchased services           | 554,965             | 555,959             | 994                    | 450,249             |
| Supplies and materials       | 5,248,303           | 5,577,771           | 329,468                | 5,520,899           |
| Other expenditures           | 14,500              | 10,985              | (3,515)                | 12,240              |
| Capital outlay               | 587,000             | 278,059             | (308,941)              | 153,687             |
| Total expenditures           | <u>12,016,681</u>   | <u>11,788,022</u>   | <u>(228,659)</u>       | <u>11,407,044</u>   |
| Net change in fund balances  | <u>\$ (507,505)</u> | <u>(417,844)</u>    | <u>\$ 89,661</u>       | <u>(264,402)</u>    |
| Fund balances                |                     |                     |                        |                     |
| Beginning of year            |                     | <u>2,376,363</u>    |                        | <u>2,640,765</u>    |
| End of year                  |                     | <u>\$ 1,958,519</u> |                        | <u>\$ 2,376,363</u> |

## INDEPENDENT SCHOOL DISTRICT NO. 196

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   | \$ 2,613,553               | \$ 2,663,273               |
| Receivables  |                            |                            |
| Current taxes  | 914,828                    | 919,100                    |
| Delinquent taxes   | 11,732                     | 16,192                     |
| Accounts and interest  | 35,787                     | 103,650                    |
| Due from other governmental units                                      | 280,920                    | 259,328                    |
| Prepaid items  | <u>220</u>                 | <u>950</u>                 |
| Total assets   | <u><u>\$ 3,857,040</u></u> | <u><u>\$ 3,962,493</u></u> |
| Liabilities  |                            |                            |
| Salaries payable   | \$ 308,843                 | \$ 306,625                 |
| Accounts and contracts payable   | 195,893                    | 253,358                    |
| Due to other governmental units  | 2,421                      | 260                        |
| Unearned revenue   | <u>265,871</u>             | <u>319,160</u>             |
| Total liabilities  | 773,028                    | 879,403                    |
| Deferred inflows of resources  |                            |                            |
| Unavailable revenue – delinquent taxes                                 | 11,732                     | 16,192                     |
| Property taxes levied for subsequent year                              | <u>1,671,226</u>           | <u>1,679,272</u>           |
| Total deferred inflows of resources                                    | 1,682,958                  | 1,695,464                  |
| Fund balances  |                            |                            |
| Nonspendable for prepaid items   | 220                        | 950                        |
| Restricted for community education programs                            | 561,602                    | 587,001                    |
| Restricted for early childhood family education programs               | 381,284                    | 311,406                    |
| Restricted for school readiness  | 16,217                     | 32,088                     |
| Restricted for adult basic education                                   | 440,581                    | 454,565                    |
| Restricted for community service                                       | <u>1,150</u>               | <u>1,616</u>               |
| Total fund balances  | <u>1,401,054</u>           | <u>1,387,626</u>           |
| Total liabilities, deferred inflows of<br>resources, and fund balances | <u><u>\$ 3,857,040</u></u> | <u><u>\$ 3,962,493</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 196

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)<br>Budget | Actual              |
| Revenue   |                     |                     |                        |                     |
| Local sources                                       |                     |                     |                        |                     |
| Property taxes                                      | \$ 1,659,635        | \$ 1,683,323        | \$ 23,688              | \$ 856,143          |
| Investment earnings                                 | –                   | 5,609               | 5,609                  | 1,771               |
| Other – primarily tuition and fees                  | 3,370,952           | 3,479,143           | 108,191                | 5,838,654           |
| State sources                                       | 2,524,974           | 2,465,570           | (59,404)               | 3,036,598           |
| Federal sources                                     | 95,578              | 95,578              | –                      | 96,715              |
| Total revenue                                       | <u>7,651,139</u>    | <u>7,729,223</u>    | <u>78,084</u>          | <u>9,829,881</u>    |
| Expenditures  |                     |                     |                        |                     |
| Current   |                     |                     |                        |                     |
| Salaries  | 4,707,294           | 4,717,303           | 10,009                 | 4,704,016           |
| Employee benefits                                   | 1,439,152           | 1,413,606           | (25,546)               | 1,385,962           |
| Purchased services                                  | 1,075,903           | 1,063,367           | (12,536)               | 3,260,104           |
| Supplies and materials                              | 419,398             | 378,107             | (41,291)               | 379,202             |
| Other expenditures                                  | 5,420               | 3,687               | (1,733)                | 4,898               |
| Capital outlay                                      | 164,196             | 145,510             | (18,686)               | 17,676              |
| Total expenditures                                  | <u>7,811,363</u>    | <u>7,721,580</u>    | <u>(89,783)</u>        | <u>9,751,858</u>    |
| Excess (deficiency) of revenue<br>over expenditures | (160,224)           | 7,643               | 167,867                | 78,023              |
| Other financing sources                             |                     |                     |                        |                     |
| Transfers in  | –                   | 5,785               | 5,785                  | 107,854             |
| Net change in fund balances                         | <u>\$ (160,224)</u> | 13,428              | <u>\$ 173,652</u>      | 185,877             |
| Fund balances                                       |                     |                     |                        |                     |
| Beginning of year                                   |                     | <u>1,387,626</u>    |                        | <u>1,201,749</u>    |
| End of year   |                     | <u>\$ 1,401,054</u> |                        | <u>\$ 1,387,626</u> |

INDEPENDENT SCHOOL DISTRICT NO. 196

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  | \$ 1,047,169               | \$ 2,201,685                |
| Cash and investments held by trustee  | <u>2,078,529</u>           | <u>9,065,980</u>            |
| Total assets  | <u><u>\$ 3,125,698</u></u> | <u><u>\$ 11,267,665</u></u> |
| Liabilities   |                            |                             |
| Accounts and contracts payable  | \$ 1,402,240               | \$ 3,114,929                |
| Unearned revenue  | <u>1,727,246</u>           | <u>–</u>                    |
| Total liabilities   | 3,129,486                  | 3,114,929                   |
| Fund balances (deficits)  |                            |                             |
| Restricted for building projects funded by<br>certificates of participation | 275,224                    | 7,891,755                   |
| Restricted for alternative facilities program                               | –                          | 260,981                     |
| Unassigned – alternative facilities restricted account deficit              | <u>(279,012)</u>           | <u>–</u>                    |
| Total fund balances (deficits)  | <u>(3,788)</u>             | <u>8,152,736</u>            |
| Total liabilities and fund balances   | <u><u>\$ 3,125,698</u></u> | <u><u>\$ 11,267,665</u></u> |



INDEPENDENT SCHOOL DISTRICT NO. 196

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)<br>Budget | Actual       |
| Revenue   |                |              |                        |              |
| Local sources                                       |                |              |                        |              |
| Investment earnings                                 | \$ —           | \$ 963       | \$ 963                 | \$ 1,500     |
| Other   | —              | 27,375       | 27,375                 | 71,545       |
| Total revenue                                       | —              | 28,338       | 28,338                 | 73,045       |
| Expenditures  |                |              |                        |              |
| Capital outlay                                      |                |              |                        |              |
| Salaries  | 82,996         | 83,120       | 124                    | 81,776       |
| Employee benefits                                   | 38,871         | 38,737       | (134)                  | 37,655       |
| Purchased services                                  | 952,991        | 1,440,089    | 487,098                | 2,005,488    |
| Supplies and materials                              | —              | 12,137       | 12,137                 | 2,386        |
| Capital expenditures                                | 17,880,170     | 17,030,707   | (849,463)              | 11,089,446   |
| Other expenditures                                  | —              | 125          | 125                    | 125          |
| Total expenditures                                  | 18,955,028     | 18,604,915   | (350,113)              | 13,216,876   |
| Excess (deficiency) of revenue<br>over expenditures | (18,955,028)   | (18,576,577) | 378,451                | (13,143,831) |
| Other financing sources                             |                |              |                        |              |
| Certificates of participation                       | —              | —            | —                      | 13,572,494   |
| Capital lease                                       | 4,200,000      | 4,200,000    | —                      | —            |
| Debt issuance premiums                              | —              | —            | —                      | 185,525      |
| Transfers in  | 6,220,053      | 6,220,053    | —                      | 6,020,570    |
| Total other financing sources                       | 10,420,053     | 10,420,053   | —                      | 19,778,589   |
| Net change in fund balances                         | \$ (8,534,975) | (8,156,524)  | \$ 378,451             | 6,634,758    |
| Fund balances (deficits)                            |                |              |                        |              |
| Beginning of year                                   |                | 8,152,736    |                        | 1,517,978    |
| End of year   |                | \$ (3,788)   |                        | \$ 8,152,736 |

## INDEPENDENT SCHOOL DISTRICT NO. 196

Debt Service Fund  
Balance Sheet by Account  
as of June 30, 2015

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

|  | General              | Other<br>Post-Employment<br>Benefits | Totals               |                      |
|--|----------------------|--------------------------------------|----------------------|----------------------|
|  |                      |                                      | 2015                 | 2014                 |
| Assets   |                      |                                      |                      |                      |
| Cash and temporary investments                           | \$ 5,596,699         | \$ 5,075,547                         | \$ 10,672,246        | \$ 12,564,179        |
| Cash and investments held by trustee                     | 12,270,384           | –                                    | 12,270,384           | 14,889,879           |
| Receivables  |                      |                                      |                      |                      |
| Current taxes  | 2,539,705            | 5,503,455                            | 8,043,160            | 10,505,288           |
| Delinquent taxes   | 121,024              | 14,511                               | 135,535              | 190,531              |
| Accounts and interest                                    | 12,438               | –                                    | 12,438               | 25,635               |
| Due from other governmental units                        | 65,932               | 9,449                                | 75,381               | 40,432               |
| Due from other funds                                     | 446                  | 97                                   | 543                  | 235                  |
| Total assets   | <u>\$ 20,606,628</u> | <u>\$ 10,603,059</u>                 | <u>\$ 31,209,687</u> | <u>\$ 38,216,179</u> |
| Deferred inflows of resources                            |                      |                                      |                      |                      |
| Unavailable revenue – delinquent taxes                   | \$ 121,024           | \$ 14,511                            | \$ 135,535           | \$ 190,531           |
| Property taxes levied for subsequent year                | 4,638,234            | 10,050,197                           | 14,688,431           | 19,194,019           |
| Total deferred inflows of resources                      | <u>4,759,258</u>     | <u>10,064,708</u>                    | <u>14,823,966</u>    | <u>19,384,550</u>    |
| Fund balances  |                      |                                      |                      |                      |
| Restricted for bond refundings                           | 12,282,822           | –                                    | 12,282,822           | 14,915,514           |
| Restricted for debt service                              | 3,564,548            | 538,351                              | 4,102,899            | 3,916,115            |
| Total fund balances                                      | <u>15,847,370</u>    | <u>538,351</u>                       | <u>16,385,721</u>    | <u>18,831,629</u>    |
| Total deferred inflows of<br>resources and fund balances | <u>\$ 20,606,628</u> | <u>\$ 10,603,059</u>                 | <u>\$ 31,209,687</u> | <u>\$ 38,216,179</u> |

## INDEPENDENT SCHOOL DISTRICT NO. 196

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

|   | General       | Other<br>Post-Employment<br>Benefits | Totals        |               |
|---|---------------|--------------------------------------|---------------|---------------|
|   |               |                                      | 2015          | 2014          |
| Revenue   |               |                                      |               |               |
| Local sources                                       |               |                                      |               |               |
| Property taxes                                      | \$ 16,692,852 | \$ 2,547,390                         | \$ 19,240,242 | \$ 18,606,558 |
| Investment earnings                                 | 25,286        | 611                                  | 25,897        | 69,110        |
| State sources                                       | 3,082         | 471                                  | 3,553         | 3,135         |
| Total revenue                                       | 16,721,220    | 2,548,472                            | 19,269,692    | 18,678,803    |
| Expenditures  |               |                                      |               |               |
| Debt service  |               |                                      |               |               |
| Principal   | 14,745,000    | 860,000                              | 15,605,000    | 15,080,000    |
| Interest  | 2,142,286     | 1,635,988                            | 3,778,274     | 4,475,508     |
| Fiscal charges and other                            | 6,876         | 450                                  | 7,326         | 46,261        |
| Total expenditures                                  | 16,894,162    | 2,496,438                            | 19,390,600    | 19,601,769    |
| Excess (deficiency) of revenue<br>over expenditures | (172,942)     | 52,034                               | (120,908)     | (922,966)     |
| Other financing sources (uses)                      |               |                                      |               |               |
| Refunding bonds issued                              | —             | —                                    | —             | 2,230,000     |
| Debt issuance premiums                              | —             | —                                    | —             | 140,408       |
| Bond refunding payments                             | (2,325,000)   | —                                    | (2,325,000)   | (26,850,000)  |
| Total other financing sources (uses)                | (2,325,000)   | —                                    | (2,325,000)   | (24,479,592)  |
| Net change in fund balances                         | (2,497,942)   | 52,034                               | (2,445,908)   | (25,402,558)  |
| Fund balances                                       |               |                                      |               |               |
| Beginning of year                                   | 18,345,312    | 486,317                              | 18,831,629    | 44,234,187    |
| End of year   | \$ 15,847,370 | \$ 538,351                           | \$ 16,385,721 | \$ 18,831,629 |

## INDEPENDENT SCHOOL DISTRICT NO. 196

Debt Service Fund – General Account  
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)<br>Budget | Actual        |
| Revenue   |               |               |                        |               |
| Local sources                                       |               |               |                        |               |
| Property taxes                                      | \$ 16,530,744 | \$ 16,692,852 | \$ 162,108             | \$ 16,098,740 |
| Investment earnings                                 | 30,000        | 25,286        | (4,714)                | 68,409        |
| State sources                                       | 2,700         | 3,082         | 382                    | 2,713         |
| Total revenue                                       | 16,563,444    | 16,721,220    | 157,776                | 16,169,862    |
| Expenditures  |               |               |                        |               |
| Debt service  |               |               |                        |               |
| Principal   | 14,770,000    | 14,745,000    | (25,000)               | 14,250,000    |
| Interest  | 1,824,088     | 2,142,286     | 318,198                | 2,806,320     |
| Fiscal charges and other                            | 12,000        | 6,876         | (5,124)                | 45,811        |
| Total expenditures                                  | 16,606,088    | 16,894,162    | 288,074                | 17,102,131    |
| Excess (deficiency) of revenue<br>over expenditures | (42,644)      | (172,942)     | (130,298)              | (932,269)     |
| Other financing sources (uses)                      |               |               |                        |               |
| Refunding bonds issued                              | –             | –             | –                      | 2,230,000     |
| Debt issuance premiums                              | –             | –             | –                      | 140,408       |
| Bond refunding payment                              | –             | (2,325,000)   | (2,325,000)            | (26,850,000)  |
| Total other financing sources (uses)                | –             | (2,325,000)   | (2,325,000)            | (24,479,592)  |
| Net change in fund balances                         | \$ (42,644)   | (2,497,942)   | \$ (2,455,298)         | (25,411,861)  |
| Fund balances                                       |               |               |                        |               |
| Beginning of year                                   |               | 18,345,312    |                        | 43,757,173    |
| End of year   |               | \$ 15,847,370 |                        | \$ 18,345,312 |

