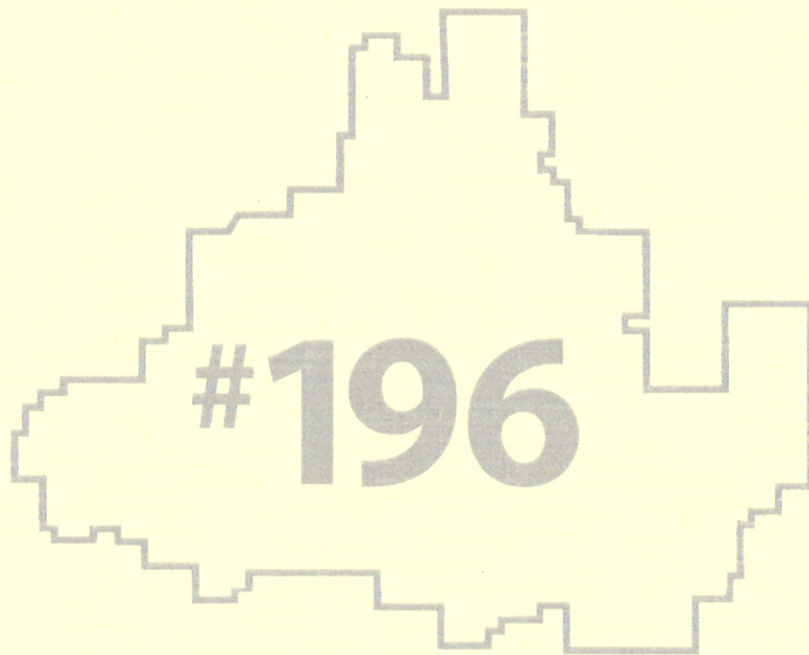


Comprehensive ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016



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, 2016

INDEPENDENT SCHOOL DISTRICT NO. 196
ROSEMOUNT, MINNESOTA

3455 – 153rd Street West
Rosemount, MN 55068-4199

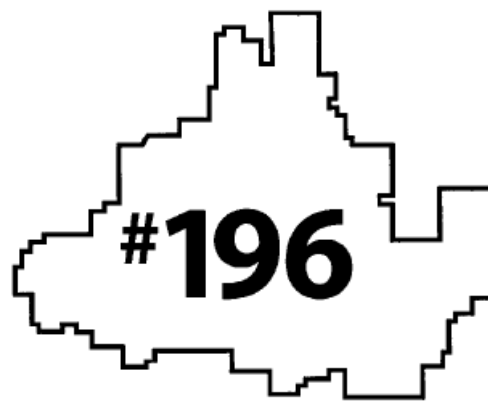
Prepared by
Finance Department

Jeffrey M. Solomon • Director of Finance and Operations

Stella Y. Johnson • Coordinator of Finance

Joseph M. Bertram • Manager of Financial Systems

Jacob E. Bosley • Controller



INDEPENDENT SCHOOL DISTRICT NO. 196

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INDEPENDENT SCHOOL DISTRICT NO. 196

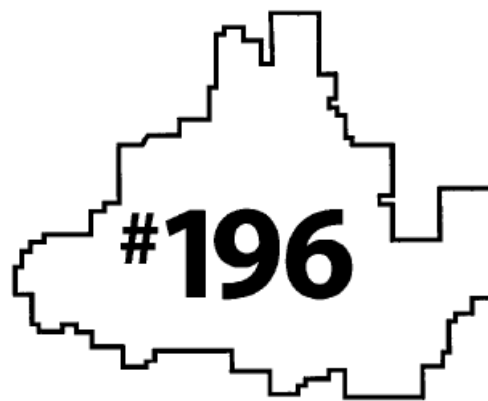
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INDEPENDENT SCHOOL DISTRICT NO. 196

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SECTION I

Introduction



October 28, 2016

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, 2016. 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, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2016, 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 2014–2015 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, individual fund, and capital assets 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

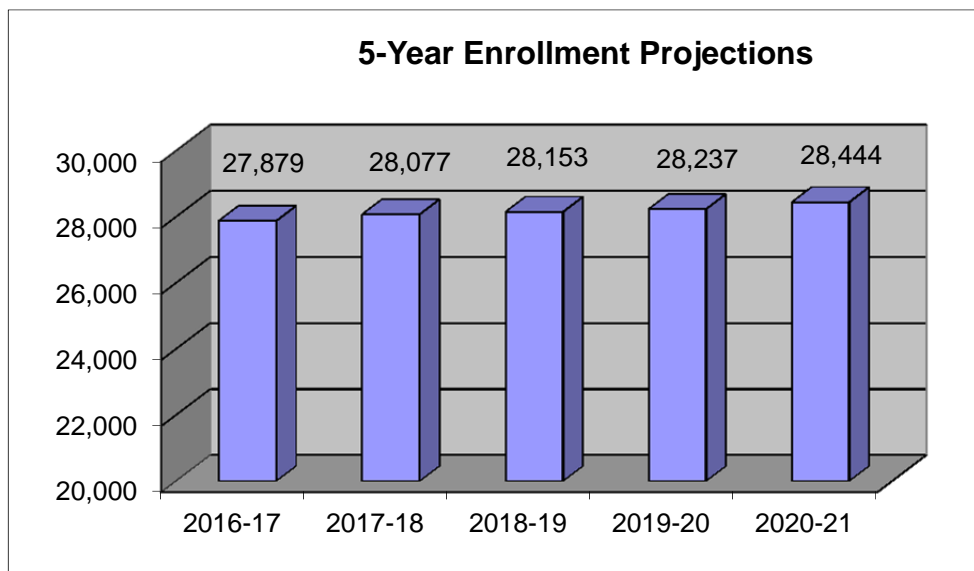
The District enrolled 27,790 students (or average daily membership totaling 27,513.39) in 2015–2016 from a population of 153,051 people residing in a 108.6 square mile area. In terms of the number of students, the District is Minnesota’s fourth largest school district.

The District has an increasingly diverse population of students with a variety of needs. For the 2015–2016 school year, 67 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 9 percent, and 1 percent were American Indian.

In 2015–2016, 23.5 percent of our students qualified to receive free or reduced-price meals; this compared to a 2013–2014 Minnesota average of 38.0 percent.

Five-Year Enrollment Projections

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



District Schools and Facilities

During the 2015–2016 school year, the District operated 33 school buildings: an Early Childhood Learning Center, 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

According to the Minnesota Department of Management and Budget, the pace of overall job growth in Minnesota slowed during the second half of 2015. Minnesota’s overall economy has been somewhat affected by falling commodity prices, stronger U.S. dollar, and weak global growth. The increase in value of the U.S. dollar against the currencies of the state’s largest trading partners, including Canada and Mexico, has hurt demand for the state’s manufacturing exports.

In spite of these challenges, the state is weathering the recent global slowdown and slide in commodity prices rather well, a reflection of the state’s large and diverse economic base. Job growth has remained widespread, with gains in education and health services, retails and financial services, and construction industry. This broad based job growth helped to push down the state’s jobless rate in December 2015 to 3.5 percent, the lowest mark since the early 2000s and lowest among states with a major metropolitan area.

The state’s recent budget forecast indicates that fiscal years 2016–2017 will be 1.0 percent, or \$427 million less than the prior estimates mainly due to an anticipated reduction in individual income tax and sale tax receipts. Slow corporate profit growth translates to reductions in corporate tax receipts. The state is anticipating that this trend will continue through fiscal years 2018–2019.

The state of Minnesota assumes major responsibility for funding public education. In the District, approximately 18 percent of our General Fund revenues are generated locally from property taxes, 76 percent from state aids, close to 3 percent from federal aids, and miscellaneous income made up the remaining 3 percent.

Reliance on the state for the majority of its operating revenues places the District in the position of being dependent on state-wide economic conditions that drive state tax collections. The 2015 Legislature has provided some increase to the basic general education formula allowance and other categorical funding for the 2016–2017 school year. However, the 2 percent formula allowance increase does not keep pace with general inflations and rising cost of providing quality education to all our students. The District will continue to respond to this challenge by curtailing expenditures when possible and is committed to engage staff and community members in future budget discussions and to consider other options for increasing revenues and containing growth.

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 Standards-Based Accountability Assessments released by the Minnesota Department of Education in July 2016, 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 2016.

The Standards-Based Accountability Assessments include the MCAs and the Minnesota Test of Academic Skills (MTAS) for students receiving special education services who qualify. These tests 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 14,000 district students took the MCAs or MTAS last spring.

The MCAs and MTAS 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.

Compared to 2015 results, the percentage of district students who scored proficient on the MCAs or MTAS reading, math, and science tests stayed about the same for all levels tested.

American College Test (ACT)

In 2015–2016, the District's high school students continued to score higher than the state and national average composite scores on the ACT college-entrance exam.

The ACT average composite score for the District's students in 2016 was 23.0 points out of a possible score of 36. With nearly one-third more students taking the test, the District average dropped 1.4 points from the year before but is still 2.2 points higher than the national average of 20.8 points and 1.9 points higher than the state average of 21.1 points, which was highest among the 18 states that offer the ACT to all students.

The ACT is the primary admissions test for students attending college in the Midwest; the Scholastic Aptitude Test 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 November 2015, 778 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.

National Merit Scholars

In 2015–2016, 16 of the District’s high school seniors were named National Merit Scholarship semifinalists (top 1 percent of seniors nation-wide), another 32 students were named commended students (top 5 percent).

ACHIEVEMENTS AND AWARDS

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

In 2015–2016, Apple Valley and Eagan high schools were two of the top 10 Schools of Outstanding Distinction at the June 12–17, 2016 National Speech and Debate Association tournament in Salt Lake City.

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. Nineteen students from Eagan and 15 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.

This is the second year in a row that Apple Valley and Eagan have both finished among the top 10 Schools of Outstanding Distinction at the national tournament. At the state level, they rank first and second, respectively, in total speech titles won all time at the state tournament.

All-State Musicians

Forty-six of the District’s high school students were name All-State Musicians by the Minnesota Music Educators Association (MMEA) for the 2016–2017 school year. These students, who were selected by recorded audition, participated in a camp this past summer will perform at MMEA’s annual conference in spring 2017.

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 Association of School Business Officials (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, 2015. It is the 14th 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.

MERITORIOUS BUDGET AWARD

In November 2015, the District Finance Department received the Meritorious Budget Award (MBA) from the ASBO International for its 2015–2016 budget.

The MBA program promotes and recognizes excellence in school budget presentation. The award is awarded to school districts that have met or exceeded the program's stringent criteria, following a rigorous review by professional auditors. Only one other school district in Minnesota (Marshall Public Schools) and fewer than 150 nation-wide received the MBA for the 2015–2016 budget year.

The District has submitted its 2016–2017 budget document for ASBO International's review.

FINANCIAL PROSPECTS FOR FUTURE YEARS

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 the Minnesota Department of Management and Budget's February 2016 forecast calls for the continual improvement over the next several years, but at a slower pace.

Since 2011–2012 school year, the state has provided annual increases to the per pupil unit funding for basic general education aid. The annual increase for 2011–2012 and 2012–2013 was 1.0 percent. 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 2015 Legislature, during its special session, approved additional funding for K–12 education for the 2016–2017 biennium. The basic general education formula allowance for the 2015–2016 school year was \$5,948 and will increase by 2.0 percent for the 2016–2017 school year.

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, 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.

MAJOR INITIATIVES

Referendum Improvements

On November 3, 2015, district voters approved a referendum question for \$180 million in capital improvements and technology funding. The referendum question was approved by a more than 2-to-1 margin, 8,768 yes (69 percent) to 3,935 no (31 percent). The approved referendum provides the District with \$130 million in bonding authority to make safety and security improvements at all schools, provide additional space for learning, including a new elementary school, and upgrades to technology infrastructure district-wide. The referendum questions also include a capital project levy that will provide approximately \$5.0 million per year for 10 years to increase access to technology for all students and maintain that access over the life of the levy.

The improvements that will be supported by the referendum are summarized below.

Safety and Security

- Modify entrances at all schools to better control visitor access
- Upgrade security equipment at all schools
- Site improvements at 16 sites with identified need to improve pedestrian and traffic safety

Space for Learning

- New elementary school in the southern part of the District
- Additions to five elementary magnet schools and Parkview Elementary
- STEM improvements at all six middle schools. Cedar Park Elementary STEM School and Apple Valley High School
- Improvements to meet district standards for space at Rosemount High School and elementary schools with identified need
- Replacement of worn-out student furniture at middle schools and high schools

Technology for Learning

- Infrastructure upgrades
- Mobile learning device for each student in Grades 4–12, phased in over three years
- 3-to-1 ratio of students-to-mobile learning device for Grades pre-K–3

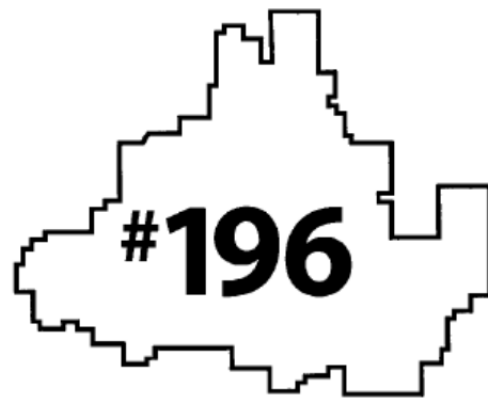
ACKNOWLEDGMENTS

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, Jacob Bosley, manager of financial systems, reporting and compliance, Joseph Bertram; finance department supervisors, Desiree Fleming, Joyce Peterson, and Sun Wisneski; and all the finance department staff for their work.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stella Y. Johnson', with a stylized, flowing script.

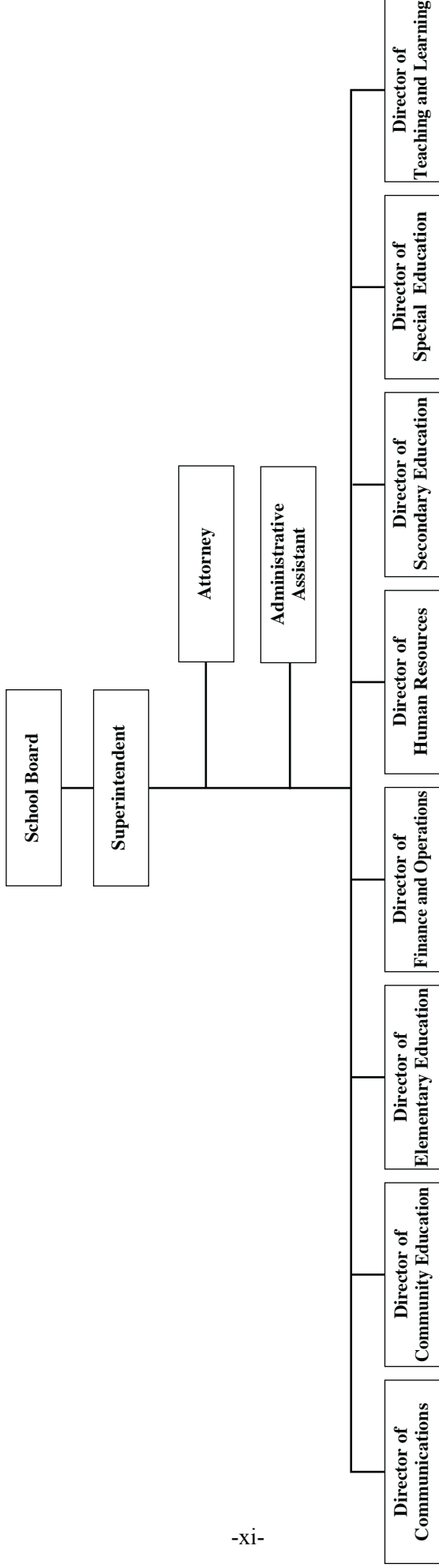
Stella Y. Johnson
Coordinator of Finance



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, 2016

SCHOOL BOARD

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

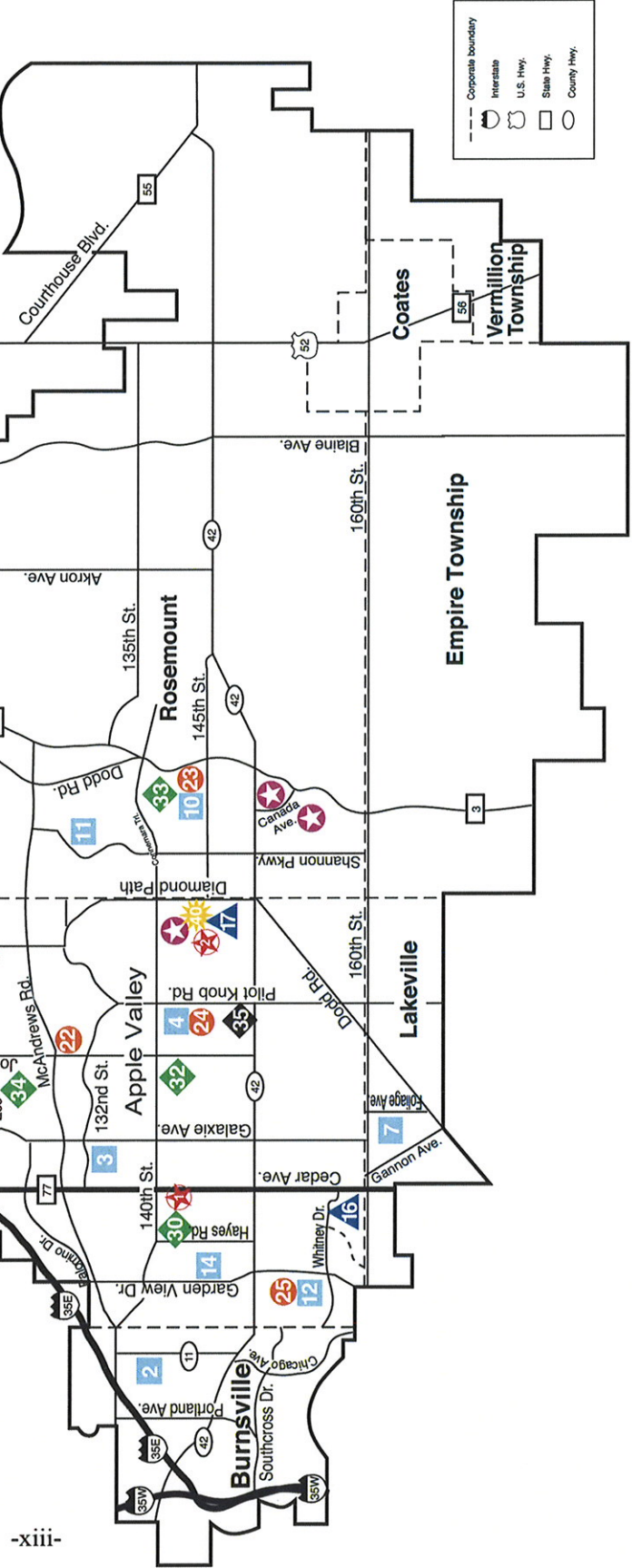
* Resigned from the School Board at the March 14, 2016 School Board meeting due to moving out of the District.