## INDEPENDENT SCHOOL DISTRICT NO. 196

Debt Service Fund – Other Post-Employment Benefits Account  
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)<br>Budget | Actual            |
| Revenue                     |                  |                   |                        |                   |
| Local sources               |                  |                   |                        |                   |
| Property taxes              | \$ 2,526,776     | \$ 2,547,390      | \$ 20,614              | \$ 2,507,818      |
| Investment earnings         | 2,000            | 611               | (1,389)                | 701               |
| State sources               | 420              | 471               | 51                     | 422               |
| Total revenue               | <u>2,529,196</u> | <u>2,548,472</u>  | <u>19,276</u>          | <u>2,508,941</u>  |
| Expenditures                |                  |                   |                        |                   |
| Debt service                |                  |                   |                        |                   |
| Principal                   | 860,000          | 860,000           | –                      | 830,000           |
| Interest                    | 1,635,988        | 1,635,988         | –                      | 1,669,188         |
| Fiscal charges and other    | 1,000            | 450               | (550)                  | 450               |
| Total expenditures          | <u>2,496,988</u> | <u>2,496,438</u>  | <u>(550)</u>           | <u>2,499,638</u>  |
| Net change in fund balances | <u>\$ 32,208</u> | 52,034            | <u>\$ 19,826</u>       | 9,303             |
| Fund balances               |                  |                   |                        |                   |
| Beginning of year           |                  | <u>486,317</u>    |                        | <u>477,014</u>    |
| End of year                 |                  | <u>\$ 538,351</u> |                        | <u>\$ 486,317</u> |

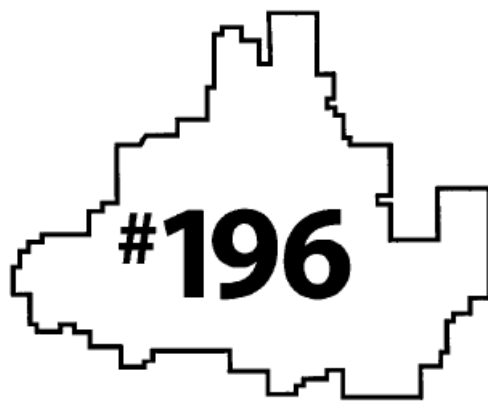
Internal Service Funds  
Combining Statement of Net Position  
as of June 30, 2015

|  | Severance<br>Benefits | Other<br>Post-Employment<br>Benefits | Self-Insured<br>Dental<br>Benefits | Self-Insured<br>Health<br>Benefits | Total                |
|--|-----------------------|--------------------------------------|------------------------------------|------------------------------------|----------------------|
| <b>Assets</b>  |                       |                                      |                                    |                                    |                      |
| Current assets                                       |                       |                                      |                                    |                                    |                      |
| Cash and temporary investments                       | \$ 9,482,141          | \$ —                                 | \$ 55,323                          | \$ 20,030,717                      | \$ 29,568,181        |
| Receivables  |                       |                                      |                                    |                                    |                      |
| Accounts and interest receivable                     | 13,158                | —                                    | —                                  | 5,685                              | 18,843               |
| Restricted assets                                    |                       |                                      |                                    |                                    |                      |
| Cash and cash equivalents                            | —                     | 31,966,771                           | —                                  | —                                  | 31,966,771           |
| Investments  | —                     | 18,062,731                           | —                                  | —                                  | 18,062,731           |
| Total assets   | <u>9,495,299</u>      | <u>50,029,502</u>                    | <u>55,323</u>                      | <u>20,036,402</u>                  | <u>79,616,526</u>    |
| <b>Liabilities</b>                                   |                       |                                      |                                    |                                    |                      |
| Current liabilities                                  |                       |                                      |                                    |                                    |                      |
| Severance benefits payable                           | 2,540,974             | —                                    | —                                  | —                                  | 2,540,974            |
| Claims payable                                       | —                     | —                                    | 9,060                              | 3,759,594                          | 3,768,654            |
| Due to other funds                                   | —                     | 1,400,000                            | —                                  | —                                  | 1,400,000            |
| Unearned revenue                                     | —                     | —                                    | —                                  | 6,757,902                          | 6,757,902            |
| Total current liabilities                            | <u>2,540,974</u>      | <u>1,400,000</u>                     | <u>9,060</u>                       | <u>10,517,496</u>                  | <u>14,467,530</u>    |
| Long-term liabilities                                |                       |                                      |                                    |                                    |                      |
| Severance benefits payable                           | 10,210,492            | —                                    | —                                  | —                                  | 10,210,492           |
| Net obligation for other<br>post-employment benefits | —                     | 19,387,619                           | —                                  | —                                  | 19,387,619           |
| Total long-term liabilities                          | <u>10,210,492</u>     | <u>19,387,619</u>                    | <u>—</u>                           | <u>—</u>                           | <u>29,598,111</u>    |
| Total liabilities                                    | <u>12,751,466</u>     | <u>20,787,619</u>                    | <u>9,060</u>                       | <u>10,517,496</u>                  | <u>44,065,641</u>    |
| <b>Net position</b>                                  |                       |                                      |                                    |                                    |                      |
| Restricted for other post-employment<br>benefits     | —                     | 29,241,883                           | —                                  | —                                  | 29,241,883           |
| Unrestricted   | <u>(3,256,167)</u>    | <u>—</u>                             | <u>46,263</u>                      | <u>9,518,906</u>                   | <u>6,309,002</u>     |
| Total net position                                   | <u>\$ (3,256,167)</u> | <u>\$ 29,241,883</u>                 | <u>\$ 46,263</u>                   | <u>\$ 9,518,906</u>                | <u>\$ 35,550,885</u> |

## INDEPENDENT SCHOOL DISTRICT NO. 196

Internal Service Funds  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
Year Ended June 30, 2015

|                                       | Severance<br>Benefits | Other<br>Post-Employment<br>Benefits | Self-Insured<br>Dental<br>Benefits | Self-Insured<br>Health<br>Benefits | Total                |
|---------------------------------------|-----------------------|--------------------------------------|------------------------------------|------------------------------------|----------------------|
| Operating revenue                     |                       |                                      |                                    |                                    |                      |
| Local sources                         |                       |                                      |                                    |                                    |                      |
| Contributions from governmental funds | \$ 1,459,540          | \$ 1,471,596                         | \$ 286,433                         | \$ 36,635,012                      | \$ 39,852,581        |
| Contributions from employees          | —                     | —                                    | 7,127                              | 5,496,809                          | 5,503,936            |
| Total operating revenues              | <u>1,459,540</u>      | <u>1,471,596</u>                     | <u>293,560</u>                     | <u>42,131,821</u>                  | <u>45,356,517</u>    |
| Operating expenses                    |                       |                                      |                                    |                                    |                      |
| Severance benefits                    | 711,441               | —                                    | —                                  | —                                  | 711,441              |
| Other post-employment benefits        | —                     | 5,688,651                            | —                                  | —                                  | 5,688,651            |
| Self-insured benefits                 | —                     | —                                    | 326,845                            | 41,746,751                         | 42,073,596           |
| Total operating expenses              | <u>711,441</u>        | <u>5,688,651</u>                     | <u>326,845</u>                     | <u>41,746,751</u>                  | <u>48,473,688</u>    |
| Operating income (loss)               | 748,099               | (4,217,055)                          | (33,285)                           | 385,070                            | (3,117,171)          |
| Nonoperating revenue                  |                       |                                      |                                    |                                    |                      |
| Investment earnings                   | <u>17,663</u>         | <u>649,472</u>                       | <u>—</u>                           | <u>—</u>                           | <u>667,135</u>       |
| Change in net position                | 765,762               | (3,567,583)                          | (33,285)                           | 385,070                            | (2,450,036)          |
| Net position                          |                       |                                      |                                    |                                    |                      |
| Beginning of year                     | <u>(4,021,929)</u>    | <u>32,809,466</u>                    | <u>79,548</u>                      | <u>9,133,836</u>                   | <u>38,000,921</u>    |
| End of year                           | <u>\$ (3,256,167)</u> | <u>\$ 29,241,883</u>                 | <u>\$ 46,263</u>                   | <u>\$ 9,518,906</u>                | <u>\$ 35,550,885</u> |





## INDEPENDENT SCHOOL DISTRICT NO. 196

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2015

|   | Severance<br>Benefits | Other<br>Post-Employment<br>Benefits | Self-Insured<br>Dental<br>Benefits | Self-Insured<br>Health<br>Benefits | Total          |
|---|-----------------------|--------------------------------------|------------------------------------|------------------------------------|----------------|
| Cash flows from operating activities  |                       |                                      |                                    |                                    |                |
| Received from assessments made to other funds   | \$ 1,459,540          | \$ 2,871,596                         | \$ 286,433                         | \$ 36,840,584                      | \$ 41,458,153  |
| Received from employee contributions  | –                     | –                                    | 7,127                              | 5,496,809                          | 5,503,936      |
| Severance, other post-employment benefits,<br>and self-insurance claims                         | (1,459,540)           | (2,871,596)                          | (328,355)                          | (40,692,586)                       | (45,352,077)   |
| Net cash flows from operating activities  | –                     | –                                    | (34,795)                           | 1,644,807                          | 1,610,012      |
| Cash flows from investing activities  |                       |                                      |                                    |                                    |                |
| Purchase of investments   | –                     | (3,847,849)                          | –                                  | –                                  | (3,847,849)    |
| Sale of investments   | –                     | 2,436,625                            | –                                  | –                                  | 2,436,625      |
| Interest on investments   | 30,674                | 649,472                              | –                                  | –                                  | 680,146        |
| Net cash flows from investing activities  | 30,674                | (761,752)                            | –                                  | –                                  | (731,078)      |
| Net change in cash and cash equivalents   | 30,674                | (761,752)                            | (34,795)                           | 1,644,807                          | 878,934        |
| Cash and cash equivalents   |                       |                                      |                                    |                                    |                |
| Beginning of year   | 9,451,467             | 32,728,523                           | 90,118                             | 18,385,910                         | 60,656,018     |
| End of year   | \$ 9,482,141          | \$ 31,966,771                        | \$ 55,323                          | \$ 20,030,717                      | \$ 61,534,952  |
| Reconciliation of operating income (loss) to net cash<br>flows from operating activities        |                       |                                      |                                    |                                    |                |
| Operating income (loss)   | \$ 748,099            | \$ (4,217,055)                       | \$ (33,285)                        | \$ 385,070                         | \$ (3,117,171) |
| Adjustments to reconcile operating income (loss)<br>to net cash flows from operating activities |                       |                                      |                                    |                                    |                |
| Changes in assets and liabilities   |                       |                                      |                                    |                                    |                |
| Accounts receivable   | –                     | –                                    | –                                  | (5,685)                            | (5,685)        |
| Due to other funds  | –                     | 1,400,000                            | –                                  | –                                  | 1,400,000      |
| Severance benefits payable  | (748,099)             | –                                    | –                                  | –                                  | (748,099)      |
| Net obligation for other post-employment<br>benefits  | –                     | 2,817,055                            | –                                  | –                                  | 2,817,055      |
| Claims payable  | –                     | –                                    | (1,510)                            | 1,054,165                          | 1,052,655      |
| Unearned revenue  | –                     | –                                    | –                                  | 211,257                            | 211,257        |
| Net cash flows from operating activities  | \$ –                  | \$ –                                 | \$ (34,795)                        | \$ 1,644,807                       | \$ 1,610,012   |

INDEPENDENT SCHOOL DISTRICT NO. 196

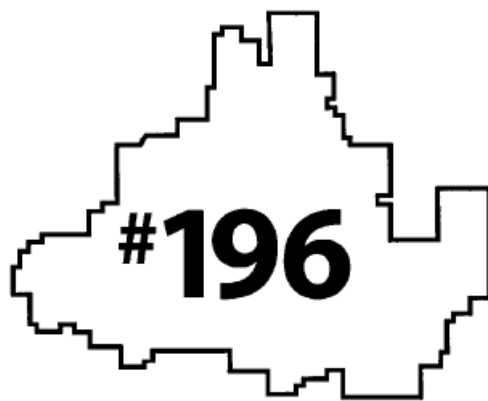
Agency Funds  
Combining Statement of Assets and Liabilities  
as of June 30, 2015

|                                | Graduate<br>Credit<br>Program | LCTS<br>Grant | Total     |
|--------------------------------|-------------------------------|---------------|-----------|
| Assets                         |                               |               |           |
| Current assets                 |                               |               |           |
| Cash and temporary investments | \$ 30,700                     | \$ 63,308     | \$ 94,008 |
| Liabilities                    |                               |               |           |
| Current liabilities            |                               |               |           |
| Accounts and contracts payable | \$ 30,700                     | \$ 63,308     | \$ 94,008 |

## INDEPENDENT SCHOOL DISTRICT NO. 196

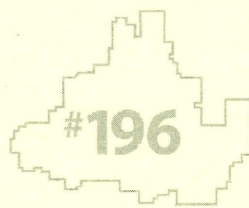
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2015

|   | Balance –<br>Beginning<br>of Year | Additions  | Deletions  | Balance –<br>End of Year |
|---|-----------------------------------|------------|------------|--------------------------|
| Graduate Credit Program                   |                                   |            |            |                          |
| Assets                                    |                                   |            |            |                          |
| Cash and temporary investments            | \$ 29,913                         | \$ 7,343   | \$ 6,556   | \$ 30,700                |
| Liabilities                               |                                   |            |            |                          |
| Accounts and contracts payable            | \$ 29,913                         | \$ 6,983   | \$ 6,196   | \$ 30,700                |
| LCTS Grant                                |                                   |            |            |                          |
| Assets                                    |                                   |            |            |                          |
| Cash and temporary investments            | \$ 121,291                        | \$ 57,519  | \$ 115,502 | \$ 63,308                |
| Liabilities                               |                                   |            |            |                          |
| Salaries and compensated absences payable | \$ –                              | \$ 19,315  | \$ 19,315  | \$ –                     |
| Accounts and contracts payable            | 121,291                           | 37,499     | 95,482     | 63,308                   |
| Due to other governmental units           | –                                 | 50,000     | 50,000     | –                        |
| Total liabilities                         | \$ 121,291                        | \$ 106,814 | \$ 164,797 | \$ 63,308                |
| Total – all agency funds                  |                                   |            |            |                          |
| Assets                                    |                                   |            |            |                          |
| Cash and temporary investments            | \$ 151,204                        | \$ 64,862  | \$ 122,058 | \$ 94,008                |
| Liabilities                               |                                   |            |            |                          |
| Salaries and compensated absences payable | \$ –                              | \$ 19,315  | \$ 19,315  | \$ –                     |
| Accounts and contracts payable            | 151,204                           | 44,482     | 101,678    | 94,008                   |
| Due to other governmental units           | –                                 | 50,000     | 50,000     | –                        |
| Total liabilities                         | \$ 151,204                        | \$ 113,797 | \$ 170,993 | \$ 94,008                |