INDEPENDENT SCHOOL DISTRICT 196 Rosemount-Apple Valley-Eagan Public Schools

Educating our students to reach their full potential

District Map

Elementary Schools	Middle Schools
1 Deerwood	20 Black Hawk
2 Echo Park	21 Dakota Hills
3 Greenleaf	22 Falcon Ridge
4 Highland	23 Rosemount
5 Northview	24 Scott Highlands
6 Oak Ridge	25 Valley Middle - School of STEM
7 Parkview	
8 Pinewood	High Schools
9 Red Pine	30 Apple Valley
10 Rosemount	31 Eagan
11 Shannon Park	32 Eastview
12 Southview	33 Rosemount
13 Thomas Lake	34 School of Environmental Studies
14 Westview	35 Area Learning Center
15 Woodland	
Elementary Magnet Schools	Special Education School
16 Cedar Park Science, Techn., Engineering and Math (STEM) School	40 Dakota Ridge
17 Diamond Path School of International Studies	
18 Glacier Hills School of Arts and Science	
	District Offices
	Cedar Valley Learning Center
	Dakota Valley Learning Center





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

**Independent School District 196
Rosemount-Apple Valley-Eagan
Public Schools**

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

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

Prior Year Comparative Information

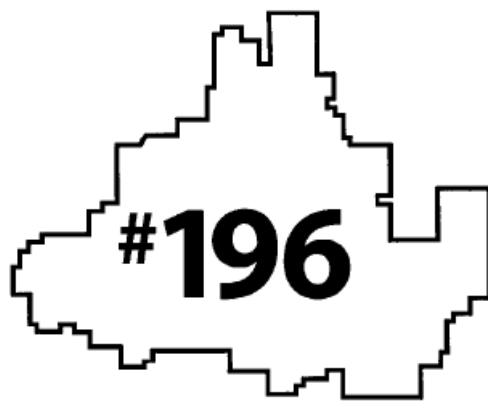
We have previously audited the District's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 29, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
October 28, 2016



**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, 2016**

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, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

For the year ended June 30, 2016, the District showed an increase in total net position of \$2.20 million. Many factors contributed to this change. A few key financial highlights from the District’s basic financial statements for the 2015–2016 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 2015–2016 fiscal year by \$21.54 million. This amount includes a net investment in capital assets of \$154.68 million, \$9.98 million net position restricted for specific uses, and a negative unrestricted net position of \$186.20 million.
- The District’s total net position increased by \$2.20 million in the current year. The District’s net investment in capital assets decreased by \$4.24 million. Restricted net position increased by \$1.22 million. The unrestricted portion of the District’s net position increased \$5.22 million. A more detailed analysis of these changes can be found later in this document.
- As of June 30, 2016, the District’s governmental funds reported combined ending fund balances of \$169.60 million, a net increase of \$117.92 million in comparison with the prior year. Approximately 9.93 percent of this total amount, or \$16.84 million, is unrestricted – unassigned.
- At the close of the 2015–2016 fiscal year, unrestricted – unassigned fund balance for the General Fund was \$16.84 million, or 5.11 percent, of total General Fund expenditures.
- The District’s long-term liabilities increased by \$150.29 million, or 44.16 percent, during the current fiscal year. The main reason for this increase was a net increase of outstanding bonds and certificates of participation payable (including unamortized premiums and discounts) of \$107.58 million due to the issuance of \$112.15 million of building bonds during the year.

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

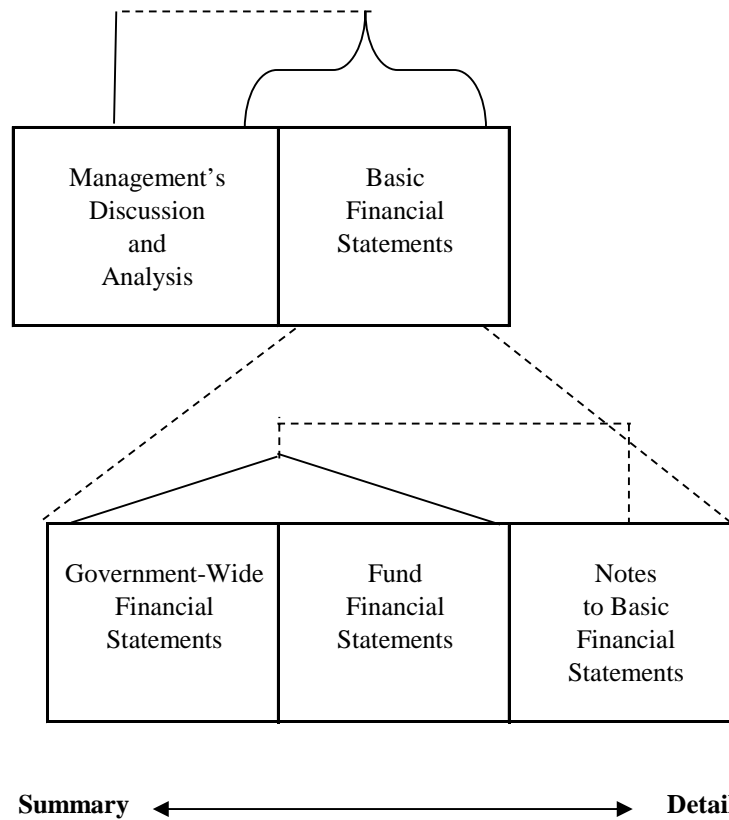


Figure 2, at the top of the next page, summarizes the major features of the District's financial statements, including portions of the District's activities covered and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each 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
Scope	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
Required financial statements	– Statement of Net Position – Statement of Activities	– Balance Sheet – Statement of Revenue, Expenditures, and Changes in Fund Balances	– Statement of Net Position – Statement of Revenue, Expenses, and Changes in Fund Net Position – Statement of Cash Flows	– Statement of Fiduciary Net Position – Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflow of resources/ liability/deferred inflow of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources; both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities 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
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Financial Statements

The government-wide financial statements 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, other post-employment 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 \$21.54 million at June 30, 2016. This is an increase of \$2.20 million, or 9.27 percent, from the prior year deficit net position of \$23.74 million.

Table 1
Net Position – Governmental Activities

	<u>2016</u>	<u>2015</u>	<u>Percent Change 2015 to 2016</u>
Assets			
Current and other assets	\$ 373,566,970	\$ 248,410,405	50.38%
Capital assets	<u>218,234,672</u>	<u>223,310,531</u>	(2.27%)
Total assets	<u>\$ 591,801,642</u>	<u>\$ 471,720,936</u>	25.46%
Deferred outflows of resources			
Pension plan deferments – PERA and TRA	<u>\$ 44,980,973</u>	<u>\$ 34,289,912</u>	100.00%
Liabilities			
Long-term liabilities	\$ 490,647,063	\$ 340,353,650	44.16%
Other liabilities	<u>56,510,072</u>	<u>54,912,065</u>	2.91%
Total liabilities	<u>\$ 547,157,135</u>	<u>\$ 395,265,715</u>	38.43%
Deferred inflows of resources			
Property taxes levied for subsequent year	\$ 82,360,999	\$ 75,298,216	9.38%
Pension plan deferments – PERA and TRA	<u>28,804,189</u>	<u>59,187,595</u>	100.00%
Total deferred inflows of resources	<u>\$ 111,165,188</u>	<u>\$ 134,485,811</u>	(17.34%)
Net position			
Net investment in capital assets	\$ 154,681,937	\$ 158,918,349	(2.67%)
Restricted	9,977,667	8,762,761	13.86%
Unrestricted	<u>(186,199,312)</u>	<u>(191,421,788)</u>	(2.73%)
Total net position	<u>\$ (21,539,708)</u>	<u>\$ (23,740,678)</u>	(9.27%)

The District’s net investment in capital assets (\$154.68 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 (\$9.98 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 \$186.20 million) is unrestricted.

The \$2.20 million increase in net position is the result of many factors. Some of the major ones are:

- The District’s net investment in capital assets decreased \$4.24 million, mainly due to depreciation.
- Restricted net position increased \$1.22 million, primarily in restricted for debt service.
- Unrestricted net position improved by \$5.22 million, mainly due to changes in unfunded long-term liabilities for pensions and OPEB, and the ongoing retirement of outstanding OPEB bonds.

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

Table 2 Change in Net Position			
	2016	2015	Percent Change 2015 to 2016
Revenues			
Program revenues			
Charges for services	\$ 17,582,067	\$ 18,374,392	(4.31%)
Operating grants and contributions	58,170,271	54,043,906	7.64%
Capital grants and contributions	8,105	62,540	(87.04%)
General revenues			
Property taxes	78,654,126	79,066,937	(0.52%)
General grants and aids	215,880,510	208,882,436	3.35%
Other	975,711	1,247,943	(21.81%)
Total revenues	<u>371,270,790</u>	<u>361,678,154</u>	2.65%
Expenses			
Administration	15,493,748	12,801,745	21.03%
District support services	9,058,209	9,142,598	(0.92%)
Elementary and secondary regular instruction	166,000,943	160,761,078	3.26%
Vocational education instruction	5,237,887	4,089,165	28.09%
Special education instruction	65,647,768	61,805,761	6.22%
Instructional support services	19,753,852	18,302,791	7.93%
Pupil support services	23,523,058	22,639,915	3.90%
Sites and buildings	27,849,964	24,878,718	11.94%
Fiscal and other fixed cost programs	650,603	651,864	(0.19%)
Food service	12,302,155	11,787,045	4.37%
Community service	8,211,003	7,954,502	3.22%
Depreciation not allocated directly to programs	10,580,519	10,322,952	2.50%
Interest and fiscal charges on long-term debt	4,760,111	4,033,890	18.00%
Total expenses	<u>369,069,820</u>	<u>349,172,024</u>	5.70%
Increase in net position	2,200,970	12,506,130	(82.40%)
Net position – beginning	<u>(23,740,678)</u>	<u>(36,246,808)</u>	
Net position – ending	<u>\$ (21,539,708)</u>	<u>\$ (23,740,678)</u>	

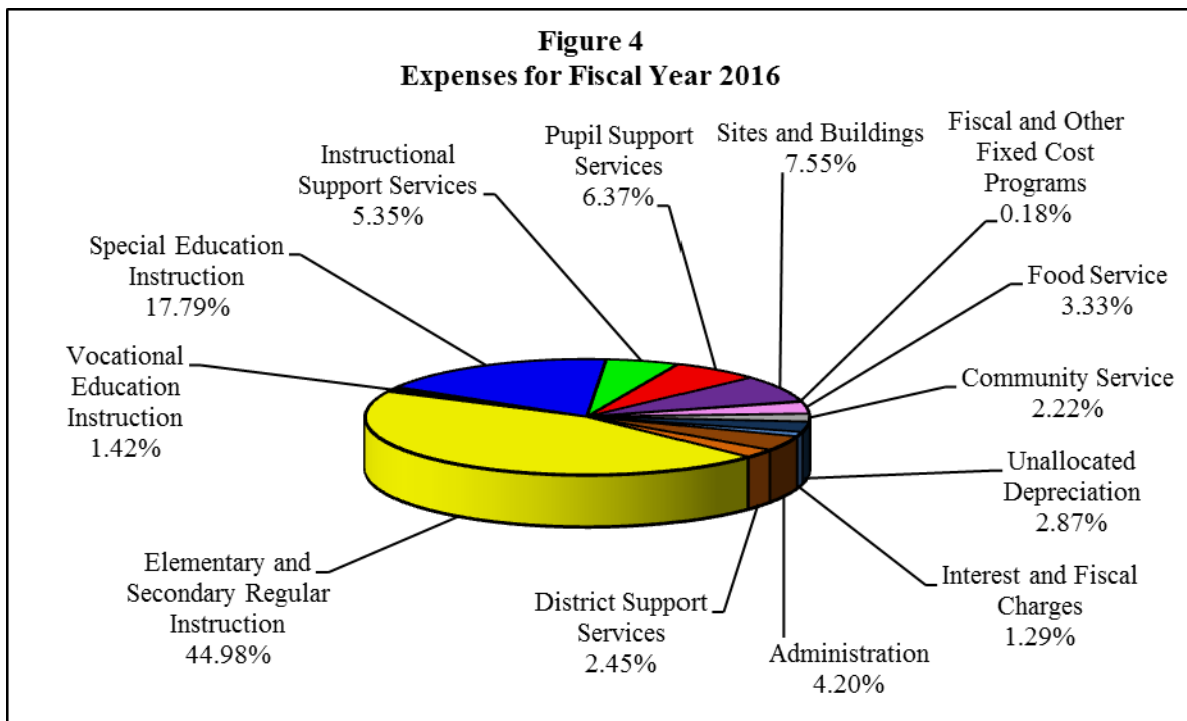
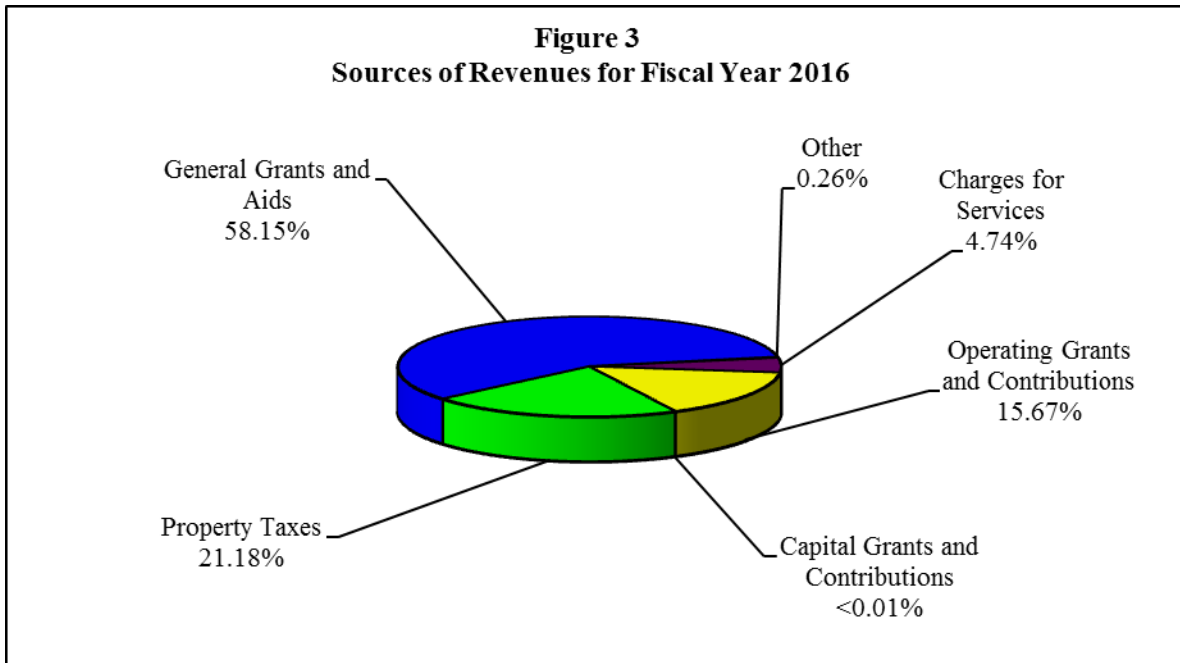
Changes in Net Position – The District’s total revenues were \$371.27 million for the year ended June 30, 2016, an increase of \$9.59 million (2.65 percent) from 2014–2015 actual revenues of \$361.68 million.

For 2015–2016, property taxes and general grants and aids accounted for 79.33 percent of total revenue for the year. About 15.67 percent of the District’s revenue came from operating and capital grants. Fees and charges for services accounted for 4.74 percent of the total revenue, while the remaining 0.26 percent came from other general revenue, including investment income.

For 2015–2016, the total cost of all programs and services was \$369.07 million. This is an increase of \$19.90 million (5.70 percent) from the 2014–2015 total cost of \$349.17 million.

As in past years, the bulk of the District’s resources (75.91 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 4.20 percent of total costs for the year.

Total revenues surpassed expenses, increasing the District’s net position by \$2.20 million.



The cost of all *governmental* activities for 2015–2016 was \$369.07 million. Of this amount, \$75.76 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 \$58.18 million, or 15.76 percent, of the total costs for 2015–2016. In addition, federal, state, and local sources subsidized general district operations with grants and contributions of \$215.88 million, or 58.49 percent, of the total costs for 2015–2016.
- About 4.76 percent, or \$17.58 million, of costs were paid by the users of the District’s programs.
- Finally, \$0.98 million of district revenue came from investment earnings and other general revenue.

Table 3
Net Cost of Governmental Activities

	Net Cost of Services		Percent Change 2015 to 2016
	2016	2015	
Administration	\$ 15,493,748	\$ 12,783,417	21.20%
District support services	8,855,072	8,998,880	(1.60%)
Elementary and secondary regular instruction	148,804,359	146,435,143	1.62%
Vocational education instruction	4,256,312	3,229,869	31.78%
Special education instruction	27,332,393	23,688,429	15.38%
Instructional support services	19,291,868	18,175,372	6.14%
Pupil support services	22,284,776	20,511,960	8.64%
Sites and buildings	27,723,831	24,605,854	12.67%
Fiscal and other fixed cost programs	650,603	651,864	(0.19%)
Food service	314,689	422,156	(25.46%)
Community service	2,961,096	2,831,400	4.58%
Depreciation not allocated directly to programs	10,580,519	10,322,952	2.50%
Interest and fiscal charges on long-term debt	4,760,111	4,033,890	18.00%
Total	<u>\$ 293,309,377</u>	<u>\$ 276,691,186</u>	6.01%

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, 2016, the District's governmental funds reported a *combined* fund balance of \$169.60 million, an increase of \$117.92 million, or 228.20 percent, from last year's ending fund balance of \$51.68 million. This net decrease is chiefly due to the following factors:

- In 2015–2016, actual revenues and other financing sources were \$0.88 million less than actual expenditures and other financing uses in the General Fund. The School Board-approved planned deficit spending for the General Fund was \$8.08 million. The actual result was \$7.20 million better than planned.
- During 2015–2016, the District issued \$112.15 million Series 2016A General Obligation School Building Bonds with \$20.36 million in issue premium. Proceeds from this issue were placed in the Capital Projects – Building Construction Fund which will be used to finance the construction of a new elementary school, make safety and security improvements at all schools, and upgrades to technology infrastructure district-wide.
- In 2015–2016, the District's 2013A Refunding Bonds proceeds (held in escrow) were used to call the remaining principal of the District's 2005A School Building Bonds on August 1, 2015. The total payoff of the 2005A bonds amounted to \$12.13 million.

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

Table 4 Governmental Fund Balances				
	2016	2015	Increase (Decrease)	Percent Change 2015 to 2016
Major funds				
General	\$ 31,052,211	\$ 31,932,649	\$ (880,438)	(2.76%)
Capital Projects – Building Construction	127,956,511	(3,788)	127,960,299	3,378,043.80%
Debt Service	7,362,951	16,385,721	(9,022,770)	(55.06%)
Total major funds	166,371,673	48,314,582	118,057,091	244.35%
Nonmajor funds				
Special revenue				
Food Service	1,708,247	1,958,519	(250,272)	(12.78%)
Community Service	1,516,506	1,401,054	115,452	8.24%
Total nonmajor funds	3,224,753	3,359,573	(134,820)	(4.01%)
Total major and nonmajor funds	\$ 169,596,426	\$ 51,674,155	\$ 117,922,271	228.20%

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 2015, it appears that enrollment for the District will increase slightly over the next four years, ranging from 28,182 (actual as of October 3, 2016) for the 2016–2017 school year to 28,237 for the 2019–2020 school year.

The graph below (Figure 5) shows the District's actual average daily membership (ADM) over the last five years. Both elementary and secondary ADM for 2015–2016 increased from the previous year. Preliminary enrollment data for the 2016–2017 fiscal year shows an increase of 337.17 ADM over the 2015–2016 total of 27,513.39.

Figure 5
Students (Average Daily Membership)

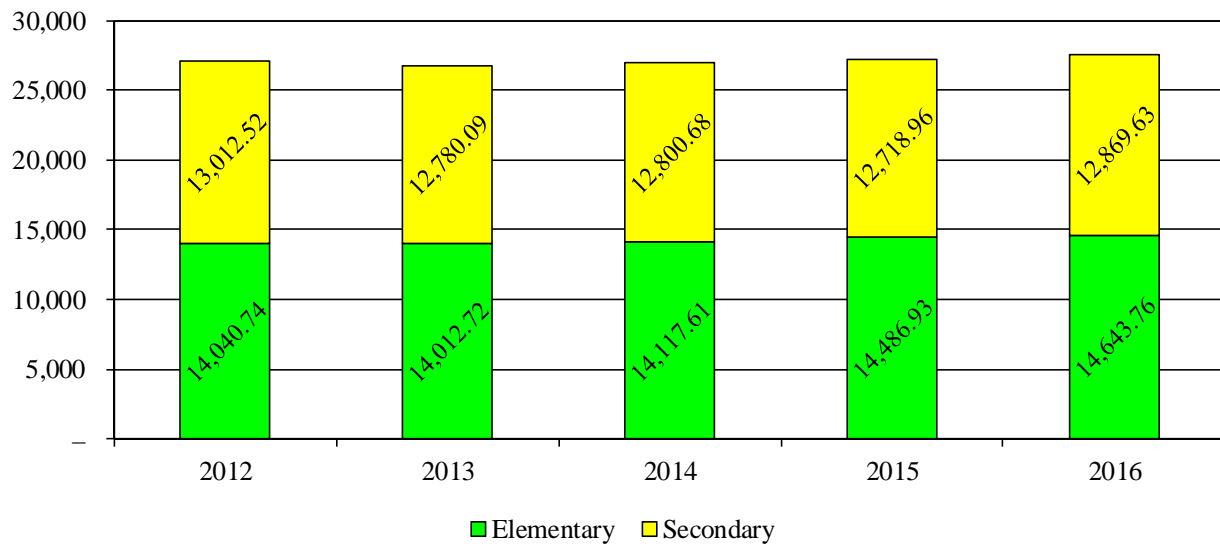


Table 5, as shown below, presents a summary of General Fund revenues and other financing sources:

Table 5 General Fund Revenues and Other Financing Sources				
	<u>Year Ended June 30,</u> <u>2016</u> <u>2015</u>		<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Revenues				
Local sources				
Property taxes	\$ 62,523,327	\$ 58,338,748	\$ 4,184,579	7.17%
Interest earnings	60,308	159,506	(99,198)	(62.19%)
Other	10,506,366	11,300,222	(793,856)	(7.03%)
State sources	254,809,743	244,220,251	10,589,492	4.34%
Federal sources	8,655,141	8,318,522	336,619	4.05%
Total revenues	336,554,885	322,337,249	14,217,636	4.41%
Other financing sources				
Capital leases	480,000	—	480,000	100.00%
Sale of capital assets	27,218	10,180	17,038	167.37%
Total other financing sources	507,218	10,180	497,038	4,882.50%
Total General Fund revenues and other financing sources	<u>\$ 337,062,103</u>	<u>\$ 322,347,429</u>	<u>\$ 14,714,674</u>	4.56%

During 2015–2016, the District’s total General Fund revenues and other financing sources increased \$14.71 million, or 4.56 percent, from the previous year. The increase was due to the following factors:

- The \$4.18 million increase in property taxes was chiefly due to the following factors:
 - 1) An increase of \$2.32 million in alternative facilities levy, which is based on state-approved projects.
 - 2) An increase of \$1.65 million in referendum, local optional, equity and operating capital levies as a result of an increase of 309.21 ADM used to determine the levy amounts.
 - 3) An increase of \$0.25 million in achievement and integration levy, mainly due to the recognition of 2014–2015 levy adjustment in the 2015–2016 school year.
- State aids for 2015–2016 were \$10.59 million more than the previous year. This increase was mainly due to the following factors:
 - 1) An increase of \$4.15 million in revenues from other state agencies. This is a direct result of the merger of Duluth Teachers Retirement Fund Association into the Teachers Retirement Fund Association (TRA). The merger agreement was signed by Governor Mark Dayton in 2015 and included additional state aid to bring the Duluth fund into the TRA at an equivalent funding level. Governmental accounting standards require the District to report as revenues and expenditures its proportionate share of the state’s contribution to the TRA.
 - 2) An increase of \$5.50 million in basic general education aid, chiefly due to an increase of 309.21 ADM used to calculate the aid and a 2 percent increase, or \$117, in the per pupil formula allowance.
 - 3) An increase of \$0.69 million in state special education aid.
- Miscellaneous local revenues (included in other local sources above) for 2015–2016 decreased by \$0.79 million. This is mainly due to a change in how magnet school transportation costs are reported. Prior to 2015–2016 school year, these costs were reported as fee income. In 2015–2016, magnet school transportation costs were reported as negative chargebacks to the pupil transportation account, thereby reducing pupil transportation account expenditures.
- The increase in other financing sources is due to the issuance of a \$480,000 capital leases for major equipment purchases in the current year.

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

Table 6 General Fund Expenditures and Other Financing Uses				
	Year Ended June 30, 2016 2015		Amount of Increase (Decrease)	Percent Increase (Decrease)
Expenditures				
Salaries	\$ 208,886,810	\$ 202,126,162	\$ 6,760,648	3.34%
Employee benefits	79,329,155	70,510,733	8,818,422	12.51%
Purchased services	19,952,715	21,318,182	(1,365,467)	(6.41%)
Supplies and materials	10,298,051	10,474,957	(176,906)	(1.69%)
Capital expenditures	6,998,655	7,060,004	(61,349)	(0.87%)
Other expenditures	3,923,056	3,829,790	93,266	2.44%
Total expenditures	329,388,442	315,319,828	14,068,614	4.46%
Other financing uses				
Transfers out	8,554,099	6,225,838	2,328,261	37.40%
Total General Fund expenditures and other financing uses	<u>\$ 337,942,541</u>	<u>\$ 321,545,666</u>	<u>\$ 16,396,875</u>	5.10%

Total General Fund expenditures and other financing uses increased \$16.40 million, or 5.10 percent, from the previous year.

Actual salaries for 2015–2016 were 3.34 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. This also resulted in an increase of \$1.20 million in the District portion of statutory pension and social security benefits.

Employee benefits increased \$8.82 million, or 12.51 percent, from the previous school year. This increase was mainly due to the previously mentioned state contribution to the TRA on behalf of the District, which increased both revenue and expenditures by \$4.15 million. Benefits also increased due to a School Board-approved 1.00 percent increase in the District’s insurance premium contribution and the hiring of additional staff to serve the increased student population.

Purchased services decreased by \$1.37 million, or 6.41 percent, from the previous year. This was mainly due to a reduction in tuition payments to other school districts and the change in how magnet school transportation costs were reported.

Supplies and materials decreased by \$0.18 million, or 1.69 percent, from the prior year. Many factors contributed to this savings, however, the primarily reason was lower fuel prices which resulted in savings in the District’s fuel costs for transporting its students.

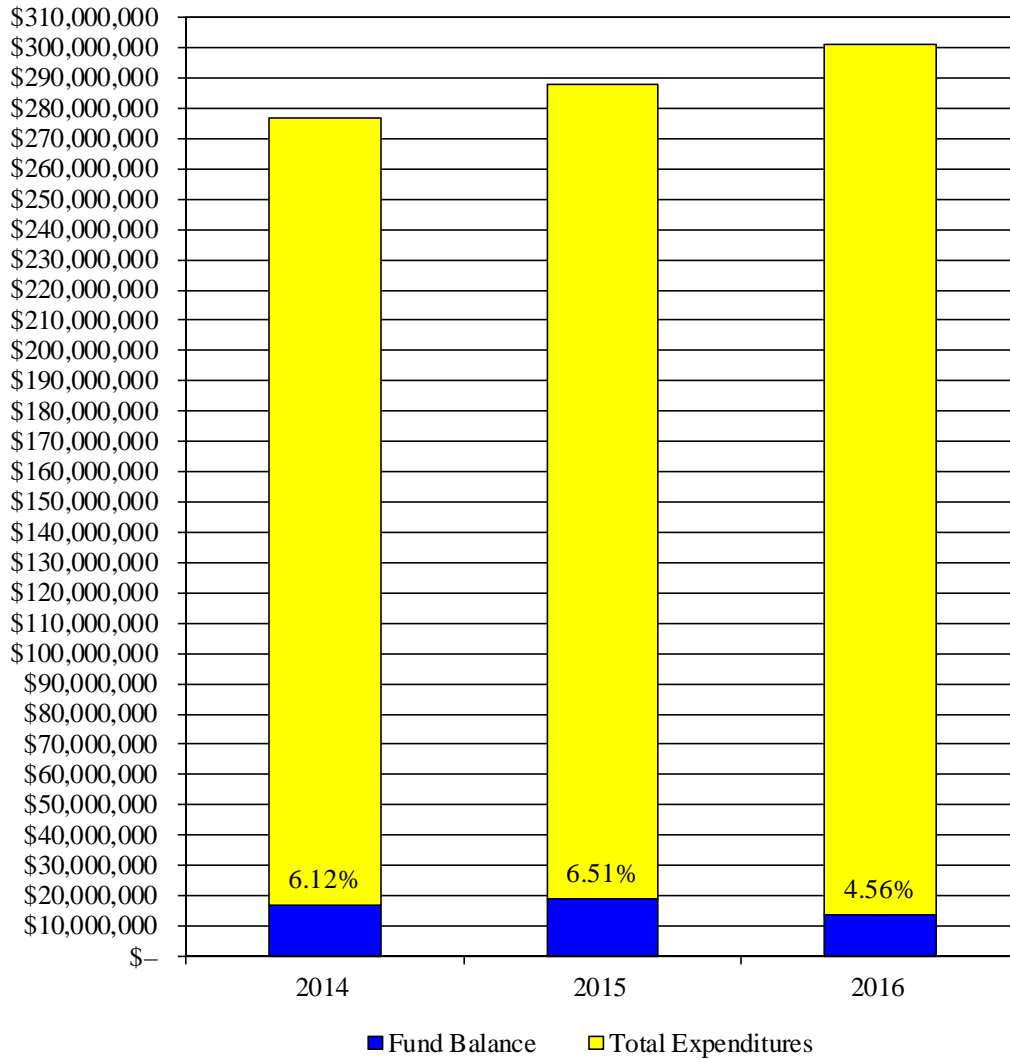
Capital expenditures decreased by \$0.61 million, or 0.87 percent, from the previous year. There were many factors, both positive and negative, that contributed to the decrease. However, the primarily reason for the decrease can be attributed to savings in the amount budget for new bus purchases.

Other expenditures increased \$0.93 million, or 2.44 percent, from the previous year. This is mainly due to increase in dues and membership payments and special assessments on District property by Dakota County.

In summary, 2015–2016 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$0.88 million, decreasing total fund balance by the same amount at June 30, 2016. After deducting statutory restrictions and internal assignments, the unrestricted – unassigned fund balance decreased from \$21.07 million at June 30, 2015 to \$16.84 million at June 30, 2016.

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 \$13.75 million in the Operating Account of the General Fund at June 30, 2016 represents 4.56 percent of annual Operating Account expenditures, or slightly over two weeks of operations assuming level spending throughout the year.

To comply with financial reporting requirements, the unassigned fund balance of \$13.75 million in the Operating Account of the General Fund is exclusive of the \$8.14 million that the District has assigned for budgeted deficit spending in the 2016–2017 school year. Based on prior years’ performance, the District is confident that the actual deficit spending for the 2016–2017 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.