# SECTION III

## Statistical





## STATISTICAL SECTION

This section of Independent School District No. 196'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.

| <b>Contents:</b>  | <b>Page</b>    |
|---|----------------|
| <b>Financial Trends</b>   | <b>116–125</b> |
| These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.   |                |
| <b>Revenue Capacity</b>   | <b>126–133</b> |
| These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.   |                |
| <b>Debt Capacity</b>  | <b>134–139</b> |
| 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.                     |                |
| <b>Demographic and Economic Information</b>   | <b>140–143</b> |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.  |                |
| <b>Operating Indicators</b>   | <b>144–155</b> |
| 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. |                |

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

## INDEPENDENT SCHOOL DISTRICT NO. 196

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

|  | Fiscal Year          |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2006                 | 2007                 | 2008                 | 2009                 |
| Governmental activities                    |                      |                      |                      |                      |
| Net investment in capital assets           | \$ 81,835,420        | \$ 95,458,965        | \$103,319,797        | \$111,989,021        |
| Restricted for                             |                      |                      |                      |                      |
| Capital asset acquisition                  | 7,674,309            | 5,684,074            | 7,405,149            | 3,801,856            |
| Debt service                               | 2,587,629            | 4,362,373            | 6,135,754            | 6,606,010            |
| Other purposes                             | 2,714,168            | 2,971,469            | 3,818,417            | 4,289,513            |
| Unrestricted                               | 6,827,933            | 10,897,111           | 27,241,919           | 26,636,430           |
| Total governmental activities net position | <u>\$101,639,459</u> | <u>\$119,373,992</u> | <u>\$147,921,036</u> | <u>\$153,322,830</u> |

Note: The District implemented GASB Statement No. 68 in 2015, which resulted in a \$222,722,907 reduction of beginning net position. Prior year information has not been restated.



| 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                   |
|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| \$119,230,936        | \$125,050,825        | \$132,049,464        | \$140,892,970        | \$148,790,976        | \$158,918,349          |
| 272,613              | 1,900,381            | 1,195,907            | 1,546,791            | 3,109,569            | 3,017,560              |
| 4,243,774            | 4,710,365            | 3,478,996            | 3,048,044            | 3,146,047            | 2,521,510              |
| 4,802,276            | 4,285,838            | 3,796,239            | 3,899,144            | 3,665,502            | 3,223,691              |
| 20,067,683           | 22,415,867           | 25,951,166           | 29,225,638           | 27,764,005           | (191,421,788)          |
| <u>\$148,617,282</u> | <u>\$158,363,276</u> | <u>\$166,471,772</u> | <u>\$178,612,587</u> | <u>\$186,476,099</u> | <u>\$ (23,740,678)</u> |

INDEPENDENT SCHOOL DISTRICT NO. 196

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

|  | Fiscal Year   |               |               |               |
|--|---------------|---------------|---------------|---------------|
|  | 2006          | 2007          | 2008          | 2009          |
| Governmental activities                          |               |               |               |               |
| Expenses   |               |               |               |               |
| Administration                                   | \$ 10,283,117 | \$ 9,484,268  | \$ 10,572,073 | \$ 10,676,349 |
| District support services                        | 7,023,583     | 7,633,812     | 8,012,405     | 7,231,136     |
| Elementary and secondary regular instruction     | 126,937,537   | 132,937,600   | 140,899,720   | 139,395,913   |
| Vocational education instruction                 | 3,008,206     | 3,140,928     | 3,498,530     | 4,379,357     |
| Special education instruction                    | 46,657,304    | 51,392,350    | 52,071,654    | 52,646,589    |
| Instructional support services                   | 11,457,813    | 12,831,921    | 16,520,831    | 17,746,580    |
| Pupil support services                           | 18,465,033    | 19,048,297    | 20,173,827    | 22,449,912    |
| Sites and buildings                              | 20,981,875    | 23,362,778    | 24,115,360    | 32,544,041    |
| Fiscal and other fixed cost programs             | 755,136       | 698,075       | 420,089       | 551,497       |
| Food service                                     | 9,686,879     | 9,784,347     | 10,328,031    | 10,634,039    |
| Community service                                | 6,861,761     | 7,612,062     | 8,184,218     | 8,999,897     |
| Unallocated depreciation                         | 7,727,307     | 7,888,195     | 8,498,619     | 8,822,145     |
| Interest and fiscal charges on debt              | 9,661,153     | 8,682,186     | 7,962,893     | 6,927,751     |
| Total expenses                                   | 279,506,704   | 294,496,819   | 311,258,250   | 323,005,206   |
| Program revenues                                 |               |               |               |               |
| Charges for services                             |               |               |               |               |
| District support services                        | 75,129        | 96,758        | 120,295       | 120,095       |
| Elementary and secondary regular instruction     | 4,838,618     | 5,071,867     | 5,299,648     | 5,547,968     |
| Vocational education instruction                 | 45,620        | 65,692        | 1,885         | 33,414        |
| Special education instruction                    | 490,434       | 186,346       | 84,914        | 72,788        |
| Instructional support services                   | 52,866        | 16,810        | 31,710        | 42,153        |
| Pupil support services                           | 67,714        | 100,331       | 214,570       | 98,531        |
| Sites and buildings                              | 28,145        | 111,005       | 70,041        | 87,596        |
| Fiscal and other fixed cost programs             | 1,453         | 1,417         | 13,752        | -             |
| Food service                                     | 7,257,671     | 7,340,463     | 7,773,800     | 7,626,413     |
| Community service                                | 3,569,929     | 3,956,546     | 4,242,845     | 4,646,333     |
| Operating grants and contributions               | 36,220,285    | 36,629,032    | 42,921,499    | 43,753,262    |
| Capital grants and contributions                 | 103,954       | 139,640       | 17,710        | 68,959        |
| Total program revenues                           | 52,751,818    | 53,715,907    | 60,792,669    | 62,097,512    |
| Net (expense) revenue                            | (226,754,886) | (240,780,912) | (250,465,581) | (260,907,694) |
| General revenues                                 |               |               |               |               |
| Taxes  |               |               |               |               |
| Property taxes, levied for general purposes      | 13,315,999    | 42,180,245    | 46,474,687    | 48,799,954    |
| Property taxes, levied for community service     | 815,744       | 1,633,165     | 1,641,337     | 1,382,457     |
| Property taxes, levied for facility improvements | 6,805,943     | 8,503,194     | 6,728,396     | 6,176,945     |
| Property taxes, levied for debt service          | 18,393,234    | 21,941,662    | 20,077,143    | 17,711,200    |
| General grants and aids                          | 187,194,406   | 178,683,239   | 186,584,417   | 187,486,449   |
| Other general revenues                           | 1,716,786     | 1,529,616     | 1,732,845     | 2,163,797     |
| Investment earnings (loss)                       | 4,348,062     | 4,779,838     | 4,335,798     | 2,588,686     |
| Total general revenues                           | 232,590,174   | 259,250,959   | 267,574,623   | 266,309,488   |
| Change in net position                           | \$ 5,835,288  | \$ 18,470,047 | \$ 17,109,042 | \$ 5,401,794  |

| 2010           | 2011          | 2012          | 2013          | 2014          | 2015          |
|----------------|---------------|---------------|---------------|---------------|---------------|
| \$ 12,497,969  | \$ 11,180,500 | \$ 11,137,222 | \$ 11,433,970 | \$ 12,788,255 | \$ 12,801,745 |
| 8,540,817      | 8,294,596     | 8,400,776     | 8,309,187     | 8,478,285     | 9,142,598     |
| 150,566,426    | 147,871,836   | 148,397,275   | 147,547,387   | 150,639,805   | 160,761,078   |
| 3,540,400      | 3,771,098     | 3,867,848     | 3,878,014     | 3,894,552     | 4,089,165     |
| 55,603,648     | 56,254,830    | 56,495,369    | 57,500,259    | 60,005,088    | 61,805,761    |
| 14,365,141     | 13,330,690    | 13,764,619    | 16,280,078    | 16,554,014    | 18,302,791    |
| 20,712,281     | 22,136,945    | 21,828,053    | 22,089,783    | 22,561,249    | 22,639,915    |
| 26,723,703     | 25,708,804    | 25,949,814    | 23,639,275    | 25,311,941    | 24,878,718    |
| 475,935        | 480,313       | 539,813       | 598,093       | 697,917       | 651,864       |
| 10,782,848     | 10,846,263    | 11,381,527    | 10,942,769    | 11,359,961    | 11,787,045    |
| 9,093,156      | 9,231,014     | 9,361,591     | 9,754,914     | 9,802,212     | 7,954,502     |
| 9,814,728      | 9,918,941     | 9,957,859     | 10,385,661    | 9,805,568     | 10,322,952    |
| 7,825,797      | 7,841,877     | 6,718,174     | 5,894,160     | 4,601,447     | 4,033,890     |
| 330,542,849    | 326,867,707   | 327,799,940   | 328,253,550   | 336,500,294   | 349,172,024   |
| 110,015        | 92,363        | 134,773       | 130,907       | 112,285       | 141,218       |
| 5,560,131      | 5,640,999     | 6,256,482     | 6,294,929     | 6,289,085     | 5,966,969     |
| 21,059         | 13,070        | 12,633        | 14,197        | 17,675        | 17,997        |
| 127,208        | 323,786       | 286,617       | 313,960       | 271,959       | 978,884       |
| 34,560         | 33,087        | 34,718        | 53,566        | 44,434        | 24,389        |
| 812,921        | 931,678       | 1,121,369     | 1,124,840     | 1,190,359     | 1,249,628     |
| 122,706        | 213,825       | 128,841       | 93,836        | 123,572       | 245,482       |
| -              | -             | -             | -             | -             | -             |
| 7,390,904      | 7,219,979     | 7,026,043     | 6,547,387     | 6,519,363     | 6,376,625     |
| 4,614,030      | 4,915,046     | 5,349,086     | 5,441,560     | 5,759,982     | 3,373,200     |
| 45,687,662     | 48,184,008    | 45,572,463    | 47,069,459    | 48,096,296    | 54,043,906    |
| 37,444         | 52,688        | 23,875        | 41,520        | 103,677       | 62,540        |
| 64,518,640     | 67,620,529    | 65,946,900    | 67,126,161    | 68,528,687    | 72,480,838    |
| (266,024,209)  | (259,247,178) | (261,853,040) | (261,127,389) | (267,971,607) | (276,691,186) |
| 50,921,613     | 75,606,000    | 48,125,441    | 47,579,360    | 24,660,338    | 51,982,775    |
| 1,613,879      | 2,444,228     | 1,591,757     | 1,658,474     | 850,036       | 1,678,863     |
| 4,847,224      | 7,322,623     | 7,703,130     | 6,637,900     | 6,020,570     | 6,220,053     |
| 17,203,207     | 18,379,723    | 18,497,035    | 19,463,752    | 18,533,559    | 19,185,246    |
| 183,031,690    | 157,855,931   | 192,639,683   | 191,800,239   | 218,035,675   | 208,882,436   |
| 2,374,094      | 2,417,001     | 2,280,965     | 2,841,805     | 2,329,934     | 383,544       |
| 1,326,954      | 4,967,666     | (876,475)     | 3,286,674     | 5,405,007     | 864,399       |
| 261,318,661    | 268,993,172   | 269,961,536   | 273,268,204   | 275,835,119   | 289,197,316   |
| \$ (4,705,548) | \$ 9,745,994  | \$ 8,108,496  | \$ 12,140,815 | \$ 7,863,512  | \$ 12,506,130 |

## INDEPENDENT SCHOOL DISTRICT NO. 196

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

|   | Fiscal Year          |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2006                 | 2007                 | 2008                 | 2009                 |
| General Fund                                  |                      |                      |                      |                      |
| Reserved                                      | \$ 8,325,259         | \$ 6,541,509         | \$ 6,554,348         | \$ 3,620,075         |
| Unreserved                                    | 21,909,176           | 26,868,617           | 34,285,964           | 36,048,482           |
| Nonspendable                                  | —                    | —                    | —                    | —                    |
| Restricted                                    | —                    | —                    | —                    | —                    |
| Assigned                                      | —                    | —                    | —                    | —                    |
| Unassigned                                    | —                    | —                    | —                    | —                    |
| Total General Fund                            | <u>\$ 30,234,435</u> | <u>\$ 33,410,126</u> | <u>\$ 40,840,312</u> | <u>\$ 39,668,557</u> |
| All other governmental funds                  |                      |                      |                      |                      |
| Reserved                                      | \$ 24,097,996        | \$ 16,141,199        | \$ 11,476,258        | \$ 5,870,499         |
| Unreserved, reported in                       |                      |                      |                      |                      |
| Special revenue funds                         | 1,286,659            | 1,439,066            | 1,927,249            | 2,253,820            |
| Capital Projects – Building Construction Fund | (418,812)            | —                    | —                    | —                    |
| Debt Service Fund                             | 4,056,330            | 5,682,445            | 7,350,087            | 7,705,342            |
| Nonspendable                                  | —                    | —                    | —                    | —                    |
| Restricted                                    | —                    | —                    | —                    | —                    |
| Unassigned, reported in                       |                      |                      |                      |                      |
| Capital Projects – Building Construction Fund | —                    | —                    | —                    | —                    |
| Total all other governmental funds            | <u>\$ 29,022,173</u> | <u>\$ 23,262,710</u> | <u>\$ 20,753,594</u> | <u>\$ 15,829,661</u> |

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

| 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 3,206,123         | \$ —                 | \$ —                 | \$ —                 | \$ —                 | \$ —                 |
| 31,828,883           | —                    | —                    | —                    | —                    | —                    |
| —                    | 773,859              | 843,827              | 854,963              | 940,209              | 924,736              |
| —                    | 2,218,810            | 1,195,907            | 1,714,690            | 3,010,821            | 3,296,572            |
| —                    | 8,962,579            | 9,487,053            | 20,341,273           | 8,451,360            | 6,636,835            |
| —                    | 23,542,504           | 29,847,225           | 16,844,900           | 18,728,496           | 21,074,506           |
| <u>\$ 35,035,006</u> | <u>\$ 35,497,752</u> | <u>\$ 41,374,012</u> | <u>\$ 39,755,826</u> | <u>\$ 31,130,886</u> | <u>\$ 31,932,649</u> |
| \$ 3,085,685         | \$ —                 | \$ —                 | \$ —                 | \$ —                 | \$ —                 |
| 2,562,040            | —                    | —                    | —                    | —                    | —                    |
| (1,396,911)          | —                    | —                    | —                    | —                    | —                    |
| 5,290,924            | —                    | —                    | —                    | —                    | —                    |
| —                    | 319,961              | 196,015              | 249,138              | 172,385              | 132,289              |
| —                    | 9,393,920            | 36,826,306           | 49,345,541           | 30,575,969           | 19,888,229           |
| —                    | (91,298)             | —                    | —                    | —                    | (279,012)            |
| <u>\$ 9,541,738</u>  | <u>\$ 9,622,583</u>  | <u>\$ 37,022,321</u> | <u>\$ 49,594,679</u> | <u>\$ 30,748,354</u> | <u>\$ 19,741,506</u> |