Table 7 General Fund – Operating Account Unrestricted – Unassigned Fund Balance and Expenditures			
	2014	2015	2016
Unrestricted – unassigned fund balance	\$ 16,930,805	\$ 18,757,157	\$ 13,749,814
Percent increase (decrease)	10.13%	10.79%	(26.70%)
Expenditures	\$ 276,661,284	\$ 287,909,061	\$ 301,203,238
Percent increase	3.90%	4.07%	4.62%
Percent of fund balance to expenditures	6.12%	6.51%	4.56%

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 2015–2016:

<p style="text-align: center;">Table 8 General Fund Budget</p>				
	Preliminary Budget	Final Budget	Increase (Decrease)	Percent Change Preliminary to Final
Revenue and other financing sources	\$ 327,279,142	\$ 328,340,050	\$ 1,060,908	0.32%
Expenditures and other financing uses	\$ 331,349,801	\$ 336,418,218	\$ 5,068,417	1.53%
Net gain (loss)	\$ (4,070,659)	\$ (8,078,168)	\$ (4,007,509)	(98.45%)

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 \$8.08 million (net loss), the actual results for the year show a significantly smaller net loss of \$0.88 million.

- Actual revenues and other financing sources were about \$8.72 million more than expected. The major factors that had contributed to this variance are as follows:
 - 1) Actual property tax revenues were \$0.35 million more than budget as tax delinquencies and abatements were less than projections.
 - 2) State aids received by the District for the 2015–16 school year were \$0.57 million more than budget, mainly due to actual pupil units served for general education aid exceeding projection by 81.15 adjusted pupil units.
 - 3) An increase of \$4.15 million in revenues from other state agencies due to the state contribution to the TRA on the District's behalf.
 - 4) Actual federal aids for the 2015–2016 school year were \$298,725 less than the approved budget; actual aids from the federal government are based on actual expenditures.
 - 5) During 2015–2016, actual gifts to schools and other district income were \$2.05 million better than budget. Gifts to the schools include fundraising revenue, donations and other contributions. Other district income includes participation fees for athletic and fine arts programs, reimbursements received by the District and schools from their constituents, other school districts and organizations. A portion of this additional revenue is offset either by additional expenditures or additional carryovers in the schools' budgets.
 - 6) Other miscellaneous income such as resale and sales of materials were \$0.21 million higher than projected.
- Actual expenditures and other financing uses were \$1.52 million, or 0.45 percent, higher than budget. There are many factors, both positive and negative, that have contributed to the net decrease.
 - 1) Actual employee benefits were \$4.65 million more than budget. This is mainly due to the \$4.15 million of benefits expenditures related to the state contribution to the TRA pension plan. See item 3 above. It is important to note that the District was not able to provide a budget for this expenditure as the information for this "expenditure" was not available until the after close of the 2015–2016 school year.

- 2) In 2015–2016, actual salaries were \$1.34 million more than budget. This is mainly due to conservative budgeting for substitute teachers and cocurricular and extracurricular staffing costs.
- 3) The District performed \$3.47 million better than budget in the areas of purchase services and supplies and material. This is mainly due to schools not spending their full allocations. District schools are allowed to carryforward their unspent allocations to the new school year.
- 4) In 2015–2016, actual capital related expenditures were also under budget by \$0.85 million. This is chiefly due to the timing of projects and schools not spending all their allocations.

CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND

The Capital Projects – Building Construction Fund revenues and other financing sources exceeded expenditures and by \$127.96 million for the year ended June 30, 2016, resulting in an increase of the same amount in the June 30, 2016 fund balance. The increase is the result of the following factors:

- On November 3, 2015, district residents approved a referendum for \$180 million in capital improvements and technology funding. The approved referendum provides the District with \$130 million in bonding authority to make safety and security improvements at all schools, provide a new elementary school, and upgrades to technology infrastructure district-wide. The referendum questions also include a capital project levy that will bring approximately \$5.0 million. Funding for the approved projects came from the sale of the Series 2016A Bond in February 2016. Proceeds from the sale, including debt issuance premium, totaled \$130.06 million. Actual expenditure incurred in 2015–2016 totaled \$11.53 million. The balance will be used to complete the approved projects in 2016–2017 and 2017–2018 school years.
- The District will begin to collect the \$5.00 million per year for 10 years capital project levy in 2016–2017 school year. To comply with state reporting requirements, this capital project levy revenue and expenditure will be reported in the General Account of the General Fund.

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 2015–2016, approximately 99.89 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 2015–2016, the District’s total Debt Service Fund expenditures and other financing uses exceeded revenues by \$9.02 million. The difference is mainly due to a \$12.13 million payment being made for debt refunding using the proceeds of bonds issued in a previous year and held in escrow.

The June 30, 2016 Debt Service Fund balance totaled \$7.36 million. Of this amount, \$6.33 million is available for regular debt service, and the remaining \$1.03 million is restricted for OPEB debt service.

NONMAJOR FUNDS

Expenditures exceeded revenues and other financing sources in the nonmajor funds by \$0.13 million during 2015–2016.

Food Service Special Revenue Fund

The Food Service Special Revenue Fund revenues for 2015–2016 totaled \$12.00 million and expenditures were \$12.25 million, resulting in a decrease in the fund balance of \$0.25 million. The June 30, 2016 Food Service Special Revenue Fund balance is \$1.71 million.

The 2015–2016 actual revenues were \$0.11 million, or 0.91 percent, less than the budgeted amount. The primary reason is that sales to students, adults and special functions were \$0.15 million less than budget.

The actual 2015–2016 Food Service Special Revenue Fund expenditures were \$0.20 million, or 1.64 percent, less than the budgeted amount. The variance is mainly due to a combination of three factors. During 2015–2016, actual expenditures for food, U.S. Department of Agriculture commodities, and milk were \$0.26 million less than budget. Actual capital expenditures, including building improvements, equipment, and technology equipment, were \$0.10 million less than budget. Actual expenditures for general supplies, software and repair supplies were \$0.06 million more than budget.

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 2015–2016, the total revenues and other financing sources for the Community Service Special Revenue Fund were \$7.94 million and the total expenditures were \$7.82 million, resulting in an increase to fund balance of \$0.12 million. The Community Service Special Revenue Fund balance as of June 30, 2016 is \$1.52 million. Of this amount, \$0.44 million is restricted for community education programs, \$0.27 million is restricted for the Early Childhood Family Education Program, \$0.25 million is restricted for the School Readiness Program, \$0.55 million is restricted for the Adult Basic Education Program, and \$954 is restricted for community service programs.

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 2015–2016, 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, 2016 totaled \$13.43 million, and the net position of the fund was a deficit \$3.82 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, 2016 was \$21.83 million, and the net position of the fund was \$26.11 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 2015–2016 totaled \$0.38 million, and claims paid or accrued totaled \$0.36 million, resulting in net position increasing \$25,864 to \$72,127 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 2015–2016 totaled \$43.64 million, and claims paid or accrued totaled \$42.95 million, resulting in net position increasing \$685,660 to \$10.20 million at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year-end, the District has net capital assets of \$218.23 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 \$12.75 million.

During 2015–2016, the District invested a total of \$8.62 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 2016A General Obligation Building Construction Bond which were used to begin several projects approved by district voters in November 2015.

Table 9			
Capital Assets			
	<u>2016</u>	<u>2015</u>	<u>Percent Change</u> <u>2015–2016</u>
Land	\$ 8,870,712	\$ 8,870,712	–
Land improvements	12,976,413	12,948,913	0.21%
Buildings	371,914,252	350,794,654	6.02%
Furniture and equipment	53,146,574	51,702,496	2.79%
Construction in progress	2,642,295	20,054,092	(86.82%)
Less accumulated depreciation	<u>(231,315,574)</u>	<u>(221,060,336)</u>	(4.64%)
Total	<u>\$ 218,234,672</u>	<u>\$ 223,310,531</u>	(2.27%)

LONG-TERM LIABILITIES

At year-end, the District had \$208.07 million in bonds, refunding bonds, and certificates of participation outstanding, including unamortized premiums and discounts. This is an increase of \$107.58 million from the previous year, as shown in Table 10.

- Outstanding bonds show a net increase of \$89.16 million, mainly due to the issuance of \$112.15 million, Series 2016A General Obligation Building Construction Bonds and retirement of existing debt, and the payment of one refunding bond issue. The District continues to make required scheduled payments.
- Premiums and discounts on bonds show a net increase of \$19.35 million. Of this amount, \$17.91 million is tied to the Series 2016A General Obligation Building Construction Bonds.
- During 2015–2016, the District had an increase in capital leases payable due to the District entering into a lease purchase agreement for major maintenance equipment for \$0.48 million and also retiring \$1.53 million of existing capital lease principal.

Table 10
Outstanding Long-Term Liabilities

	2016	2015	Percent Change 2015 to 2016
General obligation bonds	\$ 138,270,000	\$ 46,180,000	199.42%
General obligation refunding bonds	32,660,000	35,595,000	(8.25%)
Certificates of participation	14,030,000	14,955,000	(6.19%)
Premiums (discounts) on bonds	23,113,682	3,768,638	513.32%
Capital leases payable	9,467,435	10,519,319	(10.00%)
Net pension liability – PERA	40,610,219	40,201,196	1.02%
Net pension liability – TRA	193,782,291	153,711,262	26.07%
Severance benefits payable	13,426,832	12,751,466	5.30%
Accrued vacation payable	3,458,732	3,284,150	5.32%
Net OPEB obligation	21,827,872	19,387,619	12.59%
	<u>\$ 490,647,063</u>	<u>\$ 340,353,650</u>	44.16%

Bond Ratings

The District's general obligation bonds carry a rating of Aa1, upgraded by Moody's Investors Service in April 2010, and reconfirmed in February 2016. In preparation for the sale of the Series 2016A General Obligation Building Construction Bond, the District also worked with Standard and Poor's and received a rating of AA in February 2016.

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 \$14.98 billion for calendar year 2016 and the District's debt limit is \$2.25 billion.

The District's outstanding debt is significantly below this limit. The District's outstanding debt as of June 30, 2016 is \$170.93 million. The amount that is applicable to the debt limit calculation is \$163.57 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 the Minnesota Department of Management and Budget's February 2016 forecast calls for the continual improvement over the next several years, but at a slower pace.

Since 2011–2012 school year, the state has provided annual increases to the per pupil unit funding for basic general education aid. The annual increase for 2011–2012 and 2012–2013 was 1.0 percent. 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 2015 Legislature, during its special session, approved additional funding for K–12 education for the 2016–2017 biennium. The basic general education formula allowance for the 2015–2016 school year was \$5,948, and will increase by 2.0 percent for the 2016–2017 school year.

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

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	\$ 240,891,083	\$ 110,172,909
Receivables		
Current taxes	46,337,529	43,055,783
Delinquent taxes	364,454	538,412
Accounts and interest	953,385	488,066
Due from other governmental units	35,484,830	28,707,357
Inventory	823,465	856,432
Prepaid items	280,500	200,593
Restricted assets – temporarily restricted		
Cash and investments for other post-employment benefits	47,942,424	50,029,502
Cash and investments for construction	489,300	2,078,529
Cash and investments for debt service	–	12,270,384
Interest receivable for debt service	–	12,438
Capital assets		
Not depreciated	11,513,007	28,924,804
Depreciated, net of accumulated depreciation	206,721,665	194,385,727
Total capital assets, net of accumulated depreciation	<u>218,234,672</u>	<u>223,310,531</u>
Total assets	591,801,642	471,720,936
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	44,980,973	34,289,912
Total assets and deferred outflows of resources	<u>\$ 636,782,615</u>	<u>\$ 506,010,848</u>
Liabilities		
Salaries payable	\$ 19,921,756	\$ 18,557,012
Accounts and contracts payable	24,679,738	21,686,949
Accrued interest payable	3,087,868	1,702,413
Due to other governmental units	453,445	3,698,231
Unearned revenue	8,367,265	9,267,460
Long-term liabilities		
Due within one year	17,885,609	28,594,616
Due in more than one year	472,761,454	311,759,034
Total long-term liabilities	<u>490,647,063</u>	<u>340,353,650</u>
Total liabilities	547,157,135	395,265,715
Deferred inflows of resources		
Property taxes levied for subsequent year	82,360,999	75,298,216
Pension plan deferments – PERA and TRA	28,804,189	59,187,595
Total deferred inflows of resources	<u>111,165,188</u>	<u>134,485,811</u>
Net position		
Net investment in capital assets	154,681,937	158,918,349
Restricted for		
Capital asset acquisition	2,551,987	3,017,560
Debt service	4,332,306	2,521,510
Other post-employment benefits	10,112	–
Other purposes (state funding restrictions)	3,083,262	3,223,691
Unrestricted	(186,199,312)	(191,421,788)
Total net position	<u>(21,539,708)</u>	<u>(23,740,678)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 636,782,615</u>	<u>\$ 506,010,848</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 196

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

		2016			2015	
					Net (Expense)	Net (Expense)
					Revenue and	Revenue and
					Changes in	Changes in
		Program Revenues			Net Position	Net Position
Functions/Programs	Expenses	Charges for	Operating	Capital	Governmental	Governmental
		Services	Grants and	Grants and	Activities	Activities
			Contributions	Contributions		
Governmental activities						
Administration	\$ 15,493,748	\$ —	\$ —	\$ —	\$ (15,493,748)	\$ (12,783,417)
District support services	9,058,209	203,086	51	—	(8,855,072)	(8,998,880)
Elementary and secondary regular instruction	166,000,943	6,205,284	10,991,300	—	(148,804,359)	(146,435,143)
Vocational education instruction	5,237,887	3,343	978,232	—	(4,256,312)	(3,229,869)
Special education instruction	65,647,768	961,972	37,353,403	—	(27,332,393)	(23,688,429)
Instructional support services	19,753,852	143,290	318,694	—	(19,291,868)	(18,175,372)
Pupil support services	23,523,058	231,078	1,007,204	—	(22,284,776)	(20,511,960)
Sites and buildings	27,849,964	118,028	—	8,105	(27,723,831)	(24,605,854)
Fiscal and other fixed cost programs	650,603	—	—	—	(650,603)	(651,864)
Food service	12,302,155	6,390,305	5,597,161	—	(314,689)	(422,156)
Community service	8,211,003	3,325,681	1,924,226	—	(2,961,096)	(2,831,400)
Depreciation not allocated directly to programs	10,580,519	—	—	—	(10,580,519)	(10,322,952)
Interest and fiscal charges	4,760,111	—	—	—	(4,760,111)	(4,033,890)
Total governmental activities	<u>\$369,069,820</u>	<u>\$ 17,582,067</u>	<u>\$ 58,170,271</u>	<u>\$ 8,105</u>	(293,309,377)	(276,691,186)
General revenue						
Taxes						
Property taxes, levied for general purposes					53,871,623	51,982,775
Property taxes, levied for community service					1,662,796	1,678,863
Property taxes, levied for facility improvement					8,535,237	6,220,053
Property taxes, levied for debt service					14,584,470	19,185,246
General grants and aids					215,880,510	208,882,436
Other general revenues					563,633	383,544
Investment earnings					412,078	864,399
Total general revenues					<u>295,510,347</u>	<u>289,197,316</u>
Change in net position					2,200,970	12,506,130
Net position – beginning					<u>(23,740,678)</u>	<u>(36,246,808)</u>
Net position – ending					<u>\$ (21,539,708)</u>	<u>\$ (23,740,678)</u>

See notes to basic financial statements

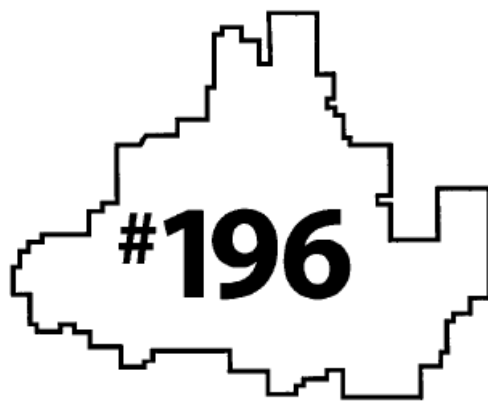
INDEPENDENT SCHOOL DISTRICT NO. 196

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 61,643,881	\$ 129,822,814	\$ 14,411,488
Cash and investments held by trustee	371,146	118,154	–
Receivables			
Current taxes	35,978,368	–	9,452,671
Delinquent taxes	274,678	–	81,917
Accounts and interest	377,353	525,370	–
Due from other governmental units	34,981,332	–	60,505
Due from other funds	2,824	1,435	916,021
Inventory	686,824	–	–
Prepaid items	280,500	–	–
Total assets	<u>\$ 134,596,906</u>	<u>\$ 130,467,773</u>	<u>\$ 24,922,602</u>
Liabilities			
Salaries payable	\$ 19,311,661	\$ –	\$ –
Accounts and contracts payable	18,828,984	2,490,857	–
Due to other governmental units	450,275	–	–
Due to other funds	917,456	–	2,824
Unearned revenue	551,319	20,405	–
Total liabilities	<u>40,059,695</u>	<u>2,511,262</u>	<u>2,824</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	274,678	–	81,917
Property taxes levied for subsequent year	63,210,322	–	17,474,910
Total deferred inflows of resources	<u>63,485,000</u>	<u>–</u>	<u>17,556,827</u>
Fund balances			
Nonspendable	967,324	–	–
Restricted	2,454,724	127,956,511	7,362,951
Assigned	10,790,390	–	–
Unassigned	16,839,773	–	–
Total fund balances	<u>31,052,211</u>	<u>127,956,511</u>	<u>7,362,951</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 134,596,906</u>	<u>\$ 130,467,773</u>	<u>\$ 24,922,602</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2016	2015
\$ 5,109,000	\$ 210,987,183	\$ 80,604,728
–	489,300	14,348,913
906,490	46,337,529	43,055,783
7,859	364,454	538,412
43,986	946,709	481,661
442,993	35,484,830	28,707,357
–	920,280	1,400,543
136,641	823,465	856,432
–	280,500	200,593
<u>\$ 6,646,969</u>	<u>\$ 296,634,250</u>	<u>\$ 170,194,422</u>
\$ 610,095	\$ 19,921,756	\$ 18,557,012
383,971	21,703,812	17,918,295
3,170	453,445	3,698,231
–	920,280	543
741,354	1,313,078	2,509,558
<u>1,738,590</u>	<u>44,312,371</u>	<u>42,683,639</u>
7,859	364,454	538,412
<u>1,675,767</u>	<u>82,360,999</u>	<u>75,298,216</u>
1,683,626	82,725,453	75,836,628
136,641	1,103,965	1,057,025
3,088,112	140,862,298	23,184,801
–	10,790,390	6,636,835
–	16,839,773	20,795,494
<u>3,224,753</u>	<u>169,596,426</u>	<u>51,674,155</u>
<u>\$ 6,646,969</u>	<u>\$ 296,634,250</u>	<u>\$ 170,194,422</u>