INDEPENDENT SCHOOL DISTRICT NO. 196

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   | \$ 39,377,763   | \$ 74,065,528  | \$ 74,697,557 | \$ 73,939,516  |
| Investment earnings                                     | 4,133,353       | 4,525,997      | 3,961,904     | 1,602,779      |
| Other   | 19,987,729      | 20,512,946     | 21,182,866    | 22,093,951     |
| State sources   | 212,166,538     | 202,416,935    | 216,030,229   | 217,577,040    |
| Federal sources   | 9,508,742       | 10,263,367     | 11,896,836    | 12,076,767     |
| Total revenues  | 285,174,125     | 311,784,773    | 327,769,392   | 327,290,053    |
| Expenditures  |                 |                |               |                |
| Current   |                 |                |               |                |
| Administration  | 9,930,846       | 9,647,124      | 10,293,805    | 12,296,918     |
| District support services                               | 6,986,387       | 7,570,746      | 8,012,337     | 8,517,040      |
| Elementary and secondary<br>regular instruction         | 128,580,799     | 132,069,330    | 138,688,332   | 163,971,417    |
| Vocational education instruction                        | 3,063,062       | 3,136,167      | 3,501,957     | 4,694,936      |
| Special education instruction                           | 46,752,194      | 50,942,815     | 52,056,253    | 59,789,980     |
| Instructional support services                          | 11,538,175      | 12,745,304     | 16,489,090    | 19,064,240     |
| Pupil support services                                  | 19,163,704      | 19,406,860     | 19,977,362    | 23,322,712     |
| Sites and buildings                                     | 20,399,004      | 19,173,883     | 25,540,858    | 24,250,273     |
| Fiscal and other fixed cost programs                    | 755,136         | 698,075        | 420,089       | 551,497        |
| Food service  | 9,622,671       | 9,932,991      | 10,153,258    | 11,239,092     |
| Community service                                       | 6,874,186       | 7,591,026      | 8,125,587     | 9,749,495      |
| Capital outlay  | 36,743,734      | 17,303,531     | 11,970,869    | 7,845,072      |
| Debt service  |                 |                |               |                |
| Principal   | 16,990,392      | 18,976,990     | 17,269,095    | 17,486,403     |
| Interest and fiscal charges                             | 5,960,809       | 5,196,882      | 4,625,339     | 4,459,336      |
| Total expenditures                                      | 323,361,099     | 314,391,724    | 327,124,231   | 367,238,411    |
| Excess of revenues over (under) expenditures            | (38,186,974)    | (2,606,951)    | 645,161       | (39,948,358)   |
| Other financing sources (uses)                          |                 |                |               |                |
| Transfers in  | —               | —              | 6,766,236     | 6,631,231      |
| Transfers out   | —               | —              | (6,766,236)   | (6,631,231)    |
| Refunding debt issued                                   | 3,885,000       | 3,958,369      | 11,085,000    | —              |
| Debt issued   | 20,125,000      | —              | —             | 37,440,000     |
| Premium on debt issued                                  | 584,157         | —              | 474,801       | 141,283        |
| Discount on debt issued                                 | —               | —              | —             | —              |
| Bond refunding payments                                 | (15,225,000)    | (3,944,519)    | (11,570,000)  | (3,835,000)    |
| Capital leases and other loans                          | 1,719,548       | —              | 4,280,000     | —              |
| Sale of capital assets                                  | 7,745           | 9,329          | 6,108         | 106,387        |
| Total other financing sources (uses)                    | 11,096,450      | 23,179         | 4,275,909     | 33,852,670     |
| Net change in fund balances                             | \$ (27,090,524) | \$ (2,583,772) | \$ 4,921,070  | \$ (6,095,688) |
| Debt service as a percentage of noncapital expenditures | 8.0%            | 8.1%           | 6.9%          | 6.1%           |

| 2010            | 2011           | 2012          | 2013          | 2014            | 2015            |
|-----------------|----------------|---------------|---------------|-----------------|-----------------|
| \$ 74,528,277   | \$ 103,540,368 | \$ 75,872,335 | \$ 75,534,830 | \$ 50,312,679   | \$ 79,262,313   |
| 303,790         | 108,110        | 62,715        | 183,896       | 254,245         | 197,264         |
| 22,855,768      | 23,736,052     | 24,616,940    | 24,762,575    | 24,827,075      | 21,183,365      |
| 196,502,525     | 190,544,694    | 218,969,312   | 224,715,822   | 251,943,911     | 247,270,824     |
| 30,566,131      | 13,612,715     | 17,281,296    | 12,289,808    | 12,123,310      | 12,820,914      |
| 324,756,491     | 331,541,939    | 336,802,598   | 337,486,931   | 339,461,220     | 360,734,680     |
| 10,936,881      | 10,610,352     | 10,884,027    | 11,685,219    | 12,662,675      | 13,188,527      |
| 8,337,360       | 8,003,178      | 8,390,674     | 8,303,655     | 8,245,964       | 8,802,535       |
| 148,836,850     | 146,233,427    | 146,550,850   | 146,884,786   | 151,453,547     | 160,442,599     |
| 3,590,812       | 3,684,086      | 3,820,177     | 3,860,595     | 3,899,432       | 4,161,539       |
| 54,584,837      | 55,441,820     | 55,821,234    | 57,700,284    | 60,749,987      | 62,011,436      |
| 14,147,361      | 13,266,880     | 13,446,242    | 16,120,814    | 16,734,739      | 18,361,748      |
| 21,601,756      | 21,823,059     | 20,036,358    | 22,686,884    | 23,318,080      | 22,991,342      |
| 21,957,328      | 21,853,910     | 26,073,195    | 22,380,519    | 22,906,580      | 21,468,077      |
| 475,935         | 480,313        | 539,813       | 598,093       | 697,917         | 651,864         |
| 10,656,596      | 10,859,314     | 11,130,758    | 10,707,855    | 11,253,357      | 11,509,963      |
| 8,974,527       | 9,085,817      | 9,230,564     | 9,772,281     | 9,784,435       | 7,739,627       |
| 9,200,584       | 9,795,213      | 8,609,979     | 6,200,964     | 13,388,239      | 19,028,484      |
| 17,415,183      | 17,084,198     | 17,203,854    | 16,871,223    | 16,460,404      | 17,880,544      |
| 5,611,984       | 5,443,472      | 5,470,324     | 5,368,621     | 4,897,774       | 4,586,660       |
| 336,327,994     | 333,665,039    | 337,208,049   | 339,141,793   | 356,453,130     | 372,824,945     |
| (11,571,503)    | (2,123,100)    | (405,451)     | (1,654,862)   | (16,991,910)    | (12,090,265)    |
| 5,056,267       | 7,434,560      | 7,813,886     | 6,749,505     | 6,128,424       | 6,225,838       |
| (5,056,267)     | (7,434,560)    | (7,813,886)   | (7,456,023)   | (6,128,424)     | (6,225,838)     |
| —               | —              | 34,800,000    | 12,100,000    | 2,230,000       | —               |
| —               | 2,705,000      | —             | —             | 13,710,000      | —               |
| —               | —              | 4,406,816     | 811,026       | 325,933         | —               |
| —               | (41,187)       | —             | —             | —               | —               |
| —               | —              | (11,185,000)  | —             | (26,850,000)    | (2,325,000)     |
| 496,033         | —              | 5,478,812     | —             | 96,569          | 4,200,000       |
| 153,996         | 2,878          | 180,821       | 404,526       | 8,143           | 10,180          |
| 650,029         | 2,666,691      | 33,681,449    | 12,609,034    | (10,479,355)    | 1,885,180       |
| \$ (10,921,474) | \$ 543,591     | \$ 33,275,998 | \$ 10,954,172 | \$ (27,471,265) | \$ (10,205,085) |
| 7.0%            | 6.9%           | 6.9%          | 6.7%          | 6.2%            | 6.3%            |

INDEPENDENT SCHOOL DISTRICT NO. 196

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

| Fiscal Year | Property Tax     |                   |   |               |               | Total |
|-------------|------------------|-------------------|---|---------------|---------------|-------|
|             | General Purposes | Community Service | Capital Projects – Facility Improvement | Debt Service  |               |       |
| 2006        | \$ 13,315,999    | \$ 815,744        | \$ 6,805,943                            | \$ 18,393,234 | \$ 39,330,920 |       |
| 2007        | 42,180,245       | 1,633,165         | 8,503,194                               | 21,941,662    | 74,258,266    |       |
| 2008        | 46,474,687       | 1,641,337         | 6,728,396                               | 20,077,143    | 74,921,563    |       |
| 2009        | 48,799,954       | 1,382,457         | 6,176,945                               | 17,711,200    | 74,070,556    |       |
| 2010        | 50,921,613       | 1,613,879         | 4,847,224                               | 17,203,207    | 74,585,923    |       |
| 2011        | 75,606,000       | 2,444,228         | 7,322,623                               | 18,379,723    | 103,752,574   |       |
| 2012        | 48,125,441       | 1,591,757         | 7,703,130                               | 18,497,035    | 75,917,363    |       |
| 2013        | 47,579,360       | 1,658,474         | 6,637,900                               | 19,463,752    | 75,339,486    |       |
| 2014        | 24,660,338       | 850,036           | 6,020,570                               | 18,533,559    | 50,064,503    |       |
| 2015        | 51,982,775       | 1,678,863         | 6,220,053                               | 19,185,246    | 79,066,937    |       |

Note: Legislative changes in the “tax shift” 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. 196

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

| Fiscal Year | Property Tax     |                   |   |               |               | Total |
|-------------|------------------|-------------------|---|---------------|---------------|-------|
|             | General Purposes | Community Service | Capital Projects – Facility Improvement | Debt Service  |               |       |
| 2006        | \$ 13,346,262    | \$ 817,183        | \$ 6,805,943                            | \$ 18,408,375 | \$ 39,377,763 |       |
| 2007        | 42,042,805       | 1,630,288         | 8,503,194                               | 21,889,241    | 74,065,528    |       |
| 2008        | 46,310,560       | 1,636,329         | 6,728,396                               | 20,022,272    | 74,697,557    |       |
| 2009        | 48,685,755       | 1,381,530         | 6,176,945                               | 17,695,286    | 73,939,516    |       |
| 2010        | 50,881,903       | 1,610,696         | 4,847,224                               | 17,188,454    | 74,528,277    |       |
| 2011        | 75,460,749       | 2,439,565         | 7,322,623                               | 18,317,431    | 103,540,368   |       |
| 2012        | 48,070,886       | 1,592,020         | 7,703,130                               | 18,506,299    | 75,872,335    |       |
| 2013        | 47,741,740       | 1,661,685         | 6,637,900                               | 19,493,505    | 75,534,830    |       |
| 2014        | 24,829,408       | 856,143           | 6,020,570                               | 18,606,558    | 50,312,679    |       |
| 2015        | 52,118,695       | 1,683,323         | 6,220,053                               | 19,240,242    | 79,262,313    |       |

Note 1: Beginning in fiscal 2008, the District's levy for facilities improvement is recorded in the General Fund instead of the Capital Projects – Building Construction Fund in accordance with state requirements.

Note 2: Legislative changes in the "tax shift" 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. 196

Tax Capacity and Estimated Market Value of Property  
Last Ten Fiscal Years

| Tax Collection<br>Calendar Year | Real and<br>Personal Property | Fiscal Disparities<br>Contribution | Tax Increment  | Tax Capacity (1)                       |                                   |
|---------------------------------|-------------------------------|------------------------------------|----------------|--|-----------------------------------|
|                                 |                               |                                    |                | Tax Rate Determining<br>Value Subtotal |                                   |
|                                 |                               |                                    |                | Amount                                 | Percent<br>Increase<br>(Decrease) |
| 2006                            | \$ 158,106,311                | \$ (11,366,546)                    | \$ (3,659,382) | \$ 143,080,383                         | 12.4 %                            |
| 2007                            | 172,644,203                   | (12,302,917)                       | (4,263,378)    | 156,077,908                            | 9.1                               |
| 2008                            | 179,462,003                   | (13,972,061)                       | (4,549,883)    | 160,940,059                            | 3.1                               |
| 2009                            | 179,552,596                   | (15,030,692)                       | (4,604,255)    | 159,917,649                            | (0.6)                             |
| 2010                            | 169,877,287                   | (16,063,641)                       | (4,480,095)    | 149,333,551                            | (6.6)                             |
| 2011                            | 159,044,236                   | (16,085,261)                       | (3,758,099)    | 139,200,876                            | (6.8)                             |
| 2012                            | 148,173,078                   | (15,228,004)                       | (3,364,482)    | 129,580,592                            | (6.9)                             |
| 2013                            | 140,967,953                   | (15,126,445)                       | (1,921,746)    | 123,919,762                            | (4.4)                             |
| 2014                            | 145,202,900                   | (14,651,943)                       | (2,002,926)    | 128,548,031                            | 3.7                               |
| 2015                            | 158,041,081                   | (14,673,864)                       | (2,147,523)    | 141,219,694                            | 9.9                               |

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

Source: Dakota County Department of Property Tax and Public Records

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| Fiscal Disparities<br>Distribution | Total<br>Tax Capacity | Referendum Market Value |                     |
|------------------------------------|-----------------------|-------------------------|---------------------|
|                                    |                       | Amount                  | Percent<br>Increase |
| \$ 13,616,888                      | \$ 156,697,271        | \$ 13,957,795,062       | 13.3 %              |
| 15,169,829                         | 171,247,737           | 15,169,386,575          | 8.7                 |
| 17,418,603                         | 178,358,662           | 15,685,495,575          | 3.4                 |
| 20,392,039                         | 180,309,688           | 15,593,464,050          | (0.6)               |
| 21,289,265                         | 170,622,816           | 14,638,612,100          | (6.1)               |
| 21,042,211                         | 160,243,087           | 13,695,749,525          | (6.4)               |
| 19,083,897                         | 148,664,489           | 13,379,616,185          | (2.3)               |
| 17,944,344                         | 141,864,106           | 12,717,603,775          | (4.9)               |
| 17,217,872                         | 145,765,903           | 13,089,930,995          | 2.9                 |
| 17,328,300                         | 158,547,994           | 14,246,590,466          | 8.8                 |

INDEPENDENT SCHOOL DISTRICT NO. 196

Property Tax Rates  
Direct and Overlapping (1) Governments  
Last Ten Fiscal Years

| Rate              | Year Collectible | Independent School District No. 196 |  |                   |        |
|-------------------|------------------|-------------------------------------|--|-------------------|--------|
|                   |                  | General Fund                        | Community Service Special Revenue Fund | Debt Service Fund | Total  |
| Tax capacity rate | 2006             | 11.780                              | 1.095                                  | 14.679            | 27.554 |
| Market value rate | 2006             | 0.224                               | –                                      | –                 | 0.224  |
| Tax capacity rate | 2007             | 10.623                              | 0.944                                  | 12.040            | 23.607 |
| Market value rate | 2007             | 0.208                               | –                                      | –                 | 0.208  |
| Tax capacity rate | 2008             | 10.146                              | 0.793                                  | 10.197            | 21.136 |
| Market value rate | 2008             | 0.213                               | –                                      | –                 | 0.213  |
| Tax capacity rate | 2009             | 10.287                              | 0.928                                  | 9.894             | 21.109 |
| Market value rate | 2009             | 0.210                               | –                                      | –                 | 0.210  |
| Tax capacity rate | 2010             | 12.918                              | 1.013                                  | 11.460            | 25.391 |
| Market value rate | 2010             | 0.223                               | –                                      | –                 | 0.223  |
| Tax capacity rate | 2011             | 13.718                              | 1.061                                  | 12.180            | 26.959 |
| Market value rate | 2011             | 0.226                               | –                                      | –                 | 0.226  |
| Tax capacity rate | 2012             | 14.102                              | 1.116                                  | 13.222            | 28.440 |
| Market value rate | 2012             | 0.221                               | –                                      | –                 | 0.221  |
| Tax capacity rate | 2013             | 13.627                              | 1.182                                  | 13.147            | 27.956 |
| Market value rate | 2013             | 0.235                               | –                                      | –                 | 0.235  |
| Tax capacity rate | 2014             | 13.325                              | 1.149                                  | 13.132            | 27.606 |
| Market value rate | 2014             | 0.258                               | –                                      | –                 | 0.258  |
| Tax capacity rate | 2015             | 12.859                              | 1.032                                  | 9.380             | 23.271 |
| Market value rate | 2015             | 0.255                               | –                                      | –                 | 0.255  |

- (1) Overlapping rates are those of local and county governments that apply to property owners within the District. Not all overlapping rates apply to all the District's property owners (e.g. the rates for special districts apply only to the proportion of the District's property owners whose property is located within the geographic boundaries of the special district).
- (2) The miscellaneous other levy includes the Metropolitan Council, Mosquito Abatement, Transit District, Dakota County CDA, and Light Rail. These miscellaneous levies vary slightly between municipalities.

Source: Dakota County Department of Property and Public Records

Overlapping Rates, Municipalities, and Townships

| Apple Valley    | Burnsville  | Coates      | Eagan           | Farmington  | Inver Grove Heights |
|-----------------|-------------|-------------|-----------------|-------------|---------------------|
| 35.690<br>0.018 | 35.414<br>– | 17.908<br>– | 28.293<br>0.017 | –<br>–      | 37.654<br>–         |
| 34.891<br>0.017 | 34.564<br>– | 16.971<br>– | 25.232<br>0.016 | –<br>–      | 36.514<br>–         |
| 35.537<br>0.017 | 35.005<br>– | 15.252<br>– | 25.892<br>0.015 | 43.821<br>– | 37.403<br>–         |
| 37.086<br>0.031 | 36.121<br>– | 13.587<br>– | 26.886<br>0.015 | 44.186<br>– | 37.878<br>–         |
| 39.848<br>0.034 | 38.568<br>– | 16.605<br>– | 30.407<br>0.016 | 49.274<br>– | 43.002<br>–         |
| 42.388<br>0.038 | 42.598<br>– | 14.343<br>– | 33.675<br>0.017 | 55.733<br>– | 43.169<br>–         |
| 44.110<br>0.042 | 43.213<br>– | 18.984<br>– | 34.553<br>0.016 | 63.093<br>– | 44.883<br>–         |
| 49.210<br>0.021 | 47.021<br>– | 22.842<br>– | 38.272<br>0.017 | 66.821<br>– | 46.312<br>–         |
| 47.891<br>0.021 | 46.670<br>– | 19.507<br>– | 38.250<br>0.017 | 65.876<br>– | 46.128<br>–         |
| 45.274<br>0.020 | 44.790<br>– | 20.081<br>– | 36.525<br>0.016 | 61.455<br>– | 48.131<br>–         |

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 196

Property Tax Rates  
Direct and Overlapping (1) Governments (continued)  
Last Ten Fiscal Years

| Overlapping Rates, Municipalities, and Townships (continued) |                  |           |           |                 |                     |
|--|------------------|-----------|-----------|-----------------|---------------------|
| Rate   | Year Collectible | Lakeville | Rosemount | Empire Township | Vermillion Township |
| Tax capacity rate  | 2006             | 31.610    | 43.755    | 24.473          | 12.468              |
| Market value rate  | 2006             | 0.008     | 0.008     | —               | —                   |
| Tax capacity rate  | 2007             | 31.583    | 42.521    | 28.244          | 11.052              |
| Market value rate  | 2007             | 0.007     | 0.007     | —               | —                   |
| Tax capacity rate  | 2008             | 34.195    | 42.440    | 25.452          | 17.820              |
| Market value rate  | 2008             | 0.007     | 0.006     | —               | —                   |
| Tax capacity rate  | 2009             | 33.973    | 42.323    | 26.113          | 17.147              |
| Market value rate  | 2009             | 0.007     | 0.006     | —               | —                   |
| Tax capacity rate  | 2010             | 36.920    | 43.457    | 27.737          | 16.643              |
| Market value rate  | 2010             | 0.007     | 0.007     | —               | —                   |
| Tax capacity rate  | 2011             | 38.250    | 44.661    | 27.953          | 17.605              |
| Market value rate  | 2011             | 0.008     | 0.007     | —               | —                   |
| Tax capacity rate  | 2012             | 39.051    | 46.994    | 30.845          | 18.664              |
| Market value rate  | 2012             | 0.008     | —         | —               | —                   |
| Tax capacity rate  | 2013             | 41.234    | 48.862    | 31.746          | 19.555              |
| Market value rate  | 2013             | 0.008     | —         | —               | —                   |
| Tax capacity rate  | 2014             | 40.696    | 47.676    | 31.164          | 17.466              |
| Market value rate  | 2014             | 0.007     | —         | —               | —                   |
| Tax capacity rate  | 2015             | 38.948    | 45.152    | 29.823          | 17.214              |
| Market value rate  | 2015             | —         | —         | —               | —                   |

| Dakota County | Miscellaneous<br>Other (2) | Total Direct and Overlapping Rates |                |                       |
|---------------|----------------------------|------------------------------------|----------------|-----------------------|
|               |                            | Apple Valley<br>Resident           | Eagan Resident | Rosemount<br>Resident |
| 26.318        | 5.344                      | 94.906                             | 87.509         | 102.971               |
| 0.006         | —                          | 0.248                              | 0.247          | 0.238                 |
| 25.127        | 5.116                      | 88.741                             | 79.082         | 96.371                |
| 0.005         | —                          | 0.231                              | 0.229          | 0.220                 |
| 25.184        | 4.393                      | 86.250                             | 76.605         | 93.153                |
| 0.005         | —                          | 0.235                              | 0.233          | 0.224                 |
| 25.821        | 4.328                      | 88.344                             | 78.144         | 93.581                |
| —             | —                          | 0.241                              | 0.225          | 0.216                 |
| 27.261        | 4.420                      | 96.920                             | 87.479         | 100.529               |
| —             | —                          | 0.256                              | 0.239          | 0.229                 |
| 29.149        | 4.644                      | 103.140                            | 94.427         | 105.413               |
| 0.005         | —                          | 0.269                              | 0.248          | 0.238                 |
| 31.426        | 5.021                      | 108.997                            | 99.440         | 111.881               |
| 0.006         | —                          | 0.269                              | 0.244          | 0.227                 |
| 33.421        | 5.341                      | 115.928                            | 104.990        | 115.580               |
| —             | —                          | 0.256                              | 0.252          | 0.235                 |
| 31.827        | 4.993                      | 112.317                            | 102.676        | 112.102               |
| —             | —                          | 0.279                              | 0.275          | 0.258                 |
| 29.633        | 4.567                      | 102.745                            | 93.996         | 102.623               |
| —             | —                          | 0.275                              | 0.271          | 0.255                 |

INDEPENDENT SCHOOL DISTRICT NO. 196

Principal Property Taxpayers  
Current Year and Nine Years Ago

| Taxpayer                            | Levy Year Collectible December 31, |      |  |                           |      |  |
|-------------------------------------|------------------------------------|------|--|---------------------------|------|--|
|                                     | 2015                               |      |  | 2006                      |      |  |
|                                     | Taxable<br>Assessed Value          | Rank | Percentage<br>of Total<br>Taxable<br>Assessed<br>Value | Taxable<br>Assessed Value | Rank | Percentage<br>of Total<br>Taxable<br>Assessed<br>Value |
| Burnsville Center SPE, LLC          | \$ 107,500,000                     | 1    | 0.8 %  | \$ 94,500,000             | 1    | 0.7 %  |
| West Publishing Company             | 73,544,700                         | 2    | 0.5  | 78,720,000                | 2    | 0.6  |
| Flint Hills Resources, LP           | 65,993,700                         | 3    | 0.5  | 27,503,000                | 7    | 0.2  |
| Xcel Energy                         | 63,864,000                         | 4    | 0.4  | 44,411,100                | 4    | 0.3  |
| Dakota Electric Association         | 43,950,800                         | 5    | 0.3  | 48,533,000                | 3    | 0.3  |
| Nighthawk Properties, LLC           | 39,167,300                         | 6    | 0.3  | —                         | —    | —  |
| Kingston Green Apartments           | 37,834,700                         | 7    | 0.3  | 32,000,000                | 5    | 0.2  |
| Promenade Village Townhomes, LLC    | 34,073,100                         | 8    | 0.2  | —                         | —    | —  |
| Hearthstone Townhome and Apartments | 29,141,400                         | 9    | 0.2  | 25,000,000                | 9    | 0.2  |
| Aimco Woods of Burnsville, LLC      | 28,872,400                         | 10   | 0.2  | —                         | —    | —  |
| DDRA Community Centers Five, LP     | —                                  | —    | —  | 30,500,000                | 6    | 0.2  |
| Principal Life Insurance Company    | —                                  | —    | —  | 27,469,600                | 8    | 0.2  |
| Eagan Promenade, LLC                | —                                  | —    | —  | 25,000,000                | 9    | 0.2  |
| Total                               | <u>\$ 523,942,100</u>              |      | <u>3.7 %</u>   | <u>\$ 433,636,700</u>     |      | <u>3.1 %</u>   |

Source: Dakota County Department of Property Tax and Public Records



INDEPENDENT SCHOOL DISTRICT NO. 196

Property Tax Levies and Collections  
Last Ten Fiscal Years

| Levy Year<br>Collectible<br>December 31, | Total Tax<br>Levy for<br>Fiscal Year | Collected Within the Fiscal<br>Year of the Levy |                       | Collections in<br>Subsequent<br>Years | Total Collections to Date |                       |
|--|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|  |                                      | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 2006                                     | \$ 75,857,551                        | \$ 74,993,323                                   | 98.86 %               | \$ 839,911                            | \$ 75,833,234             | 99.97 %               |
| 2007                                     | 75,932,446                           | 75,260,598                                      | 99.12                 | 637,741                               | 75,898,339                | 99.96                 |
| 2008                                     | 75,021,977                           | 74,153,963                                      | 98.84                 | 867,552                               | 75,021,515                | 100.00                |
| 2009                                     | 75,161,647                           | 74,066,346                                      | 98.54                 | 1,003,370                             | 75,069,716                | 99.88                 |
| 2010                                     | 77,716,489                           | 76,858,532                                      | 98.90                 | 833,842                               | 77,692,374                | 99.97                 |
| 2011                                     | 76,514,703                           | 75,577,446                                      | 98.78                 | 900,779                               | 76,478,225                | 99.95                 |
| 2012                                     | 75,939,060                           | 75,216,046                                      | 99.05                 | 660,892                               | 75,876,938                | 99.92                 |
| 2013                                     | 73,876,495                           | 73,303,172                                      | 99.22                 | 462,776                               | 73,765,948                | 99.85                 |
| 2014                                     | 78,338,055                           | 77,887,178                                      | 99.42                 | 237,658                               | 78,124,836                | 99.73                 |
| 2015 (1)                                 | 78,627,184                           | N/A   | N/A                   | N/A                                   | N/A                       | N/A                   |

N/A – Not Applicable

- (1) Only a portion of the calendar year 2015 taxes are collected by June 30, 2015. A total of \$35,570,000 of 2015 taxes were collected by June 30, 2015.

Source: Dakota County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 196

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>General<br/>Obligation Bonds</u> | <u>Refunding Bonds</u> | <u>Capital Notes</u> | <u>State<br/>Energy Loans</u> | <u>Capital Leases</u> |
|--------------------|-------------------------------------|------------------------|----------------------|-------------------------------|-----------------------|
| 2006               | \$ 139,310,000                      | \$ 39,175,000          | \$ 945,000           | \$ 15,389                     | \$ 11,468,841         |
| 2007               | 127,595,000                         | 33,480,000             | 750,000              | 12,824                        | 10,225,985            |
| 2008               | 115,215,000                         | 29,730,000             | 560,000              | 10,259                        | 13,074,455            |
| 2009               | 136,185,000                         | 27,655,000             | 385,000              | 7,694                         | 10,475,617            |
| 2010               | 123,615,000                         | 25,150,000             | 225,000              | 5,129                         | 8,794,032             |
| 2011               | 111,655,000                         | 22,415,000             | 90,000               | 2,564                         | 6,542,399             |
| 2012               | 101,765,000                         | 41,070,000             | —                    | —                             | 9,909,921             |
| 2013               | 90,175,000                          | 49,230,000             | —                    | —                             | 8,726,698             |
| 2014               | 51,730,000                          | 47,975,000             | —                    | —                             | 7,594,863             |
| 2015               | 46,180,000                          | 35,595,000             | —                    | —                             | 10,519,319            |

N/A – Not Available

- (1) See the Schedule of Demographic and Economic Statistics for Dakota County personal income and the District's population data.