INDEPENDENT SCHOOL DISTRICT NO. 196

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
Total fund balances – governmental funds	\$ 169,596,426	\$ 51,674,155
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	449,550,246	444,370,867
Accumulated depreciation	(231,315,574)	(221,060,336)
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	(170,930,000)	(81,775,000)
Certificates of participation payable	(14,030,000)	(14,955,000)
(Premium) discount on bonds	(23,113,682)	(3,768,638)
Capital leases payable	(9,467,435)	(10,519,319)
Net pension liability – PERA	(40,610,219)	(40,201,196)
Net pension liability – TRA	(193,782,291)	(153,711,262)
Accrued vacation payable	(3,458,732)	(3,284,150)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(3,087,868)	(1,702,413)
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.		
	32,568,183	35,550,885
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	44,980,973	34,289,912
Deferred inflows – PERA and TRA pension plans	(28,804,189)	(59,187,595)
Deferred inflows – delinquent property taxes	364,454	538,412
Total net position – governmental activities	<u>\$ (21,539,708)</u>	<u>\$ (23,740,678)</u>

See notes to basic financial statements

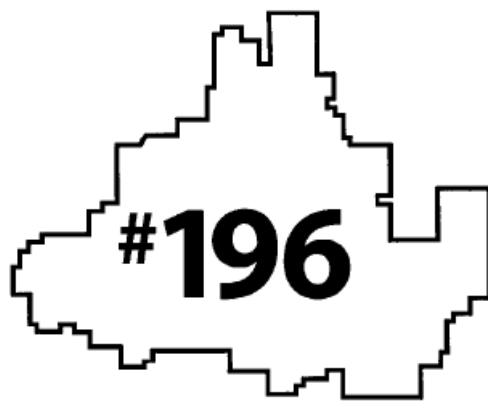
INDEPENDENT SCHOOL DISTRICT NO. 196

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 62,523,327	\$ –	\$ 14,638,088
Investment earnings	60,308	886,468	12,367
Other	10,506,366	8,105	–
State sources	254,809,743	–	4,092
Federal sources	8,655,141	–	–
Total revenue	<u>336,554,885</u>	<u>894,573</u>	<u>14,654,547</u>
Expenditures			
Current			
Administration	14,846,637	–	–
District support services	9,360,367	–	–
Elementary and secondary regular instruction	165,181,027	–	–
Vocational education instruction	5,198,949	–	–
Special education instruction	65,226,216	–	–
Instructional support services	19,695,766	–	–
Pupil support services	23,694,661	–	–
Sites and buildings	21,979,790	–	–
Fiscal and other fixed cost programs	650,603	–	–
Food service	–	–	–
Community service	263,373	–	–
Capital outlay	–	11,106,385	–
Debt service			
Principal	2,456,884	–	10,870,000
Interest and fiscal charges	834,169	425,930	3,124,751
Total expenditures	<u>329,388,442</u>	<u>11,532,315</u>	<u>13,994,751</u>
Excess (deficiency) of revenue over expenditures	7,166,443	(10,637,742)	659,796
Other financing sources (uses)			
Capital lease	480,000	–	–
Bond issued	–	112,150,000	–
Debt issuance premiums	–	17,912,804	2,442,434
Bond refunding payments	–	–	(12,125,000)
Sale of capital assets	27,218	–	–
Transfers in	–	8,535,237	–
Transfers (out)	(8,554,099)	–	–
Total other financing sources (uses)	<u>(8,046,881)</u>	<u>138,598,041</u>	<u>(9,682,566)</u>
Net change in fund balances	(880,438)	127,960,299	(9,022,770)
Fund balances (deficits)			
Beginning of year	<u>31,932,649</u>	<u>(3,788)</u>	<u>16,385,721</u>
End of year	<u>\$ 31,052,211</u>	<u>\$ 127,956,511</u>	<u>\$ 7,362,951</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2016	2015
\$ 1,666,669	\$ 78,828,084	\$ 79,262,313
31,543	990,686	197,264
9,789,369	20,303,840	21,183,365
3,386,592	258,200,427	247,270,824
5,045,178	13,700,319	12,820,914
<u>19,919,351</u>	<u>372,023,356</u>	<u>360,734,680</u>
—	14,846,637	13,188,527
—	9,360,367	8,802,535
—	165,181,027	160,442,599
—	5,198,949	4,161,539
—	65,226,216	62,011,436
—	19,695,766	18,361,748
—	23,694,661	22,991,342
—	21,979,790	21,468,077
—	650,603	651,864
11,757,651	11,757,651	11,509,963
7,780,877	8,044,250	7,739,627
534,505	11,640,890	19,028,484
—	13,326,884	17,880,544
—	4,384,850	4,586,660
<u>20,073,033</u>	<u>374,988,541</u>	<u>372,824,945</u>
(153,682)	(2,965,185)	(12,090,265)
—	480,000	4,200,000
—	112,150,000	—
—	20,355,238	—
—	(12,125,000)	(2,325,000)
—	27,218	10,180
18,862	8,554,099	6,225,838
—	(8,554,099)	(6,225,838)
<u>18,862</u>	<u>120,887,456</u>	<u>1,885,180</u>
(134,820)	117,922,271	(10,205,085)
<u>3,359,573</u>	<u>51,674,155</u>	<u>61,879,240</u>
<u>\$ 3,224,753</u>	<u>\$ 169,596,426</u>	<u>\$ 51,674,155</u>

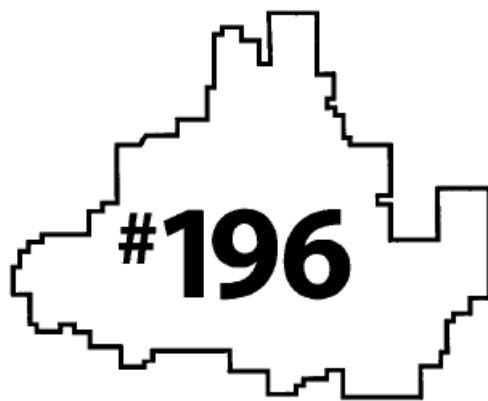


INDEPENDENT SCHOOL DISTRICT NO. 196

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

	2016	2015
Total net change in fund balances – governmental funds	\$ 117,922,271	\$ (10,205,085)
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	8,615,776	17,768,343
Depreciation expense	(12,751,366)	(12,924,620)
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.		
	(940,269)	(110,727)
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.		
	(112,630,000)	(4,200,000)
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	23,920,000	18,930,000
Capital leases	1,531,884	1,275,544
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.		
	(1,385,455)	51,120
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.		
	(19,345,044)	501,650
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	(409,023)	6,389,189
Net pension liability – TRA	(40,071,029)	36,337,354
Accrued vacation payable	(174,582)	152,551
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.		
	(2,982,702)	(2,450,036)
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	10,691,061	20,373,818
Deferred inflows – PERA and TRA pension plans	30,383,406	(59,187,595)
Deferred inflows – delinquent property taxes	(173,958)	(195,376)
Change in net position – governmental activities	<u>\$ 2,200,970</u>	<u>\$ 12,506,130</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, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 62,277,519	\$ 62,177,187	\$ 62,523,327	\$ 346,140
Investment earnings	80,000	145,000	60,308	(84,692)
Other	8,907,812	9,084,204	10,506,366	1,422,162
State sources	247,349,235	247,979,793	254,809,743	6,829,950
Federal sources	8,664,576	8,953,866	8,655,141	(298,725)
Total revenue	327,279,142	328,340,050	336,554,885	8,214,835
Expenditures				
Current				
Administration	15,115,060	15,065,669	14,846,637	(219,032)
District support services	11,887,600	11,668,176	9,360,367	(2,307,809)
Elementary and secondary regular instruction	161,361,140	165,377,901	165,181,027	(196,874)
Vocational education instruction	4,376,421	4,389,568	5,198,949	809,381
Special education instruction	63,533,283	63,894,990	65,226,216	1,331,226
Community service	380,476	219,599	263,373	43,774
Instructional support services	15,846,987	16,528,286	19,695,766	3,167,480
Pupil support services	24,582,478	24,708,427	23,694,661	(1,013,766)
Sites and buildings	21,658,313	21,957,559	21,979,790	22,231
Fiscal and other fixed cost programs	781,771	781,771	650,603	(131,168)
Debt service				
Principal	2,455,513	2,455,513	2,456,884	1,371
Interest and fiscal charges	835,522	835,522	834,169	(1,353)
Total expenditures	322,814,564	327,882,981	329,388,442	1,505,461
Excess of revenue over expenditures	4,464,578	457,069	7,166,443	6,709,374
Other financing sources (uses)				
Capital lease	—	—	480,000	480,000
Sale of capital assets	—	—	27,218	27,218
Transfers (out)	(8,535,237)	(8,535,237)	(8,554,099)	(18,862)
Total other financing sources (uses)	(8,535,237)	(8,535,237)	(8,046,881)	488,356
Net change in fund balances	\$ (4,070,659)	\$ (8,078,168)	(880,438)	\$ 7,197,730
Fund balances				
Beginning of year			31,932,649	
End of year			\$ 31,052,211	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	2016	2015
Assets		
Current assets		
Cash and temporary investments	\$ 29,903,900	\$ 29,568,181
Receivables		
Accounts and interest	6,676	18,843
Restricted assets		
Cash and cash equivalents	31,565,351	31,966,771
Investments	16,377,073	18,062,731
Total assets	<u>77,853,000</u>	<u>79,616,526</u>
Liabilities		
Current liabilities		
Severance benefits payable	2,729,605	2,540,974
Claims payable	2,975,926	3,768,654
Due to other funds	—	1,400,000
Unearned revenue	7,054,187	6,757,902
Total current liabilities	<u>12,759,718</u>	<u>14,467,530</u>
Long-term liabilities		
Severance benefits payable	10,697,227	10,210,492
Net obligation for other post-employment benefits	21,827,872	19,387,619
Total long-term liabilities	<u>32,525,099</u>	<u>29,598,111</u>
Total liabilities	45,284,817	44,065,641
Net position		
Restricted for other post-employment benefits	26,114,552	29,241,883
Unrestricted	<u>6,453,631</u>	<u>6,309,002</u>
Total net position	<u>\$ 32,568,183</u>	<u>\$ 35,550,885</u>

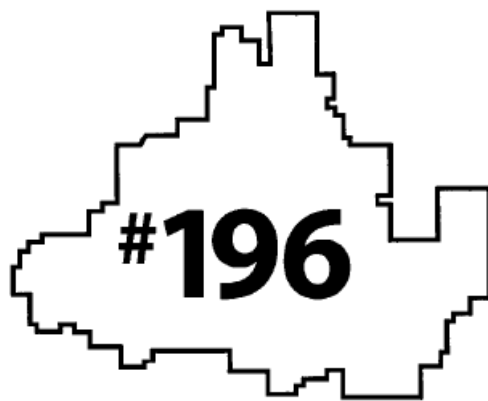
See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	<u>2016</u>	<u>2015</u>
Operating revenue		
Local sources		
Contributions from governmental funds	\$ 42,711,536	\$ 39,852,581
Contributions from employees	<u>5,539,609</u>	<u>5,503,936</u>
Total operating revenue	48,251,145	45,356,517
Operating expenses		
Severance benefits	1,638,294	711,441
Other post-employment benefits	5,710,164	5,688,651
Self-insured benefits	<u>43,306,781</u>	<u>42,073,596</u>
Total operating expenses	<u>50,655,239</u>	<u>48,473,688</u>
Operating income (loss)	(2,404,094)	(3,117,171)
Nonoperating revenue		
Investment earnings (loss)	<u>(578,608)</u>	<u>667,135</u>
Change in net position	(2,982,702)	(2,450,036)
Net position		
Beginning of year	<u>35,550,885</u>	<u>38,000,921</u>
End of year	<u><u>\$ 32,568,183</u></u>	<u><u>\$ 35,550,885</u></u>

See notes to basic financial statements



INDEPENDENT SCHOOL DISTRICT NO. 196

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

	2016	2015
Cash flows from operating activities		
Received from assessments made to other funds	\$ 41,613,506	\$ 41,458,153
Received from employee contributions	5,539,609	5,503,936
Severance, other post-employment benefits, and self-insurance claims	(48,332,349)	(45,352,077)
Net cash flows from operating activities	(1,179,234)	1,610,012
Cash flows from investing activities		
Purchase of investments	(2,672,513)	(3,847,849)
Sale of investments	4,358,172	2,436,625
Interest on investments	(572,126)	680,146
Net cash flows from investing activities	1,113,533	(731,078)
Net change in cash and cash equivalents	(65,701)	878,934
Cash and cash equivalents		
Beginning of year	61,534,952	60,656,018
End of year	\$ 61,469,251	\$ 61,534,952
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (2,404,094)	\$ (3,117,171)
Adjustments to reconcile operating income 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	675,366	(748,099)
Net obligation for other post-employment benefits	2,440,252	2,817,055
Claims payable	(792,728)	1,052,655
Unearned revenue	296,285	211,257
Net cash flows from operating activities	\$ (1,179,234)	\$ 1,610,012

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	Employee Benefit Trust Fund	Scholarship Private-Purpose Trust Fund	Agency Funds
Assets			
Current assets			
Cash and temporary investments	\$ 449,193	\$ 19,615	<u>\$ 155,979</u>
Liabilities			
Current liabilities			
Accounts and contracts payable	—	—	\$ 153,751
Due to other governmental units	—	—	2,228
Total liabilities	<u>—</u>	<u>—</u>	<u>\$ 155,979</u>
Net position			
Held in trust for employee benefits and other purposes	<u>\$ 449,193</u>	<u>\$ 19,615</u>	

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

	Employee Benefit Trust Fund	Scholarship Private-Purpose Trust Fund
Additions		
Contributions		
From plan members	\$ 1,351,522	\$ —
Deductions		
Employee benefits	1,369,252	—
Scholarships	—	1,000
Total deductions	<u>1,369,252</u>	<u>1,000</u>
Change in net position	(17,730)	(1,000)
Net position		
Beginning of year	<u>466,923</u>	<u>20,615</u>
End of year	<u>\$ 449,193</u>	<u>\$ 19,615</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 196

Notes to Basic Financial Statements Year Ended June 30, 2016

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, 2016, the District paid TIES \$1,124,473 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. In the fund financial statements, major individual governmental funds are reported in separate columns and aggregated information for the remaining nonmajor governmental funds is reported in a single column. 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 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 trust funds use the accrual basis of accounting as described earlier in these notes and are reported using the economic resources measurement focus. Agency funds utilize the accrual basis of accounting, but have no 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 (IRC) § 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, 2016 exceeded budget in the General Fund by \$1,505,461, the Capital Projects – Building Construction Fund by \$1,247,575, and the Debt Service Fund by \$266,243. Revenues and other financing sources in excess of budget, along with available fund balance, financed these variances.

F. Cash and Temporary Investments

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and investments include balances held in segregated accounts established for specific purposes. In the General Fund, this represents capital lease proceeds held by a trustee available for equipment purchases. 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.

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 funds' 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.