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

| <u>Certificates<br/>of Participation</u> | <u>Total</u>   | <u>Percentage<br/>of Personal<br/>Income (1)</u> | <u>Per Capita (1)</u> |
|--|----------------|--|-----------------------|
| \$ –                                     | \$ 190,914,230 | 1.20 %   | 1,302                 |
| –  | 172,063,809    | 1.03   | 1,170                 |
| –  | 158,589,714    | 0.90   | 1,073                 |
| –  | 174,708,311    | 0.96   | 1,162                 |
| –  | 157,789,161    | 0.90   | 1,035                 |
| 2,705,000                                | 143,409,963    | 0.80   | 946                   |
| 2,555,000                                | 155,299,921    | 0.83   | 1,015                 |
| 2,400,000                                | 150,531,698    | 0.75   | 1,019                 |
| 15,955,000                               | 123,254,863    | 0.60   | 831                   |
| 14,955,000                               | 107,249,319    | N/A  | 717                   |

INDEPENDENT SCHOOL DISTRICT NO. 196

Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>General<br/>Obligation Bonds<br/>and<br/>Capital Notes</u> | <u>Less Amounts<br/>Available in Debt<br/>Service Fund</u> | <u>Total</u>   | <u>Percentage of<br/>Estimated Actual<br/>Market Value<br/>of Property (1)</u> | <u>Per Capita (2)</u> |
|--------------------|---|--|----------------|--|-----------------------|
| 2006               | \$ 179,430,000  | \$ 8,024,117   | \$ 171,405,883 | 1.23 %   | 1,169                 |
| 2007               | 161,825,000   | 9,584,400  | 152,240,600    | 1.00   | 1,035                 |
| 2008               | 145,505,000   | 11,252,092   | 134,252,908    | 0.86   | 908                   |
| 2009               | 164,225,000   | 7,707,637  | 156,517,363    | 1.00   | 1,041                 |
| 2010               | 148,990,000   | 5,290,924  | 143,699,076    | 0.98   | 943                   |
| 2011               | 134,160,000   | 4,697,250  | 129,462,750    | 0.95   | 854                   |
| 2012               | 142,835,000   | 32,238,524   | 110,596,476    | 0.83   | 723                   |
| 2013               | 139,405,000   | 44,234,187   | 95,170,813     | 0.75   | 644                   |
| 2014               | 99,705,000  | 18,831,629   | 80,873,371     | 0.62   | 545                   |
| 2015               | 81,775,000  | 16,385,721   | 65,389,279     | 0.46   | 437                   |

(1) See the Schedule of Tax Capacity and Estimated Market Value of Property for information on the market value of the District's property.

(2) See the Schedule of Demographic and Economic Statistics for the District's population data.

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

INDEPENDENT SCHOOL DISTRICT NO. 196

Direct and Overlapping Debt  
as of June 30, 2015

| Taxing Unit                                   | Tax Collection<br>Calendar Year<br>2014-2015<br>Taxable Net<br>Tax Capacity | General Obligation<br>Bonded Debt (1) | Debt Applicable to<br>Tax Capacity in ISD No. 196 |                       |
|---|---|---------------------------------------|---|-----------------------|
|   |   |                                       | Percent   | Amount                |
| Direct debt                                   |   |                                       |   |                       |
| ISD No. 196                                   | \$ 141,219,694  | \$ 81,775,000                         | 100.00 %  | \$ 81,773,050         |
| Overlapping debt                              |   |                                       |   |                       |
| Dakota County                                 | 443,661,858   | 33,575,000                            | 31.83   | 10,686,828            |
| Cities  |   |                                       |   |                       |
| Apple Valley                                  | 42,630,195  | 45,850,000                            | 99.07   | 45,424,826            |
| Burnsville                                    | 58,040,362  | 58,130,000                            | 25.14   | 14,611,126            |
| Eagan   | 72,520,297  | 23,510,000                            | 65.81   | 15,471,246            |
| Farmington                                    | 14,912,219  | 30,935,696                            | 0.04  | 11,207                |
| Inver Grove Heights                           | 29,945,241  | 40,340,000                            | 25.28   | 10,197,017            |
| Lakeville                                     | 56,884,095  | 113,430,000                           | 14.69   | 16,665,013            |
| Rosemount                                     | 21,384,595  | 17,515,000                            | 92.64   | 16,226,063            |
| Town of Empire                                | 3,054,391   | 880,000                               | 18.32   | 161,185               |
| Town of Vermillion                            | 2,127,790   | 200,000                               | 6.85  | 13,693                |
| Other   |   |                                       |   |                       |
| Metropolitan Council                          | 3,426,187,000   | 220,775,000                           | 4.12  | 9,099,630             |
| Total overlapping debt                        |   |                                       |   | <u>138,567,834</u>    |
| Total direct and overlapping debt outstanding |   |                                       |   | <u>\$ 220,340,884</u> |

(1) Includes that portion of debt which is secured by the authority to levy taxes on real estate.

Source: Dakota County Department of Property Tax and Public Records

## INDEPENDENT SCHOOL DISTRICT NO. 196

Legal Debt Margin Information  
Last Ten Fiscal Years

|   | Fiscal Year             |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 2006                    | 2007                    | 2008                    | 2009                    |
| Debt limit  | \$ 2,093,669,259        | \$ 2,275,407,986        | \$ 2,352,824,336        | \$ 2,339,019,608        |
| Total net debt applicable to limit                                  | 171,405,883             | 152,240,600             | 134,252,908             | 156,517,363             |
| Legal debt margin   | <u>\$ 1,922,263,376</u> | <u>\$ 2,123,167,386</u> | <u>\$ 2,218,571,428</u> | <u>\$ 2,182,502,245</u> |
| Total net debt applicable to limit<br>as a percentage of debt limit | 8.19%                   | 6.69%                   | 5.71%                   | 6.69%                   |

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 the repayment of general obligation bonds.

Source: Dakota County Department of Property Tax and Public Records

| 2010                    | 2011                    | 2012                    | 2013                    | 2014                    | 2015                    |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 2,195,791,815        | \$ 2,054,362,429        | \$ 2,006,942,428        | \$ 1,907,640,566        | \$ 1,963,489,649        | \$ 2,136,988,570        |
| 143,744,858             | 129,462,750             | 110,596,476             | 95,170,813              | 80,873,371              | 65,389,279              |
| <u>\$ 2,052,046,957</u> | <u>\$ 1,924,899,679</u> | <u>\$ 1,896,345,952</u> | <u>\$ 1,812,469,753</u> | <u>\$ 1,882,616,278</u> | <u>\$ 2,071,599,291</u> |
| 6.55%                   | 6.30%                   | 5.51%                   | 4.99%                   | 4.12%                   | 3.06%                   |

Legal Debt Margin Calculation for Fiscal Year 2015

|   |                         |
|---|-------------------------|
| Estimated market value – 2015                                     | \$14,246,590,466        |
| Debt limit (15% of market value)                                  | 2,136,988,570           |
| Debt applicable to limit  |                         |
| General obligation bonds  | 81,775,000              |
| Less amount set aside for repayment of<br>general obligation debt | <u>(16,385,721)</u>     |
| Total net debt applicable to limit                                | <u>65,389,279</u>       |
| Legal debt margin   | <u>\$ 2,071,599,291</u> |

INDEPENDENT SCHOOL DISTRICT NO. 196

Demographic and Economic Statistics  
Last Ten Fiscal Years

| Calendar Year | ISD No. 196<br>Population (1) | Dakota County  |                                 |                                |                |  | School Enrollment (4) | Unemployment Rate (2) |
|---------------|-------------------------------|----------------|---------------------------------|--------------------------------|----------------|--|-----------------------|-----------------------|
|               |                               | Population (2) | Personal Income (Thousands) (2) | Per Capita Personal Income (2) | Median Age (2) | Education Level in Years of Formal Schooling (3) |                       |                       |
| 2005          | 146,683                       | 381,027        | \$ 15,915,188                   | \$ 41,769                      | 35.2           | 94 %   | 28,269                | 3.7                   |
| 2006          | 147,108                       | 385,076        | 16,627,273                      | 43,179                         | 35.7           | 95   | 28,040                | 3.6                   |
| 2007          | 147,786                       | 389,418        | 17,541,174                      | 45,045                         | 34.6           | 95   | 27,873                | 4.1                   |
| 2008          | 150,298                       | 393,528        | 18,242,899                      | 46,357                         | 36.0           | 95   | 27,683                | 4.9                   |
| 2009          | 152,443                       | 390,478        | 17,594,416                      | 45,059                         | 34.6           | 95   | 27,443                | 7.3                   |
| 2010          | 151,622                       | 397,650        | 17,970,760                      | 45,192                         | 36.8           | 95   | 27,454                | 6.7                   |
| 2011          | 153,051                       | 400,480        | 18,612,486                      | 46,475                         | 36.5           | 95   | 27,404                | 6.1                   |
| 2012          | 147,703                       | 405,088        | 20,192,381                      | 49,847                         | 36.7           | 95   | 27,168                | 4.9                   |
| 2013          | 148,392                       | 408,509        | 20,706,256                      | 50,687                         | 37.4           | 94   | 27,202                | 4.7                   |
| 2014          | 149,616                       | 412,529        | N/A                             | N/A                            | N/A            | N/A  | 27,204                | 3.7                   |

N/A – Not Available

Data sources:

- (1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.
- (2) 2013 Comprehensive Annual Financial Report for Dakota County, Minnesota.
- (3) Dakota County Demographics Report.
- (4) Actual number of students enrolled in the District on October 1 of each school year, based on the District's official October 1 enrollment reports.



INDEPENDENT SCHOOL DISTRICT NO. 196

Principal Employers  
Current Year and Nine Years Ago

| Employer                  | 2014 (1)  |      |  | 2005 (1)  |      |  |
|---------------------------|-----------|------|--|-----------|------|--|
|                           | Employees | Rank | Percentage<br>of Total<br>District<br>Population | Employees | Rank | Percentage<br>of Total<br>District<br>Population |
| Total district population |           |      | 149,616  |           |      | 146,683  |
| Thomson West              | 7,000     | 1    | 4.68 %   | 5,700     | 1    | 3.89 %   |
| ISD No. 196               | 4,000     | 2    | 2.67   | 4,000     | 2    | 2.73   |
| BlueCross BlueShield      | 3,120     | 3    | 2.09   | 2,200     | 5    | 1.50   |
| Burnsville Center         | 3,000     | 4    | 2.01   | 3,100     | 3    | 2.11   |
| Prime Therapeutics        | 2,700     | 5    | 1.80   | —         | —    | —  |
| Dakota County             | 1,776     | 6    | 1.19   | 1,722     | 6    | 1.17   |
| Sun Country Airlines      | 1,500     | 7    | 1.00   | —         | —    | —  |
| Fairview Ridges Hospital  | 1,500     | 7    | 1.00   | 1,700     | 7    | 1.16   |
| Ecolab Research Facility  | 1,500     | 7    | 1.00   | 1,400     | 9    | 0.95   |
| United Parcel Service     | 1,400     | 10   | 0.94   | 1,400     | 9    | 0.95   |
| Northwest Airlines        | —         | —    | —  | 2,400     | 4    | 1.64   |
| Lockheed Martin           | —         | —    | —  | 1,450     | 8    | 0.99   |

(1) Calendar year.

Source: Minnesota Department of Employment and Economic Development, 2014 Comprehensive Annual Financial Reports for the City of Apple Valley, City of Eagan, Dakota County, and United States Census Bureau

INDEPENDENT SCHOOL DISTRICT NO. 196

Employees by Classification  
Last Ten Fiscal Years

|                                    | Fiscal Year |       |       |       |
|------------------------------------|-------------|-------|-------|-------|
|                                    | 2006        | 2007  | 2008  | 2009  |
| Administrators/principals (1)      | 94          | 99    | 103   | 112   |
| Supervisors/special staff          | 58          | 60    | 64    | 69    |
| Teachers/nurses                    | 2,685       | 2,351 | 3,002 | 3,013 |
| Clerical                           | 1,101       | 1,052 | 1,165 | 1,112 |
| Building chiefs and custodians     | 208         | 228   | 261   | 255   |
| Food service                       | 201         | 209   | 248   | 248   |
| Truck drivers/mechanics/bus driver | 271         | 270   | 297   | 322   |
| Non-licensed specialists           | 32          | 42    | 45    | 56    |
| Total                              | 4,650       | 4,311 | 5,185 | 5,187 |

(1) District office cabinet, principals, secondary school building assistant principals, and principals on special assignment.

Note: This schedule is a headcount based on assignment—if an employee has multiple assignments, they are reflected multiple times.

Source: ISD No. 196 – Human Resources Department – Query of the HRPAY system

| 2010  | 2011  | 2012  | 2013  | 2014  | 2015  |
|-------|-------|-------|-------|-------|-------|
| 106   | 86    | 106   | 109   | 104   | 135   |
| 60    | 56    | 56    | 58    | 59    | 71    |
| 2,724 | 2,419 | 2,386 | 2,542 | 2,537 | 2,769 |
| 1,003 | 893   | 875   | 928   | 950   | 982   |
| 227   | 204   | 207   | 204   | 203   | 199   |
| 189   | 185   | 188   | 189   | 181   | 194   |
| 273   | 266   | 258   | 266   | 255   | 257   |
| 42    | 51    | 44    | 46    | 52    | 56    |
| 4,624 | 4,160 | 4,120 | 4,342 | 4,341 | 4,663 |

INDEPENDENT SCHOOL DISTRICT NO. 196

Operating Indicators  
Standardized Testing and Graduation Rates  
Last Ten Fiscal Years

|  | Fiscal Year |         |         |         |
|--|-------------|---------|---------|---------|
|  | 2006        | 2007    | 2008    | 2009    |
| <b>Standardized tests</b>                      |             |         |         |         |
| <b>MCA Reading (1)</b>                         |             |         |         |         |
| Grade 3  | 89 %        | 86 %    | 85 %    | 86 %    |
| Grade 4  | 86          | 81      | 79      | 82      |
| Grade 5  | 86          | 83      | 84      | 81      |
| Grade 6  | 82          | 71      | 76      | 80      |
| Grade 7  | 74          | 77      | 72      | 74      |
| Grade 8  | 75          | 71      | 76      | 74      |
| Grade 10                                       | 78          | 74      | 82      | 85      |
| <b>MCA Math (1)</b>                            |             |         |         |         |
| Grade 3  | 86          | 87      | 90      | 91      |
| Grade 4  | 80          | 83      | 81      | 85      |
| Grade 5  | 69          | 75      | 80      | 77      |
| Grade 6  | 67          | 70      | 71      | 70      |
| Grade 7  | 63          | 70      | 64      | 69      |
| Grade 8  | 64          | 61      | 65      | 62      |
| Grade 11                                       | 44          | 49      | 46      | 57      |
| <b>MCA Science (1)</b>                         |             |         |         |         |
| Grade 5  | —           | —       | 43      | 55      |
| Grade 8  | —           | —       | 41      | 41      |
| High school                                    | —           | —       | 57      | 64      |
| <b>MAP (Measures of Academic Progress) (2)</b> |             |         |         |         |
| <b>Reading</b>                                 |             |         |         |         |
| Grade 2–5                                      | —           | 61.3    | 65.4    | 68.8    |
| Grade 6–7                                      | —           | 57.6    | 59.9    | 58.9    |
| <b>Math</b>                                    |             |         |         |         |
| Grade 2–5                                      | —           | 63.5    | 70.9    | 73.0    |
| Grade 6–7                                      | —           | 53.6    | 56.7    | 60.2    |
| <b>ACT</b>                                     |             |         |         |         |
| Average composite score                        | 23.3        | 23.8    | 23.8    | 23.9    |
| <b>National Merit Scholars</b>                 |             |         |         |         |
| Commended                                      | 26          | 20      | 39      | 40      |
| Finalists and semifinalists                    | 14          | 15      | 19      | 19      |
| <b>Attendance percentages</b>                  |             |         |         |         |
| Kindergarten                                   | 95.68       | 96.00   | 96.20   | 96.30   |
| 1st grade                                      | 96.28       | 96.30   | 96.30   | 96.20   |
| 2nd grade                                      | 96.61       | 96.50   | 96.60   | 96.40   |
| 3rd grade                                      | 96.57       | 96.70   | 96.60   | 96.60   |
| 4th grade                                      | 96.57       | 96.50   | 96.60   | 96.60   |
| 5th grade                                      | 96.50       | 96.60   | 96.50   | 96.40   |
| 6th grade                                      | 96.06       | 96.30   | 96.40   | 96.20   |
| 7th grade                                      | 95.74       | 96.10   | 96.00   | 95.90   |
| 8th grade                                      | 95.43       | 95.60   | 95.90   | 95.70   |
| 9th grade                                      | 95.80       | 95.70   | 95.90   | 96.00   |
| 10th grade                                     | 95.24       | 94.70   | 95.10   | 95.10   |
| 11th grade                                     | 94.10       | 94.30   | 94.00   | 94.60   |
| 12th grade                                     | 92.47       | 91.80   | 90.40   | 90.70   |
| All grades                                     | 95.61 %     | 94.60 % | 94.50 % | 95.59 % |
| <b>Graduation data (3)</b>                     |             |         |         |         |
| District graduation rates                      | 94 %        | 95 %    | 95 %    | 95 %    |
| State graduation rate                          | 91 %        | N/A     | 74 %    | 74 %    |

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessments (MCA).
- (2) Percent of students who met or exceeded their mean growth projection.
- (3) To comply with U.S. Department of Education reporting requirements, calculations for high school graduation rates have changed. The state graduation rates shown for fiscal 2008 and thereafter, and the district rates shown for fiscal year 2012, are percentages of students graduating from high school within four years after they enrolled in Grade 9. Students who took an additional year to meet graduation requirements are not included in this calculation.

Source: State graduation rates obtained from the Minnesota Department of Education  
Standardized testing results for the District are from the “Annual Report on Curriculum, Instruction, and Student Achievement,” prepared by the ISD No. 196 Teaching and Learning Department

| 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|---------|---------|---------|---------|---------|---------|
| 83 %    | 87 %    | 87 %    | 64 %    | 63 %    | 63 %    |
| 81      | 83      | 83      | 63      | 61      | 65      |
| 84      | 89      | 86      | 74      | 76      | 72      |
| 78      | 83      | 85      | 67      | 68      | 71      |
| 74      | 78      | 81      | 65      | 65      | 63      |
| 78      | 79      | 79      | 65      | 66      | 67      |
| 85      | 84      | 87      | 75      | 72      | 71      |
| 90      | 80      | 77      | 76      | 76      | 76      |
| 87      | 78      | 76      | 77      | 77      | 77      |
| 81      | 66      | 68      | 68      | 70      | 69      |
| 77      | 54      | 64      | 66      | 67      | 66      |
| 70      | 60      | 61      | 67      | 67      | 64      |
| 63      | 54      | 65      | 63      | 66      | 64      |
| 56      | 64      | 54      | 68      | 65      | 63      |
| 53      | 57      | 61      | 66      | 71      | 67      |
| 49      | 46      | 46      | 51      | 56      | 57      |
| 67      | 65      | 68      | 68      | 69      | 69      |
| 67.1    | 69.5    | 63.1    | 64.3    | 72.3    | 72.8    |
| 58.3    | 60.7    | 61.3    | 62.5    | 61.0    | 63.2    |
| 71.5    | 75.7    | 72.9    | 66.3    | 65.0    | 71.9    |
| 61.4    | 60.3    | 67.8    | 55.5    | 60.3    | 63.2    |
| 24.0    | 24.0    | 24.1    | 24.0    | 24.1    | 24.4    |
| 39      | 29      | 36      | 36      | 29      | 41      |
| 19      | 12      | 16      | 16      | 15      | 15      |
| 95.20   | 95.20   | 96.20   | 95.80   | 96.40   | 95.70   |
| 96.00   | 96.06   | 96.20   | 96.00   | 96.10   | 95.70   |
| 96.00   | 96.27   | 96.60   | 96.20   | 96.30   | 95.80   |
| 96.20   | 96.34   | 96.60   | 96.40   | 96.50   | 96.00   |
| 96.20   | 96.32   | 96.40   | 96.30   | 96.40   | 96.00   |
| 96.00   | 96.25   | 96.50   | 96.20   | 96.30   | 95.90   |
| 95.80   | 95.80   | 96.10   | 95.80   | 95.50   | 95.90   |
| 95.70   | 95.66   | 95.80   | 95.40   | 95.60   | 95.40   |
| 95.30   | 95.25   | 95.80   | 95.00   | 95.40   | 95.30   |
| 95.70   | 96.38   | 96.20   | 96.10   | 96.10   | 99.00   |
| 95.40   | 95.58   | 95.50   | 95.30   | 95.50   | 98.70   |
| 94.70   | 94.87   | 94.20   | 94.90   | 94.60   | 98.40   |
| 91.70   | 93.80   | 91.50   | 91.70   | 92.10   | 95.60   |
| 95.40 % | 95.68 % | 95.68 % | 95.47 % | 95.10 % | 95.80 % |
| 86 %    | 88 %    | 91 %    | 92 %    | 92 %    | N/A     |
| 76 %    | 77 %    | 78 %    | 80 %    | 81 %    | N/A     |

INDEPENDENT SCHOOL DISTRICT NO. 196

Capital Asset Statistics by Program and Classification  
Last Ten Fiscal Years

|   | Fiscal Year           |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2006                  | 2007                  | 2008                  | 2009                  |
| Program   |                       |                       |                       |                       |
| Administration                                    | \$ 141,342            | \$ 132,142            | \$ 147,409            | \$ 179,261            |
| District support services                         | 1,180,667             | 1,227,903             | 1,025,661             | 1,016,096             |
| Elementary and secondary                          |                       |                       |                       |                       |
| regular instruction                               | 2,514,297             | 2,484,307             | 2,496,662             | 8,760,956             |
| Vocational education                              | 116,952               | 126,666               | 154,190               | 160,600               |
| Special education                                 | 191,810               | 212,067               | 228,326               | 276,257               |
| Community education                               | 60,355                | 68,350                | 59,378                | 52,310                |
| Instructional support                             | 183,376               | 159,086               | 232,944               | 225,944               |
| Transportation                                    | 10,020,266            | 10,807,062            | 11,780,723            | 12,781,307            |
| Food service                                      | 1,672,695             | 1,728,313             | 1,947,582             | 1,984,681             |
| Sites and buildings                               | 1,784,792             | 1,959,012             | 2,153,834             | 2,320,109             |
| Sites and buildings – unallocated                 | 298,721,129           | 299,131,493           | 337,772,769           | 361,308,814           |
| Total program                                     | <u>\$ 316,587,681</u> | <u>\$ 318,036,400</u> | <u>\$ 357,999,478</u> | <u>\$ 389,066,335</u> |
| Classification                                    |                       |                       |                       |                       |
| Land  | \$ 8,870,712          | \$ 8,870,712          | \$ 8,870,712          | \$ 8,870,712          |
| Land improvements                                 | 9,741,173             | 9,741,173             | 9,886,433             | 10,153,666            |
| Building  | 257,058,566           | 257,423,527           | 292,938,345           | 314,011,440           |
| Equipment   | 11,187,475            | 11,462,669            | 13,040,963            | 21,689,145            |
| Eligible pupil transportation vehicle             | 10,036,694            | 10,934,816            | 11,804,100            | 12,813,825            |
| Food service equipment                            | 1,931,750             | 1,987,368             | 2,242,901             | 2,311,523             |
| Property and equipment under capital leases       | 17,761,310            | 17,616,134            | 19,216,024            | 19,216,024            |
| Total classification                              | <u>316,587,681</u>    | <u>318,036,400</u>    | <u>357,999,478</u>    | <u>389,066,335</u>    |
| Construction in progress                          | <u>42,572,146</u>     | <u>55,022,066</u>     | <u>29,026,823</u>     | <u>3,608,373</u>      |
| Total classification and construction in progress | <u>\$ 359,159,827</u> | <u>\$ 373,058,466</u> | <u>\$ 387,026,301</u> | <u>\$ 392,674,708</u> |

Source: ISD No. 196 Finance Department

| 2010                  | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 203,816            | \$ 201,217            | \$ 198,717            | \$ 190,127            | \$ 190,908            | \$ 249,608            |
| 990,747               | 932,471               | 862,520               | 1,010,232             | 1,052,752             | 1,081,139             |
| 8,949,532             | 9,017,233             | 9,005,469             | 9,019,255             | 9,156,130             | 9,310,499             |
| 157,451               | 143,323               | 140,590               | 166,854               | 166,854               | 166,854               |
| 286,452               | 292,624               | 319,752               | 324,676               | 345,565               | 358,609               |
| 52,310                | 56,877                | 48,020                | 42,437                | 42,437                | 36,225                |
| 196,515               | 196,710               | 181,009               | 175,634               | 158,389               | 154,527               |
| 13,537,639            | 13,768,324            | 13,199,928            | 14,019,124            | 14,931,523            | 15,355,534            |
| 2,009,242             | 2,045,907             | 2,110,819             | 2,164,109             | 2,296,422             | 2,392,865             |
| 2,496,147             | 2,606,356             | 3,596,095             | 3,711,558             | 4,766,294             | 5,049,084             |
| 367,140,887           | 369,999,764           | 380,961,031           | 385,485,390           | 395,222,661           | 410,215,923           |
| <u>\$ 396,020,738</u> | <u>\$ 399,260,806</u> | <u>\$ 410,623,949</u> | <u>\$ 416,309,396</u> | <u>\$ 428,329,935</u> | <u>\$ 444,370,867</u> |
| \$ 8,870,712          | \$ 8,870,712          | \$ 8,870,712          | \$ 8,870,712          | \$ 8,870,712          | \$ 8,870,712          |
| 10,421,635            | 10,826,510            | 11,327,871            | 11,616,641            | 12,841,906            | 12,948,913            |
| 318,610,626           | 320,226,324           | 329,828,810           | 332,834,757           | 334,572,452           | 336,821,378           |
| 22,391,107            | 24,655,160            | 27,191,998            | 28,391,134            | 29,075,405            | 30,760,757            |
| 13,995,557            | 14,223,093            | 13,541,853            | 14,358,205            | 15,409,291            | 15,330,093            |
| 2,372,098             | 2,436,108             | 2,552,543             | 2,605,833             | 2,712,415             | 2,357,122             |
| 19,359,003            | 18,022,899            | 17,310,162            | 17,207,108            | 17,227,800            | 17,227,800            |
| 396,020,738           | 399,260,806           | 410,623,949           | 415,884,390           | 420,709,981           | 424,316,775           |
| 1,059,415             | 3,748,287             | 271,931               | 425,007               | 7,619,954             | 20,054,092            |
| <u>\$ 397,080,153</u> | <u>\$ 403,009,093</u> | <u>\$ 410,895,880</u> | <u>\$ 416,309,397</u> | <u>\$ 428,329,935</u> | <u>\$ 444,370,867</u> |

INDEPENDENT SCHOOL DISTRICT NO. 196

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

|  | Fiscal Year      |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2006             | 2007             | 2008             | 2009             |
| Administration                               | \$ 355           | \$ 348           | \$ 374           | \$ 450           |
| District support services                    | 250              | 273              | 291              | 312              |
| Elementary and secondary regular instruction | 4,599            | 4,769            | 5,044            | 5,999            |
| Vocational education instruction             | 110              | 113              | 127              | 172              |
| Special education instruction                | 1,672            | 1,839            | 1,893            | 2,188            |
| Instructional support services               | 413              | 460              | 600              | 698              |
| Pupil support services                       | 685              | 701              | 727              | 853              |
| Sites and buildings                          | 730              | 692              | 929              | 887              |
| Fiscal and other fixed cost programs         | 27               | 25               | 15               | 20               |
| Food service                                 | 344              | 359              | 369              | 411              |
| Community service                            | 246              | 274              | 296              | 357              |
| Capital outlay                               | 1,314            | 625              | 435              | 287              |
| Debt service                                 | 821              | 873              | 796              | 803              |
| Total expenditures                           | <u>\$ 11,566</u> | <u>\$ 11,352</u> | <u>\$ 11,898</u> | <u>\$ 13,436</u> |
| Average daily membership                     | <u>27,957</u>    | <u>27,694</u>    | <u>27,495</u>    | <u>27,332</u>    |

Note 1: Includes all governmental fund expenditures.

Note 2: Expenditures for 2009 were unusually high due to the District issuing \$37.44 million of general obligation taxable OPEB bonds, reported as both an other financing source and expenditure in the governmental funds in the year of issuance.