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

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

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

G. Receivables

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, 2016 consist of the following:

	Governmental Funds			Total
	General	Debt Service	Nonmajor	
Due from Minnesota Department of Education	\$ 33,963,744	\$ 412	\$ 436,336	\$ 34,400,492
Due from federal government	671,222	–	–	671,222
Due from Dakota County	346,366	60,093	6,657	413,116
Total due from other governmental units	<u>\$ 34,981,332</u>	<u>\$ 60,505</u>	<u>\$ 442,993</u>	<u>\$ 35,484,830</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, the General Fund had payables of \$1,435 and \$916,021 due to the Capital Projects – Building Construction Fund and Debt Service Fund, respectively, to allocate certain revenue to the appropriate funds. The Debt Service Fund had a payable of \$2,824 due to the General Fund to allocate expenditures to the appropriate fund.

During the year, the General Fund transferred \$8,535,237 to the Capital Projects – Building Construction Fund to allocate its alternative facilities levy to the fund from which it will be spent, and \$18,862 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 \$3,227,234 of the property tax levy collectible in 2016 as revenue to the District in fiscal year 2015–2016. The remaining portion of the taxes collectible in 2016 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 IRC 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.

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. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association (DTRFA) in 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2016.
- 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 Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2015	\$ 10,570	\$ 326,845	\$ 328,355	\$ 9,060
2016	\$ 9,060	\$ 356,359	\$ 360,367	\$ 5,052

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

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2015	\$ 2,705,429	\$ 41,746,751	\$ 40,692,586	\$ 3,759,594
2016	\$ 3,759,594	\$ 42,950,422	\$ 43,739,142	\$ 2,970,874

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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.

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 Net Position

At June 30, 2016, the Severance Benefits Internal Service Fund reported a deficit net position of \$3,823,062. This deficit will be eliminated through future contributions from the governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015, 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 5,111,684
Investments	284,827,594
Cash on hand	<u>8,316</u>
Total	<u><u>\$ 289,947,594</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 240,891,083
Restricted assets – cash and investments for OPEB	47,942,424
Restricted assets – cash and investments for capital	489,300
Statement of Fiduciary Net Position	
Cash and temporary investments – Employee Benefit Trust Fund	449,193
Cash and temporary investments – Private-Purpose Trust Fund	19,615
Cash and temporary investments – Agency Funds	<u>155,979</u>
Total	<u><u>\$ 289,947,594</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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 \$5,111,684, and the balance on the bank records was \$5,120,000. All deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years					Total			
	Rating	Agency		No Maturity Date	Less Than 1	1 to 5	6 to 10					
U.S. treasuries	Aaa	Moody’s	Level 1	\$	–	\$	–	\$	968,696	\$	968,696	
U.S. treasuries	AA	S&P	NAV	\$	–	\$	–	\$	38,409,397	\$	–	38,409,397
U.S. agency securities	AA	S&P	Level 1	\$	–	\$	401,772	\$	740,772	\$	–	1,142,544
U.S. agency securities	AA	S&P	NAV	\$	–	\$	5,561,211	\$	50,419,421	\$	–	55,980,632
Corporate obligations	AAA	S&P	Level 1	\$	–	\$	–	\$	615,305	\$	307,167	922,472
Corporate obligations	AA	S&P	Level 1	\$	–	\$	502,066	\$	1,246,359	\$	–	1,748,425
Corporate obligations	A	Moody’s	Level 1	\$	–	\$	205,650	\$	1,523,748	\$	–	1,729,398
Corporate obligations	A	S&P	Level 1	\$	–	\$	2,165,144	\$	5,248,067	\$	–	7,413,211
Corporate obligations	Baa	Moody’s	Level 1	\$	–	\$	250,575	\$	150,468	\$	–	401,043
Corporate obligations	BBB	S&P	Level 1	\$	–	\$	539,730	\$	1,511,554	\$	–	2,051,284
Commercial paper	A-1	S&P	Level 2	\$	97,702	\$	48,788,786	\$	–	\$	–	48,886,488
Commercial paper	A-1	S&P	NAV	\$	–	\$	14,618,112	\$	–	\$	–	14,618,112
Equities	N/R	N/A	Level 1	\$	9,654,880	\$	–	\$	–	\$	–	9,654,880
Real estate investment trusts	N/R	N/A	Level 1	\$	120,977	\$	–	\$	–	\$	–	120,977
Investment pools/mutual funds	AAA	S&P	Level 1	\$	48,965,520	\$	20,000,000	\$	–	\$	–	68,965,520
Investment pools/mutual funds	AAA	S&P	Level 2	\$	46	\$	–	\$	–	\$	–	46
Investment pools/mutual funds	AAA	S&P	NAV	\$	11,364,795	\$	–	\$	–	\$	–	11,364,795
Investment pools/mutual funds	N/R	N/A	Level 1	\$	20,078,528	\$	–	\$	–	\$	–	20,078,528
Investment pools/mutual funds	N/R	N/A	Level 2	\$	371,146	\$	–	\$	–	\$	–	371,146
Total investments												\$ 284,827,594

N/A – Not Applicable

N/R – Not Rated

NAV – Net Asset Value

The amount in investment pools/mutual funds includes \$11,364,795 invested in the Minnesota School District Liquid Asset Fund (MSDLAF), \$47,256,305 invested in the MnTrust Investment Shares Portfolio, and \$20,000,000 invested in MnTrust Term Series. 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)

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

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

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

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 5.0 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. At June 30, 2016, the District’s investment portfolio included securities issued by Bayerische Landesbank, NY (5.3 percent) and the Federal National Mortgage Association (6.9 percent) that exceeded this threshold.

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, 2016 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 8,870,712	\$ –	\$ –	\$ –	\$ 8,870,712
Construction in progress	20,054,092	5,003,417	–	(22,415,214)	2,642,295
Total capital assets, not depreciated	28,924,804	5,003,417	–	(22,415,214)	11,513,007
Capital assets, depreciated					
Land improvements	12,948,913	27,500	–	–	12,976,413
Buildings	350,794,654	1,190,964	(2,280,463)	22,209,097	371,914,252
Furniture and equipment	51,702,496	2,393,895	(1,155,934)	206,117	53,146,574
Total capital assets, depreciated	415,446,063	3,612,359	(3,436,397)	22,415,214	438,037,239
Less accumulated depreciation for					
Land improvements	(9,768,055)	(271,074)	–	–	(10,039,129)
Buildings	(175,815,759)	(9,475,970)	1,385,149	–	(183,906,580)
Furniture and equipment	(35,476,522)	(3,004,322)	1,110,979	–	(37,369,865)
Total accumulated depreciation	(221,060,336)	(12,751,366)	2,496,128	–	(231,315,574)
Net capital assets, depreciated	194,385,727	(9,139,007)	(940,269)	22,415,214	206,721,665
Total capital assets, net	\$ 223,310,531	\$ (4,135,590)	\$ (940,269)	\$ –	\$ 218,234,672

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

Administration	\$ 9,743
District support services	97,175
Elementary and secondary regular instruction	471,766
Vocational education instruction	11,195
Special education instruction	22,058
Community education	1,172
Instructional support	2,747
Pupil support services – transportation	1,184,474
Food services	89,670
Sites and buildings	280,847
Depreciation not allocated directly to programs	10,580,519
Total depreciation expense	\$ 12,751,366

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
2009A Taxable OPEB Bonds	02/12/2009	3.00–5.00%	\$ 37,440,000	02/01/2019	\$ 26,120,000
2012C Refunding Bonds	06/07/2012	3.00–4.50%	\$ 24,210,000	02/01/2025	19,825,000
2013A Refunding Bonds	06/15/2013	2.00–3.00%	\$ 12,100,000	02/01/2025	11,295,000
2014A Refunding Bonds	06/04/2014	3.00%	\$ 2,230,000	02/01/2020	1,540,000
2016A School Building Bonds	02/16/2016	1.00–5.00%	\$ 112,150,000	02/01/2030	112,150,000
Total general obligation bonds payable					<u>\$ 170,930,000</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 were used to refund, in advance of their stated maturities, the 2016 through 2025 maturities of the District's 2005A General Obligation School Building Bonds on their August 1, 2015 call date of the refunded issue. This advance "crossover refunding" reduced the District's total future debt service payments by approximately \$1,462,345 and resulted in present value savings of approximately \$1,310,486.

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.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Capital Leases

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

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
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	\$ 958,038
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	147,811
ATP Building – final purchase option of \$1 at end of lease term	\$ 5,028,875	4.54%	06/29/2012	06/01/2027	3,887,655
Parkview Elementary School – final purchase option of \$1 at end of lease term	\$ 4,200,000	2.91%	11/25/2014	02/01/2030	3,993,931
Vehicles and mowers – final purchase option of \$1 at end of lease term	\$ 480,000	1.99%	06/21/2016	07/01/2020	480,000
					<u>\$ 9,467,435</u>

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, 2016 was \$550,035.

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

	Building	Furniture and Equipment	Total
Assets	\$ 13,442,392	\$ 872,979	\$ 14,315,371
Less accumulated depreciation	<u>3,934,448</u>	<u>179,024</u>	<u>4,113,472</u>
	<u>\$ 9,507,944</u>	<u>\$ 693,955</u>	<u>\$ 10,201,899</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

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 Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 12,460,000	\$ 7,166,353	\$ 945,000	\$ 463,731	\$ 989,446	\$ 274,645
2018	11,885,000	6,893,870	960,000	443,981	1,015,299	248,791
2019	12,470,000	6,345,820	985,000	415,181	1,051,194	212,897
2020	11,330,000	5,771,170	1,025,000	377,531	684,039	180,506
2021	11,800,000	5,254,920	1,060,000	346,781	703,377	161,169
2022–2026	62,970,000	17,716,883	5,795,000	1,223,694	3,306,231	516,350
2027–2030	48,015,000	4,132,800	3,260,000	261,588	1,717,849	94,776
	<u>\$ 170,930,000</u>	<u>\$ 53,281,816</u>	<u>\$ 14,030,000</u>	<u>\$ 3,532,487</u>	<u>\$ 9,467,435</u>	<u>\$ 1,689,134</u>

E. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	\$ 81,775,000	\$ 112,150,000	\$ 22,995,000	\$ 170,930,000	\$ 12,460,000
Certificates of participation payable	14,955,000	–	925,000	14,030,000	945,000
Premiums	3,877,649	20,355,238	1,036,377	23,196,510	–
Discounts	(109,011)	–	(26,183)	(82,828)	–
Total bonds payable	<u>100,498,638</u>	<u>132,505,238</u>	<u>24,930,194</u>	<u>208,073,682</u>	<u>13,405,000</u>
Capital leases payable	10,519,319	480,000	1,531,884	9,467,435	989,446
Net pension liability – PERA	40,201,196	9,940,105	9,531,082	40,610,219	–
Net pension liability – TRA	153,711,262	55,974,581	15,903,552	193,782,291	–
Severance benefits payable	12,751,466	1,638,295	962,929	13,426,832	2,729,605
Accrued vacation payable	3,284,150	2,460,850	2,286,268	3,458,732	761,558
Net OPEB obligation	<u>19,387,619</u>	<u>5,710,165</u>	<u>3,269,912</u>	<u>21,827,872</u>	<u>–</u>
	<u>\$ 340,353,650</u>	<u>\$ 208,709,234</u>	<u>\$ 58,415,821</u>	<u>\$ 490,647,063</u>	<u>\$ 17,885,609</u>

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, 2016, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 686,824	\$ –	\$ –	\$ 136,641	\$ 823,465
Prepaid items	280,500	–	–	–	280,500
Total nonspendable	967,324	–	–	136,641	1,103,965
Restricted					
Health and safety	277,829	–	–	–	277,829
Capital projects levy	2,339	–	–	–	2,339
Operating capital	2,174,556	–	–	–	2,174,556
Alternative facility program	–	97,263	–	–	97,263
Building projects funded by certificates of participation	–	80,354	–	–	80,354
Capital projects	–	127,778,894	–	–	127,778,894
Debt service	–	–	7,362,951	–	7,362,951
Food service	–	–	–	1,571,606	1,571,606
Community education programs	–	–	–	440,040	440,040
Early childhood family education programs	–	–	–	271,884	271,884
School readiness	–	–	–	250,555	250,555
Adult basic education	–	–	–	553,073	553,073
Community service	–	–	–	954	954
Total restricted	2,454,724	127,956,511	7,362,951	3,088,112	140,862,298
Assigned					
Subsequent year budget deficit	8,136,172	–	–	–	8,136,172
Building carryover	2,654,218	–	–	–	2,654,218
Total assigned	10,790,390	–	–	–	10,790,390
Unassigned					
Safe schools restricted account deficit	(928,989)	–	–	–	(928,989)
Unassigned	17,768,762	–	–	–	17,768,762
Total unassigned	16,839,773	–	–	–	16,839,773
Total	<u>\$ 31,052,211</u>	<u>\$ 127,956,511</u>	<u>\$ 7,362,951</u>	<u>\$ 3,224,753</u>	<u>\$ 169,596,426</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 IRC.

1. General Employees Retirement Fund (GERF)

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

All full-time and certain part-time employees of the District other than teachers are covered by the 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 of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded status, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90.0 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 per Year
Basic Plan	
First 10 years of service	2.2%
All years after	2.7%
Coordinated	
First 10 years if service years are up to July 1, 2006	1.2%
First 10 years if service years are July 1, 2006 or after	1.4%
All other years of service if service years are up to July 1, 2006	1.7%
All other years of service if service years are July 1, 2006 or after	1.9%

With these provisions:

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

NOTE 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 9.10 percent and 6.50 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for the Coordinated Plan.

The District's contributions to the GERF for the year ended June 30, 2016 were \$3,538,421. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2016, were \$12,218,739. 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)

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

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

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

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

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

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

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

E. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$40,610,219 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the District's proportion was 0.7836 percent, which was a decrease of 0.0722 percent from its proportion measured as of June 30, 2014.

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

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9 percent. The Legislature has since set the discount rate in statute at 8.0 percent. Beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB Statement No. 68 accounting requirements will be increased to 8.0 percent to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the District recognized pension expense of \$3,436,460 for its proportionate share of the GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 376,608	\$ 2,047,445
Changes in actuarial assumptions	2,529,064	–
Differences between projected and actual investment earnings	–	3,615,060
Changes in proportion	–	2,929,809
District's contributions to the GERF subsequent to the measurement date	3,538,421	–
Total	<u>\$ 6,444,093</u>	<u>\$ 8,592,314</u>

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

A total of \$3,538,421 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERP 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 GERP pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2017	\$ (1,731,634)
2018	\$ (1,731,634)
2019	\$ (3,184,470)
2020	\$ 961,096

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$193,782,291 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 3.1326 percent at the end of the measurement period and 3.3358 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	\$ 193,782,291
State's proportionate share of the net pension liability associated with the District	\$ 23,768,953

For the year ended June 30, 2016, the District recognized pension expense of \$11,766,351. It also recognized \$4,202,096 as pension expense for the support provided by direct aid.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,561,529	\$ –
Differences between projected and actual investment earnings	–	17,028,677
Changes in assumptions	14,896,703	
Changes in proportion	859,909	3,183,198
District's contributions to the TRA subsequent to the measurement date	12,218,739	–
Total	<u>\$ 38,536,880</u>	<u>\$ 20,211,875</u>

A total of \$12,218,739 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2017	\$ (1,338,098)
2018	\$ (1,338,098)
2019	\$ (1,338,098)
2020	\$ 10,120,560

F. Actuarial Assumptions

The total pension liability in the June 30, 2015, 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	3.00%
Active member payroll growth	3.50% per year	3.50–12.00% based on years of service
Investment rate of return	7.90%	8.00%

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

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

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

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

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.00 percent annually with no increase to 2.50 percent projected. The prior year valuation assumed a 2.50 percent increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.90 percent for the GERF and 8.00 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of 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%	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.90 percent for the GERF and 8.00 percent for the TRA. This is a decrease from the discount rate at the prior measurement date of 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2016 contribution rates, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

H. Pension Liability Sensitivity

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

	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	\$ 63,853,699	\$ 40,610,219	\$ 21,414,675
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	\$ 294,961,732	\$ 193,782,291	\$ 109,345,126

I. Pension Plan Fiduciary Net Position

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

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

NOTE 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 IRC 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.

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

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 \$47,942,424 and net position of \$26,114,552 as of June 30, 2016. 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.

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	1,066,319
Adjustment to ARC	(1,298,735)
Annual OPEB cost (expense)	<u>5,710,165</u>
Contributions made	<u>3,269,912</u>
Increase in net OPEB obligation	2,440,253
Net OPEB obligation – beginning of year	<u>19,387,619</u>
Net OPEB obligation – end of year	<u><u>\$ 21,827,872</u></u>

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2014, 2015, and 2016 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
June 30, 2016	\$ 5,710,165	\$ 3,269,912	57.3%	\$ 21,827,872

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 following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5 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 IRC (which includes pre-tax insurance premiums, unreimbursed medical expenses, and dependent 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 dependent 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 dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

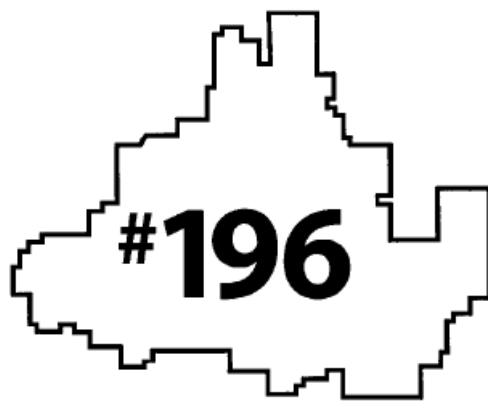
The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose.