Source: Average daily membership from the Minnesota Department of Education



| 2010             | 2011             | 2012             | 2013             | 2014             | 2015             |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 402           | \$ 392           | \$ 402           | \$ 436           | \$ 470           | \$ 485           |
| 306              | 295              | 310              | 310              | 306              | 324              |
| 5,466            | 5,396            | 5,417            | 5,482            | 5,626            | 5,898            |
| 132              | 136              | 141              | 144              | 145              | 153              |
| 2,005            | 2,046            | 2,063            | 2,154            | 2,257            | 2,279            |
| 520              | 490              | 497              | 602              | 622              | 675              |
| 793              | 805              | 741              | 847              | 866              | 845              |
| 806              | 806              | 964              | 835              | 851              | 789              |
| 17               | 18               | 20               | 22               | 26               | 24               |
| 391              | 401              | 411              | 400              | 418              | 423              |
| 330              | 335              | 341              | 365              | 363              | 285              |
| 338              | 361              | 318              | 231              | 497              | 699              |
| 846              | 831              | 838              | 830              | 793              | 826              |
| <u>\$ 12,352</u> | <u>\$ 12,313</u> | <u>\$ 12,465</u> | <u>\$ 12,658</u> | <u>\$ 13,242</u> | <u>\$ 13,705</u> |
| <u>27,228</u>    | <u>27,099</u>    | <u>27,053</u>    | <u>26,793</u>    | <u>26,918</u>    | <u>27,204</u>    |

INDEPENDENT SCHOOL DISTRICT NO. 196

Food Service  
School Lunch Program Data  
Last Ten Fiscal Years

| <u>Year Ended<br/>June 30,</u> | <u>Average Daily<br/>Attendance (1)</u> | <u>Total<br/>Lunches<br/>Served</u> | <u>Days</u> | <u>Average Daily<br/>Participation</u> | <u>Participation<br/>as a Percentage<br/>of Average Daily<br/>Attendance</u> |
|--------------------------------|---|-------------------------------------|-------------|--|--|
| 2006                           | 24,551                                  | 2,417,581                           | 174         | 13,894                                 | 56.6 %   |
| 2007                           | 24,212                                  | 2,513,074                           | 174         | 14,443                                 | 59.7   |
| 2008                           | 24,011                                  | 2,556,827                           | 175         | 14,610                                 | 60.8   |
| 2009                           | 23,877                                  | 2,661,364                           | 175         | 15,208                                 | 63.7   |
| 2010                           | 23,903                                  | 2,646,001                           | 173         | 15,295                                 | 64.0   |
| 2011                           | 23,857                                  | 2,668,882                           | 175         | 15,251                                 | 63.9   |
| 2012                           | 23,868                                  | 2,633,781                           | 174         | 15,137                                 | 63.4   |
| 2013                           | 23,602                                  | 2,398,031                           | 170         | 14,106                                 | 59.8   |
| 2014                           | 24,571                                  | 2,385,935                           | 165         | 15,203                                 | 61.9   |
| 2015                           | 24,853                                  | 2,528,744                           | 169         | 14,963                                 | 60.2   |

(1) Attendance is deemed to be 95 percent of enrollment.

Source: ISD No. 196 Summary: Food Service Statistics Reports

| Free Lunch    |                  | Reduced Lunch |                  |
|---------------|------------------|---------------|------------------|
| Number Served | Percent of Total | Number Served | Percent of Total |
| 370,837       | 15.3 %           | 129,527       | 5.4 %            |
| 389,665       | 15.5             | 141,518       | 5.6              |
| 418,004       | 16.3             | 156,800       | 6.1              |
| 445,673       | 16.7             | 167,164       | 6.3              |
| 517,890       | 19.6             | 177,497       | 6.7              |
| 563,511       | 21.1             | 186,803       | 7.0              |
| 625,915       | 23.8             | 168,576       | 6.4              |
| 606,438       | 25.3             | 170,748       | 7.1              |
| 643,503       | 27.0             | 165,163       | 6.9              |
| 676,947       | 26.8             | 195,960       | 7.7              |

INDEPENDENT SCHOOL DISTRICT NO. 196

School Facilities  
as of June 30, 2015

| Facility                                 | Use                                  | Constructed | Acres  |
|--|--------------------------------------|-------------|--------|
| Elementary schools                       |                                      |             |        |
| Cedar Park                               | School                               | 1977        | 16.64  |
| Deerwood                                 | School                               | 1987        | (3a)   |
| Diamond Path                             | School                               | 1970        | 40.00  |
| Echo Park                                | School                               | 1979        | 16.29  |
| Glacier Hills                            | School                               | 1993        | 15.01  |
| Greenleaf                                | School                               | 1975        | 30.40  |
| Highland                                 | School                               | 1986        | (3b)   |
| Northview                                | School                               | 1960        | 39.50  |
| Oak Ridge                                | School                               | 1991        | 9.95   |
| Parkview                                 | School                               | 1970        | 13.00  |
| Pinewood                                 | School                               | 1990        | 17.31  |
| Red Pine                                 | School                               | 1995        | 13.09  |
| Rosemount                                | School                               | 1960        | (3c)   |
| Shannon Park                             | School                               | 1990        | 13.50  |
| Southview                                | School                               | 1967        | (3d)   |
| Thomas Lake                              | School                               | 1979        | 15.00  |
| Westview                                 | School                               | 1964        | 18.00  |
| Woodland                                 | School                               | 1988        | 18.43  |
| Middle schools                           |                                      |             |        |
| Black Hawk                               | School                               | 1994        | 38.81  |
| Dakota Hills                             | School                               | 1989        | (3e)   |
| Falcon Ridge                             | School                               | 1996        | 32.46  |
| Rosemount                                | School                               | 1918        | (3c)   |
| Scott Highlands                          | School                               | 1979        | 40.00  |
| Valley                                   | School                               | 1972        | 32.74  |
| High schools                             |                                      |             |        |
| Apple Valley                             | School                               | 1976        | 80.00  |
| Eagan                                    | School                               | 1990        | 94.00  |
| Eastview                                 | School                               | 1997        | 54.00  |
| Rosemount                                | School                               | 1963        | 120.13 |
| School of Environmental Studies          | School                               | 1995        | 12.25  |
| Area Learning Center and Transition Plus | School                               | 2006        | N/A    |
| Dakota Ridge                             | School                               | 1997        | (3f)   |
| Cedar Valley Learning Center             | School                               | 1993        | 1.59   |
| Dakota Valley Learning Center            | Special/Early Child/ Adult Education | 2014        | (3f)   |
| District Office                          | Office                               | 2006        | 2.10   |
| District Service Center                  | Office                               | 1972        | 40.00  |
| Facilities                               | Office/Maintenance/Warehouse         | 1972        | (3f)   |
| District Office East                     | Office                               | 1984        | 9.50   |

N/A – Not Available

- (1) All rooms dedicated for instructional purposes, including regular classrooms, portable classrooms, computer labs, art rooms, band/choir/music rooms, special services rooms, science rooms, F.A.C.S. rooms, and industrial technology rooms.
- (2) Enrollment is defined as the adjusted ADMs served excluding resident students tuitioned out to other Minnesota school districts. Students served by the school of environmental studies are included in the student's home high school.
- (3) Joint sites
  - (a) with Black Hawk Middle School
  - (b) with Scott Highlands Middle School
  - (c) with Rosemount High School
  - (d) with Valley Middle School
  - (e) with Eagan High School
  - (f) with District Service Center/Facilities/Dakota Ridge/Dakota Valley Learning Center

Source: Building square footage totals are based on Minnesota Department of Education February 14, 2013 Building Age Report; enrollment based on Minnesota Department of Education August 9, 2013 School ADM Served Report. Years of construction and acreages are based on district property records.

| <u>Classrooms (1)</u> | <u>Square Footage</u> | <u>Capacity</u> | <u>Enrollment (2)</u> |
|-----------------------|-----------------------|-----------------|-----------------------|
| 29                    | 69,678                | 595             | 703                   |
| 35                    | 77,060                | 595             | 633                   |
| 39                    | 76,880                | 725             | 760                   |
| 45                    | 83,824                | 790             | 704                   |
| 39                    | 80,017                | 680             | 734                   |
| 50                    | 84,530                | 835             | 944                   |
| 43                    | 85,497                | 725             | 689                   |
| 37                    | 67,743                | 705             | 422                   |
| 45                    | 80,000                | 680             | 631                   |
| 39                    | 77,165                | 680             | 851                   |
| 44                    | 85,328                | 815             | 590                   |
| 47                    | 88,784                | 815             | 866                   |
| 38                    | 73,251                | 660             | 680                   |
| 47                    | 83,936                | 770             | 849                   |
| 46                    | 72,391                | 790             | 651                   |
| 34                    | 66,312                | 595             | 436                   |
| 41                    | 68,028                | 725             | 419                   |
| 37                    | 80,043                | 680             | 541                   |
|                       |                       |                 |                       |
| 71                    | 198,534               | 1,200           | 867                   |
| 64                    | 223,560               | 1,300           | 1,128                 |
| 73                    | 197,014               | 1,200           | 1,052                 |
| 61                    | 172,796               | 1,055           | 1,216                 |
| 60                    | 163,535               | 1,030           | 969                   |
| 60                    | 186,598               | 1,165           | 853                   |
|                       |                       |                 |                       |
| 83                    | 360,104               | 1,990           | 1,676                 |
| 87                    | 382,970               | 2,040           | 2,059                 |
| 97                    | 338,242               | 2,015           | 2,103                 |
| 91                    | 401,248               | 2,015           | 2,020                 |
| 53                    | 71,171                | 400             | 376                   |
|                       |                       |                 |                       |
| 18                    | 27,659                | 310             | 246                   |
| 26                    | 50,338                | 160             | 77                    |
| 6                     | 13,730                | 309             | –                     |
| 22                    | 54,286                | 529             | 289                   |
|                       |                       |                 |                       |
| N/A                   | 25,600                | 368             | –                     |
| N/A                   | 23,937                | N/A             | –                     |
| N/A                   | 28,964                | N/A             | –                     |
| N/A                   | 18,677                | N/A             | –                     |

INDEPENDENT SCHOOL DISTRICT NO. 196

Building Permits Issued by Major Cities  
Last Ten Fiscal Years

| Calendar Year        | Total Permits |                | New Residential Permits (1) |               |
|----------------------|---------------|----------------|-----------------------------|---------------|
|                      | Number        | Value          | Number                      | Value         |
| City of Rosemount    |               |                |                             |               |
| 2005                 | 1,209         | \$ 127,153,725 | 290                         | \$ 89,053,918 |
| 2006                 | 1,015         | 81,595,018     | 159                         | 46,503,749    |
| 2007                 | 1,403         | 69,195,590     | 76                          | 27,084,690    |
| 2008                 | 1,698         | 72,477,392     | 46                          | 16,952,136    |
| 2009                 | 968           | 34,398,343     | 38                          | 9,325,000     |
| 2010                 | 924           | 33,716,925     | 38                          | 7,552,704     |
| 2011                 | 2,359         | 28,753,846     | 16                          | 4,834,000     |
| 2012                 | 2,251         | 38,804,214     | 59                          | 16,832,849    |
| 2013                 | 2,471         | 42,084,362     | 93                          | 26,136,626    |
| 2014                 | 2,879         | 75,168,593     | 96                          | 45,310,000    |
| City of Apple Valley |               |                |                             |               |
| 2005                 | 809           | 63,201,500     | 78                          | 30,494,000    |
| 2006                 | 689           | 55,520,000     | 44                          | 14,169,000    |
| 2007                 | 745           | 74,422,000     | 57                          | 20,022,000    |
| 2008                 | 3,017         | 30,292,500     | 21                          | 5,480,000     |
| 2009                 | 2,688         | 44,857,000     | 31                          | 7,991,000     |
| 2010                 | 2,995         | 59,290,047     | 61                          | 35,346,000    |
| 2011                 | 4,248         | 21,248,500     | 31                          | 7,929,000     |
| 2012                 | 4,438         | 41,228,000     | 47                          | 12,284,000    |
| 2013                 | 4,426         | 49,921,500     | 63                          | 19,317,000    |
| 2014                 | 5,430         | 90,423,600     | 71                          | 22,147,000    |
| City of Eagan        |               |                |                             |               |
| 2005                 | 2,010         | 105,151,600    | 107                         | 24,217,000    |
| 2006                 | 1,885         | 97,526,000     | 119                         | 22,289,000    |
| 2007                 | 2,638         | 136,845,515    | 67                          | 20,502,000    |
| 2008                 | 4,078         | 86,610,469     | 30                          | 8,972,000     |
| 2009                 | 2,400         | 55,050,142     | 13                          | 3,920,000     |
| 2010                 | 2,616         | 56,977,150     | 32                          | 9,481,442     |
| 2011                 | 2,259         | 59,743,157     | 73                          | 20,912,987    |
| 2012                 | 2,699         | 109,835,569    | 154                         | 37,114,705    |
| 2013                 | 7,455         | 218,669,781    | 188                         | 70,828,088    |
| 2014                 | 5,044         | 158,991,311    | 177                         | 57,043,757    |

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

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

Source: City of Rosemount, City of Apple Valley, and City of Eagan

INDEPENDENT SCHOOL DISTRICT NO. 196

Students – Average Daily Membership (ADM)  
Last Ten Fiscal Years

| Year<br>Ended<br>June 30, | ADM (for Students Served or Tuition Paid)               |              |            |           |           |                                   | Total Pupil Units |                                   |
|---------------------------|---|--------------|------------|-----------|-----------|-----------------------------------|-------------------|-----------------------------------|
|                           | Early Childhood<br>and<br>Kindergarten –<br>Handicapped | Kindergarten | Elementary | Secondary | Total     |                                   | Number            | Percent<br>Increase<br>(Decrease) |
|                           |   |              |            |           | Number    | Percent<br>Increase<br>(Decrease) |                   |                                   |
| 2006                      | 344.82  | 1,656.02     | 12,206.24  | 13,740.72 | 27,947.80 | (0.6) %                           | 32,443.12         | (0.6) %                           |
| 2007                      | 360.40  | 1,645.73     | 12,029.91  | 13,657.96 | 27,694.00 | (0.9)                             | 32,160.23         | (0.9)                             |
| 2008                      | 367.01  | 1,584.83     | 11,899.66  | 13,643.32 | 27,494.82 | (0.7)                             | 32,062.56         | (0.3)                             |
| 2009                      | 377.49  | 1,706.23     | 11,842.79  | 13,405.61 | 27,332.12 | (0.6)                             | 31,781.05         | (0.9)                             |
| 2010                      | 367.87  | 1,627.40     | 11,927.94  | 13,304.89 | 27,228.10 | (0.4)                             | 31,686.88         | (0.3)                             |
| 2011                      | 362.72  | 1,658.41     | 11,839.43  | 13,238.22 | 27,098.78 | (0.5)                             | 31,510.72         | (0.6)                             |
| 2012                      | 401.43  | 1,690.94     | 11,948.37  | 13,012.52 | 27,053.26 | (0.2)                             | 31,406.83         | (0.3)                             |
| 2013                      | 402.20  | 1,683.94     | 11,926.58  | 12,780.09 | 26,792.81 | (1.0)                             | 31,079.22         | (1.0)                             |
| 2014                      | 405.36  | 1,596.02     | 12,116.23  | 12,800.68 | 26,918.29 | 0.5                               | 31,261.97         | 0.6                               |
| 2015                      | 500.85  | 1,749.48     | 12,235.00  | 12,718.85 | 27,204.18 | 1.1                               | 29,747.19         | (4.8)                             |

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

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

|                             | Early Childhood<br>and<br>Kindergarten –<br>Handicapped | Kindergarten |         | Elementary |       | Secondary |
|-----------------------------|---|--------------|---------|------------|-------|-----------|
|                             |   | Part-Time    | All-Day | 1–3        | 4–6   |           |
| Fiscal 2006<br>through 2007 | Various   | 0.557        | 0.557   | 1.115      | 1.060 | 1.300     |
| Fiscal 2008<br>through 2014 | Various   | 0.612        | 0.061   | 1.115      | 1.060 | 1.300     |
| Fiscal 2015                 | Various   | 0.550        | 1.000   | 1.000      | 1.000 | 1.200     |

Source: Minnesota Department of Education