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, 2016 was approximately \$3,664,325.



REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 196

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	6/30/2014	0.8558%	\$ 40,201,196	\$ 44,913,931	89.51%	78.70%
6/30/2016	6/30/2015	0.7836%	\$ 40,610,219	\$ 46,021,245	88.24%	78.20%

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	6/30/2015	\$ 3,401,561	\$ 3,401,561	\$ —	\$ 46,021,245	7.39%
6/30/2016	6/30/2016	\$ 3,538,421	\$ 3,538,421	\$ —	\$ 47,231,887	7.49%

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

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

INDEPENDENT SCHOOL DISTRICT NO. 196

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	6/30/2014	3.3358%	\$ 153,711,262	\$ 10,813,476	\$ 164,524,738	\$ 152,270,353	100.95%	81.50%
6/30/2016	6/30/2015	3.1326%	\$ 193,782,291	\$ 23,768,953	\$ 217,551,244	\$ 159,010,347	121.87%	76.80%

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	6/30/2015	\$ 11,925,725	\$ 11,925,725	\$ —	\$ 159,010,347	7.50%
6/30/2016	6/30/2016	\$ 12,218,739	\$ 12,218,739	\$ —	\$ 162,926,420	7.50%

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

Note 2: **Change of Assumptions.** The annual cost of living adjustment for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. Details, if necessary, can be obtained from the TRA's CAFR.

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

INDEPENDENT SCHOOL DISTRICT NO. 196

Schedule of Funding Progress
Other Post-Employment Benefits Plan
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2010	\$ 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 \$47.9 million at June 30, 2016. 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, 2016

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 2,251,938	\$ 2,857,062	\$ 5,109,000
Receivables			
Current taxes	–	906,490	906,490
Delinquent taxes	–	7,859	7,859
Accounts and interest	1,652	42,334	43,986
Due from other governmental units	170,825	272,168	442,993
Inventory	136,641	–	136,641
Total assets	<u>\$ 2,561,056</u>	<u>\$ 4,085,913</u>	<u>\$ 6,646,969</u>
Liabilities			
Salaries payable	\$ 255,100	\$ 354,995	\$ 610,095
Accounts and contracts payable	173,449	210,522	383,971
Due to other governmental units	–	3,170	3,170
Unearned revenue	424,260	317,094	741,354
Total liabilities	<u>852,809</u>	<u>885,781</u>	<u>1,738,590</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	7,859	7,859
Property taxes levied for subsequent year	–	1,675,767	1,675,767
Total deferred inflows of resources	<u>–</u>	<u>1,683,626</u>	<u>1,683,626</u>
Fund balances			
Nonspendable for inventory	136,641	–	136,641
Restricted	1,571,606	1,516,506	3,088,112
Total fund balances	<u>1,708,247</u>	<u>1,516,506</u>	<u>3,224,753</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,561,056</u>	<u>\$ 4,085,913</u>	<u>\$ 6,646,969</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 1,666,669	\$ 1,666,669
Investment earnings	14,648	16,895	31,543
Other	6,390,305	3,399,064	9,789,369
State sources	604,210	2,782,382	3,386,592
Federal sources	4,992,951	52,227	5,045,178
Total revenue	<u>12,002,114</u>	<u>7,917,237</u>	<u>19,919,351</u>
Expenditures			
Current			
Food service	11,757,651	—	11,757,651
Community service	—	7,780,877	7,780,877
Capital outlay	494,735	39,770	534,505
Total expenditures	<u>12,252,386</u>	<u>7,820,647</u>	<u>20,073,033</u>
Excess (deficiency) of revenue over expenditures	(250,272)	96,590	(153,682)
Other financing sources			
Transfers in	<u>—</u>	<u>18,862</u>	<u>18,862</u>
Net change in fund balances	(250,272)	115,452	(134,820)
Fund balances			
Beginning of year	<u>1,958,519</u>	<u>1,401,054</u>	<u>3,359,573</u>
End of year	<u>\$ 1,708,247</u>	<u>\$ 1,516,506</u>	<u>\$ 3,224,753</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 61,643,881	\$ 63,796,852
Cash and investments held by trustee	371,146	–
Receivables		
Current taxes	35,978,368	34,097,795
Delinquent taxes	274,678	391,145
Accounts and interest	377,353	424,409
Due from other governmental units	34,981,332	28,153,196
Due from other funds	2,824	1,400,000
Inventory	686,824	736,833
Prepaid items	<u>280,500</u>	<u>187,903</u>
 Total assets	 <u><u>\$ 134,596,906</u></u>	 <u><u>\$ 129,188,133</u></u>
Liabilities		
Salaries payable	\$ 19,311,661	\$ 17,998,103
Accounts and contracts payable	18,828,984	16,096,484
Due to other governmental units	450,275	3,695,810
Due to other funds	917,456	543
Unearned revenue	<u>551,319</u>	<u>134,840</u>
Total liabilities	40,059,695	37,925,780
 Deferred inflows of resources		
Unavailable revenue – delinquent taxes	274,678	391,145
Property taxes levied for subsequent year	<u>63,210,322</u>	<u>58,938,559</u>
Total deferred inflows of resources	63,485,000	59,329,704
 Fund balances (deficits)		
Nonspendable for inventory	686,824	736,833
Nonspendable for prepaid items	280,500	187,903
Restricted for health and safety	277,829	508,628
Restricted for capital projects levy	2,339	715,621
Restricted for operating capital	2,174,556	2,072,323
Assigned for subsequent year budget deficit	8,136,172	4,070,659
Assigned for building carryover	2,654,218	2,566,176
Unassigned – safe schools restricted account deficit	(928,989)	(821,170)
Unassigned	<u>17,768,762</u>	<u>21,895,676</u>
Total fund balances	<u><u>31,052,211</u></u>	<u><u>31,932,649</u></u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u><u>\$ 134,596,906</u></u>	 <u><u>\$ 129,188,133</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 62,177,187	\$ 62,523,327	\$ 346,140	\$ 58,338,748
Investment earnings	145,000	60,308	(84,692)	159,506
Other	9,084,204	10,506,366	1,422,162	11,300,222
State sources	247,979,793	254,809,743	6,829,950	244,220,251
Federal sources	8,953,866	8,655,141	(298,725)	8,318,522
Total revenue	328,340,050	336,554,885	8,214,835	322,337,249
Expenditures				
Current				
Administration				
Salaries	10,070,895	10,161,219	90,324	9,359,614
Employee benefits	4,123,294	4,063,553	(59,741)	3,275,682
Purchased services	470,916	386,297	(84,619)	297,821
Supplies and materials	163,228	81,819	(81,409)	97,133
Capital expenditures	101,624	23,671	(77,953)	36,631
Other expenditures	135,712	130,078	(5,634)	121,646
Total administration	15,065,669	14,846,637	(219,032)	13,188,527
District support services				
Salaries	5,251,738	4,376,492	(875,246)	4,238,852
Employee benefits	3,308,512	2,083,017	(1,225,495)	1,965,916
Purchased services	2,270,649	1,946,133	(324,516)	1,994,033
Supplies and materials	313,974	303,500	(10,474)	108,524
Capital expenditures	473,125	665,569	192,444	362,361
Other expenditures	50,178	(14,344)	(64,522)	132,849
Total district support services	11,668,176	9,360,367	(2,307,809)	8,802,535
Elementary and secondary regular instruction				
Salaries	114,448,465	112,238,873	(2,209,592)	111,317,924
Employee benefits	36,523,326	39,904,593	3,381,267	35,313,939
Purchased services	5,676,105	5,524,164	(151,941)	6,153,689
Supplies and materials	5,610,227	5,350,557	(259,670)	5,698,274
Capital expenditures	2,882,390	1,931,655	(950,735)	1,728,618
Other expenditures	237,388	231,185	(6,203)	230,155
Total elementary and secondary regular instruction	165,377,901	165,181,027	(196,874)	160,442,599

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

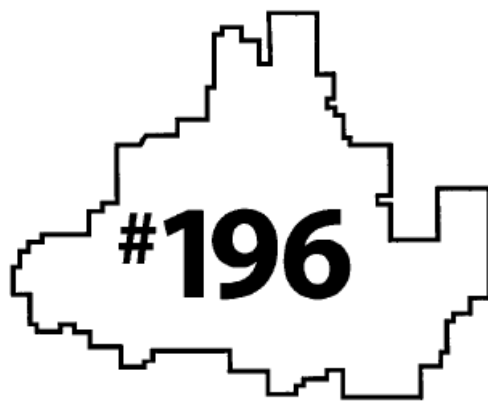
	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	2,947,214	3,585,464	638,250	2,838,017
Employee benefits	917,267	1,168,843	251,576	943,773
Purchased services	260,328	211,922	(48,406)	210,641
Supplies and materials	134,491	111,623	(22,868)	98,862
Capital expenditures	120,258	104,916	(15,342)	56,365
Other expenditures	10,010	16,181	6,171	13,881
Total vocational education instruction	4,389,568	5,198,949	809,381	4,161,539
Special education instruction				
Salaries	44,624,299	44,959,173	334,874	43,546,043
Employee benefits	16,692,317	17,953,929	1,261,612	16,244,426
Purchased services	1,338,296	1,093,778	(244,518)	1,104,345
Supplies and materials	798,230	714,849	(83,381)	499,043
Capital expenditures	317,732	370,353	52,621	508,607
Other expenditures	124,116	134,134	10,018	108,972
Total special education instruction	63,894,990	65,226,216	1,331,226	62,011,436
Community service				
Salaries	122,314	145,341	23,027	103,952
Employee benefits	32,420	36,303	3,883	22,901
Purchased services	54,600	76,500	21,900	33,325
Supplies and materials	6,100	1,094	(5,006)	1,235
Capital expenditures	4,165	4,135	(30)	2,144
Total community service	219,599	263,373	43,774	163,557
Instructional support services				
Salaries	9,825,072	12,141,750	2,316,678	11,296,618
Employee benefits	3,227,346	4,203,978	976,632	3,601,137
Purchased services	1,768,595	1,732,088	(36,507)	1,704,140
Supplies and materials	942,700	940,524	(2,176)	926,142
Capital expenditures	710,145	594,262	(115,883)	779,541
Other expenditures	54,428	83,164	28,736	54,170
Total instructional support services	16,528,286	19,695,766	3,167,480	18,361,748
Pupil support services				
Salaries	11,767,522	12,453,222	685,700	11,398,697
Employee benefits	5,697,440	5,755,500	58,060	5,249,817
Purchased services	3,235,455	2,140,626	(1,094,829)	2,641,608
Supplies and materials	2,213,701	1,782,622	(431,079)	2,070,185
Capital expenditures	1,739,894	1,555,128	(184,766)	1,564,426
Other expenditures	54,415	7,563	(46,852)	66,609
Total pupil support services	24,708,427	23,694,661	(1,013,766)	22,991,342

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

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	8,490,426	8,825,276	334,850	8,026,445
Employee benefits	4,162,179	4,159,439	(2,740)	3,893,142
Purchased services	6,504,326	6,190,604	(313,722)	6,526,716
Supplies and materials	1,308,536	1,011,463	(297,073)	975,559
Capital expenditures	1,490,792	1,748,966	258,174	2,021,311
Other expenditures	1,300	44,042	42,742	24,904
Total sites and buildings	21,957,559	21,979,790	22,231	21,468,077
Fiscal and other fixed cost programs				
Purchased services	781,771	650,603	(131,168)	651,864
Debt service				
Principal	2,455,513	2,456,884	1,371	2,275,544
Interest and fiscal charges	835,522	834,169	(1,353)	801,060
Total debt service	3,291,035	3,291,053	18	3,076,604
Total expenditures	327,882,981	329,388,442	1,505,461	315,319,828
Excess of revenue over expenditures	457,069	7,166,443	6,709,374	7,017,421
Other financing sources (uses)				
Capital lease	—	480,000	480,000	—
Sale of capital assets	—	27,218	27,218	10,180
Transfers (out)	(8,535,237)	(8,554,099)	(18,862)	(6,225,838)
Total other financing sources (uses)	(8,535,237)	(8,046,881)	488,356	(6,215,658)
Net change in fund balances	\$ (8,078,168)	(880,438)	\$ 7,197,730	801,763
Fund balances				
Beginning of year		31,932,649		31,130,886
End of year		\$ 31,052,211		\$ 31,932,649



INDEPENDENT SCHOOL DISTRICT NO. 196

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2016

	<u>Operating</u>	<u>Pupil Transportation</u>	<u>Capital Expenditure</u>	<u>Total</u>
Revenue				
Local sources				
Property taxes	\$ 55,640,263	\$ —	\$ 6,883,064	\$ 62,523,327
Investment earnings	60,308	—	—	60,308
Other	10,164,759	271,894	69,713	10,506,366
State sources	233,548,885	16,961,700	4,299,158	254,809,743
Federal sources	8,655,141	—	—	8,655,141
Total revenue	<u>308,069,356</u>	<u>17,233,594</u>	<u>11,251,935</u>	<u>336,554,885</u>
Expenditures				
Current				
Administration				
Salaries	10,161,219	—	—	10,161,219
Employee benefits	4,063,553	—	—	4,063,553
Purchased services	377,282	—	9,015	386,297
Supplies and materials	81,351	—	468	81,819
Capital expenditures	12,034	—	11,637	23,671
Other expenditures	130,078	—	—	130,078
Total administration	<u>14,825,517</u>	<u>—</u>	<u>21,120</u>	<u>14,846,637</u>
District support services				
Salaries	4,376,492	—	—	4,376,492
Employee benefits	2,083,017	—	—	2,083,017
Purchased services	1,293,415	—	652,718	1,946,133
Supplies and materials	160,877	—	142,623	303,500
Capital expenditures	62,209	—	603,360	665,569
Other expenditures	(14,344)	—	—	(14,344)
Total district support services	<u>7,961,666</u>	<u>—</u>	<u>1,398,701</u>	<u>9,360,367</u>
Elementary and secondary regular instruction				
Salaries	112,238,873	—	—	112,238,873
Employee benefits	39,904,593	—	—	39,904,593
Purchased services	5,391,956	—	132,208	5,524,164
Supplies and materials	3,430,802	—	1,919,755	5,350,557
Capital expenditures	574,588	—	1,357,067	1,931,655
Other expenditures	231,185	—	—	231,185
Total elementary and secondary regular instruction	<u>161,771,997</u>	<u>—</u>	<u>3,409,030</u>	<u>165,181,027</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, 2016

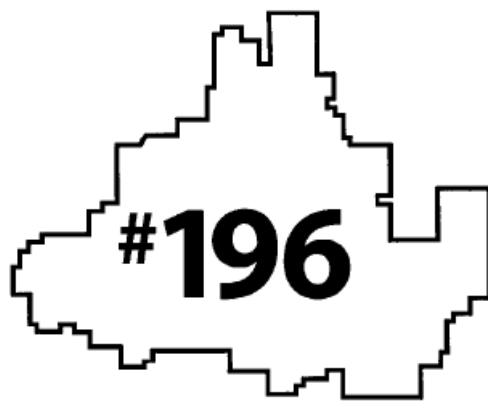
	<u>Operating</u>	<u>Pupil Transportation</u>	<u>Capital Expenditure</u>	<u>Total</u>
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	3,585,464	—	—	3,585,464
Employee benefits	1,168,843	—	—	1,168,843
Purchased services	211,922	—	—	211,922
Supplies and materials	89,801	—	21,822	111,623
Capital expenditures	64,169	—	40,747	104,916
Other expenditures	16,181	—	—	16,181
Total vocational education instruction	<u>5,136,380</u>	<u>—</u>	<u>62,569</u>	<u>5,198,949</u>
Special education instruction				
Salaries	44,959,173	—	—	44,959,173
Employee benefits	17,953,929	—	—	17,953,929
Purchased services	1,093,778	—	—	1,093,778
Supplies and materials	714,849	—	—	714,849
Capital expenditures	353,560	—	16,793	370,353
Other expenditures	134,134	—	—	134,134
Total special education instruction	<u>65,209,423</u>	<u>—</u>	<u>16,793</u>	<u>65,226,216</u>
Community service				
Salaries	145,341	—	—	145,341
Employee benefits	36,303	—	—	36,303
Supplies and materials	76,500	—	—	76,500
Capital expenditures	1,094	—	—	1,094
Other expenditures	—	—	4,135	4,135
Total community service	<u>259,238</u>	<u>—</u>	<u>4,135</u>	<u>263,373</u>
Instructional support services				
Salaries	12,012,287	—	129,463	12,141,750
Employee benefits	4,144,594	—	59,384	4,203,978
Purchased services	1,732,088	—	—	1,732,088
Supplies and materials	688,274	—	252,250	940,524
Capital expenditures	40,736	—	553,526	594,262
Other expenditures	83,164	—	—	83,164
Total instructional support services	<u>18,701,143</u>	<u>—</u>	<u>994,623</u>	<u>19,695,766</u>
Pupil support services				
Salaries	5,050,043	7,403,179	—	12,453,222
Employee benefits	1,883,584	3,871,916	—	5,755,500
Purchased services	362,405	1,774,756	3,465	2,140,626
Supplies and materials	42,437	1,740,185	—	1,782,622
Capital expenditures	10,181	1,530,355	14,592	1,555,128
Other expenditures	3,251	4,312	—	7,563
Total pupil support services	<u>7,351,901</u>	<u>16,324,703</u>	<u>18,057</u>	<u>23,694,661</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, 2016

	<u>Operating</u>	<u>Pupil Transportation</u>	<u>Capital Expenditure</u>	<u>Total</u>
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	8,690,492	—	134,784	8,825,276
Employee benefits	4,108,433	—	51,006	4,159,439
Purchased services	4,824,190	—	1,366,414	6,190,604
Supplies and materials	922,570	—	88,893	1,011,463
Capital expenditures	716,929	—	1,032,037	1,748,966
Other expenditures	—	—	44,042	44,042
Total sites and buildings	<u>19,262,614</u>	<u>—</u>	<u>2,717,176</u>	<u>21,979,790</u>
Fiscal and other fixed cost programs				
Purchased services	650,603	—	—	650,603
Debt service				
Principal	58,663	—	2,398,221	2,456,884
Interest	14,093	—	820,076	834,169
Total debt service	<u>72,756</u>	<u>—</u>	<u>3,218,297</u>	<u>3,291,053</u>
Total expenditures	<u>301,203,238</u>	<u>16,324,703</u>	<u>11,860,501</u>	<u>329,388,442</u>
Excess (deficiency) of revenue over expenditures	6,866,118	908,891	(608,566)	7,166,443
Other financing sources (uses)				
Capital lease	—	—	480,000	480,000
Sale of capital assets	27,218	—	—	27,218
Transfers (out)	<u>(8,554,099)</u>	<u>—</u>	<u>—</u>	<u>(8,554,099)</u>
Total other financing sources (uses)	<u>(8,526,881)</u>	<u>—</u>	<u>480,000</u>	<u>(8,046,881)</u>
Net change in fund balances	(1,660,763)	908,891	(128,566)	(880,438)
Fund balances				
Beginning of year	<u>25,738,156</u>	<u>3,613,542</u>	<u>2,580,951</u>	<u>31,932,649</u>
End of year	<u>\$ 24,077,393</u>	<u>\$ 4,522,433</u>	<u>\$ 2,452,385</u>	<u>\$ 31,052,211</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		2015
	Budget	Actual	Over (Under) Budget
			Actual
Revenue			
Local sources			
Property taxes	\$ 55,294,123	\$ 55,640,263	\$ 346,140
Investment earnings	145,000	60,308	(84,692)
Other	7,883,204	10,164,759	2,281,555
State sources	227,495,206	233,548,885	6,053,679
Federal sources	8,953,866	8,655,141	(298,725)
Total revenue	299,771,399	308,069,356	8,297,957
Expenditures			
Current			
Administration			
Salaries	10,070,895	10,161,219	90,324
Employee benefits	4,123,294	4,063,553	(59,741)
Purchased services	445,750	377,282	(68,468)
Supplies and materials	162,778	81,351	(81,427)
Capital expenditures	52,200	12,034	(40,166)
Other expenditures	135,712	130,078	(5,634)
Total administration	14,990,629	14,825,517	(165,112)
District support services			
Salaries	5,167,888	4,376,492	(791,396)
Employee benefits	3,272,362	2,083,017	(1,189,345)
Purchased services	1,618,398	1,293,415	(324,983)
Supplies and materials	156,474	160,877	4,403
Capital expenditures	43,400	62,209	18,809
Other expenditures	50,178	(14,344)	(64,522)
Total district support services	10,308,700	7,961,666	(2,347,034)
Elementary and secondary regular instruction			
Salaries	114,448,465	112,238,873	(2,209,592)
Employee benefits	36,523,326	39,904,593	3,381,267
Purchased services	5,552,648	5,391,956	(160,692)
Supplies and materials	3,320,243	3,430,802	110,559
Capital expenditures	683,468	574,588	(108,880)
Other expenditures	237,388	231,185	(6,203)
Total elementary and secondary regular instruction	160,765,538	161,771,997	1,006,459

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

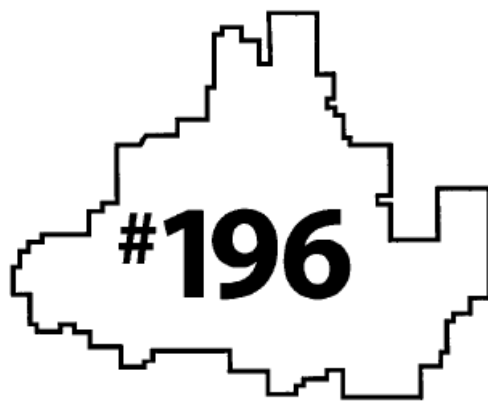
	2016		2015
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Vocational education instruction			
Salaries	2,947,214	3,585,464	638,250
Employee benefits	917,267	1,168,843	251,576
Purchased services	260,328	211,922	(48,406)
Supplies and materials	107,491	89,801	(17,690)
Capital expenditures	67,779	64,169	(3,610)
Other expenditures	10,010	16,181	6,171
Total vocational education instruction	4,310,089	5,136,380	826,291
Special education instruction			
Salaries	44,624,299	44,959,173	334,874
Employee benefits	16,692,317	17,953,929	1,261,612
Purchased services	1,338,296	1,093,778	(244,518)
Supplies and materials	798,230	714,849	(83,381)
Capital expenditures	298,871	353,560	54,689
Other expenditures	124,116	134,134	10,018
Total special education instruction	63,876,129	65,209,423	1,333,294
Community service			
Salaries	122,314	145,341	23,027
Employee benefits	32,420	36,303	3,883
Purchased services	54,600	76,500	21,900
Supplies and materials	6,100	1,094	(5,006)
Total community service	215,434	259,238	43,804
Instructional support services			
Salaries	9,763,034	12,012,287	2,249,253
Employee benefits	3,218,286	4,144,594	926,308
Purchased services	1,768,595	1,732,088	(36,507)
Supplies and materials	667,904	688,274	20,370
Capital expenditures	40,150	40,736	586
Other expenditures	54,428	83,164	28,736
Total instructional support services	15,512,397	18,701,143	3,188,746
Pupil support services			
Salaries	4,845,753	5,050,043	204,290
Employee benefits	1,650,491	1,883,584	233,093
Purchased services	357,455	362,405	4,950
Supplies and materials	59,301	42,437	(16,864)
Capital expenditures	5,500	10,181	4,681
Other expenditures	2,915	3,251	336
Total pupil support services	6,921,415	7,351,901	430,486

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

	2016		2015
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	8,336,943	8,690,492	353,549
Employee benefits	4,112,544	4,108,433	(4,111)
Purchased services	5,902,436	4,824,190	(1,078,246)
Supplies and materials	1,203,576	922,570	(281,006)
Capital expenditures	670,805	716,929	46,124
Other expenditures	1,300	–	(1,300)
Total sites and buildings	20,227,604	19,262,614	(964,990)
Fiscal and other fixed cost programs			
Purchased services	781,771	650,603	(131,168)
Debt service			
Principal	57,987	58,663	676
Interest	14,770	14,093	(677)
Total debt service	72,757	72,756	(1)
Total expenditures	297,982,463	301,203,238	3,220,775
Excess of revenue over expenditures	1,788,936	6,866,118	5,077,182
Other financing sources (uses)			
Sale of capital assets	–	27,218	27,218
Transfers (out)	(8,535,237)	(8,554,099)	(18,862)
Total other financing sources (uses)	(8,535,237)	(8,526,881)	8,356
Net change in fund balances	\$ (6,746,301)	(1,660,763)	\$ 5,085,538
Fund balances			
Beginning of year		25,738,156	25,453,218
End of year		\$ 24,077,393	\$ 25,738,156



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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 1,201,000	\$ 271,894	\$ (929,106)	\$ 1,239,696
State sources	16,196,639	16,961,700	765,061	15,599,204
Total revenue	17,397,639	17,233,594	(164,045)	16,838,900
Expenditures				
Current				
Pupil support services				
Salaries	6,921,769	7,403,179	481,410	6,651,243
Employee benefits	4,046,949	3,871,916	(175,033)	3,614,908
Purchased services	2,875,000	1,774,756	(1,100,244)	2,312,318
Supplies and materials	2,154,400	1,740,185	(414,215)	2,038,437
Capital expenditures	1,688,000	1,530,355	(157,645)	1,555,205
Other expenditures	51,500	4,312	(47,188)	62,483
Total pupil support services	17,737,618	16,324,703	(1,412,915)	16,234,594
Excess (deficiency) of revenue over expenditures	(339,979)	908,891	1,248,870	604,306
Other financing sources				
Sale of capital assets	—	—	—	2,090
Net change in fund balances	\$ (339,979)	908,891	\$ 1,248,870	606,396
Fund balances				
Beginning of year		3,613,542		3,007,146
End of year		\$ 4,522,433		\$ 3,613,542

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

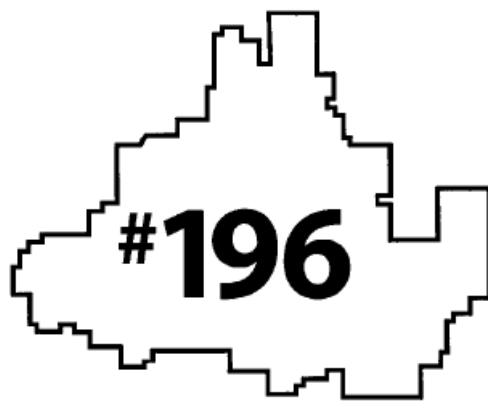
	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 6,883,064	\$ 6,883,064	\$ –	\$ 6,642,975
Other	–	69,713	69,713	54,227
State sources	4,287,948	4,299,158	11,210	4,389,400
Total revenue	11,171,012	11,251,935	80,923	11,086,602
Expenditures				
Current				
Administration				
Purchased services	25,166	9,015	(16,151)	10,062
Supplies and material	450	468	18	–
Capital expenditures	49,424	11,637	(37,787)	21,661
Total administration	75,040	21,120	(53,920)	31,723
District support services				
Salaries	83,850	–	(83,850)	–
Employee benefits	36,150	–	(36,150)	–
Purchased services	652,251	652,718	467	757,621
Supplies and material	157,500	142,623	(14,877)	8,150
Capital expenditures	429,725	603,360	173,635	316,552
Total district support services	1,359,476	1,398,701	39,225	1,082,323
Elementary and secondary regular instruction				
Purchased services	123,457	132,208	8,751	127,410
Supplies and material	2,289,984	1,919,755	(370,229)	2,239,719
Capital expenditures	2,198,922	1,357,067	(841,855)	1,007,660
Total elementary and secondary regular instruction	4,612,363	3,409,030	(1,203,333)	3,374,789
Vocational education instruction				
Supplies and material	27,000	21,822	(5,178)	6,093
Capital expenditures	52,479	40,747	(11,732)	28,179
Total vocational education instruction	79,479	62,569	(16,910)	34,272
Special education instruction				
Capital expenditures	18,861	16,793	(2,068)	8,239
Community service				
Capital expenditures	4,165	4,135	(30)	2,144

(continued)

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

	2016		2015
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Instructional support services			
Salaries	62,038	129,463	67,425
Employee benefits	9,060	59,384	50,324
Supplies and materials	274,796	252,250	(22,546)
Capital expenditures	669,995	553,526	(116,469)
Total instructional support services	1,015,889	994,623	(21,266)
Pupil support services			
Purchased services	3,000	3,465	465
Capital expenditures	46,394	14,592	(31,802)
Total pupil support services	49,394	18,057	(31,337)
Sites and buildings			
Salaries	153,483	134,784	(18,699)
Employee benefits	49,635	51,006	1,371
Purchased services	601,890	1,366,414	764,524
Supplies and materials	104,960	88,893	(16,067)
Capital expenditures	819,987	1,032,037	212,050
Other expenditures	–	44,042	44,042
Total sites and buildings	1,729,955	2,717,176	987,221
Debt service			
Principal	2,397,526	2,398,221	695
Interest and fiscal charges	820,752	820,076	(676)
Total debt service	3,218,278	3,218,297	19
Total expenditures	12,162,900	11,860,501	(302,399)
Excess (deficiency) of revenue over expenditures	(991,888)	(608,566)	383,322
Other financing sources			
Capital lease	–	480,000	480,000
Net change in fund balances	\$ (991,888)	(128,566)	\$ 863,322
Fund balances			
Beginning of year		2,580,951	2,670,522
End of year		\$ 2,452,385	\$ 2,580,951



INDEPENDENT SCHOOL DISTRICT NO. 196

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 1,000,000	\$ 962,993	\$ (37,007)	\$ 1,018,845
State sources	29,898,439	31,279,407	1,380,968	31,808,117
Federal sources	5,485,371	5,333,874	(151,497)	5,224,220
Total revenue	<u>36,383,810</u>	<u>37,576,274</u>	<u>1,192,464</u>	<u>38,051,182</u>
Expenditures				
Current				
Special education instruction				
Salaries	44,631,428	44,135,292	(496,136)	42,722,989
Employee benefits	16,693,452	16,983,607	290,155	16,123,636
Purchased services	1,343,012	1,089,083	(253,929)	1,099,740
Supplies and materials	793,889	709,664	(84,225)	497,010
Capital expenditures	298,871	353,560	54,689	496,933
Other expenditures	124,116	134,134	10,018	108,972
Total expenditures	<u>63,884,768</u>	<u>63,405,340</u>	<u>(479,428)</u>	<u>61,049,280</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (27,500,958)</u>	<u>\$ (25,829,066)</u>	<u>\$ 1,671,892</u>	<u>\$ (22,998,098)</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 2,251,938	\$ 2,474,908
Receivables		
Accounts and interest	1,652	9,027
Due from other governmental units	170,825	197,860
Inventory	136,641	119,599
Prepaid items	<u>—</u>	<u>12,470</u>
Total assets	<u><u>\$ 2,561,056</u></u>	<u><u>\$ 2,813,864</u></u>
Liabilities		
Salaries payable	\$ 255,100	\$ 250,066
Accounts and contracts payable	173,449	223,678
Unearned revenue	<u>424,260</u>	<u>381,601</u>
Total liabilities	852,809	855,345
Fund balances		
Nonspendable for inventory	136,641	119,599
Nonspendable for prepaid items	—	12,470
Restricted for food service	<u>1,571,606</u>	<u>1,826,450</u>
Total fund balances	<u><u>1,708,247</u></u>	<u><u>1,958,519</u></u>
Total liabilities and fund balances	<u><u>\$ 2,561,056</u></u>	<u><u>\$ 2,813,864</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,500	\$ 14,648	\$ 13,148	\$ 5,289
Other – primarily meal sales	6,501,468	6,390,305	(111,163)	6,376,625
State sources	634,724	604,210	(30,514)	581,450
Federal sources	4,974,593	4,992,951	18,358	4,406,814
Total revenue	<u>12,112,285</u>	<u>12,002,114</u>	<u>(110,171)</u>	<u>11,370,178</u>
Expenditures				
Current				
Salaries	3,994,438	4,241,785	247,347	4,104,946
Employee benefits	1,348,469	1,272,803	(75,666)	1,260,302
Purchased services	603,783	524,560	(79,223)	555,959
Supplies and materials	5,896,092	5,703,052	(193,040)	5,577,771
Other expenditures	14,500	15,451	951	10,985
Capital outlay	600,000	494,735	(105,265)	278,059
Total expenditures	<u>12,457,282</u>	<u>12,252,386</u>	<u>(204,896)</u>	<u>11,788,022</u>
Net change in fund balances	<u>\$ (344,997)</u>	<u>(250,272)</u>	<u>\$ 94,725</u>	<u>(417,844)</u>
Fund balances				
Beginning of year		<u>1,958,519</u>		<u>2,376,363</u>
End of year		<u>\$ 1,708,247</u>		<u>\$ 1,958,519</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 2,857,062	\$ 2,613,553
Receivables		
Current taxes	906,490	914,828
Delinquent taxes	7,859	11,732
Accounts and interest	42,334	35,787
Due from other governmental units	272,168	280,920
Prepaid items	<u>—</u>	<u>220</u>
Total assets	<u><u>\$ 4,085,913</u></u>	<u><u>\$ 3,857,040</u></u>
Liabilities		
Salaries payable	\$ 354,995	\$ 308,843
Accounts and contracts payable	210,522	195,893
Due to other governmental units	3,170	2,421
Unearned revenue	<u>317,094</u>	<u>265,871</u>
Total liabilities	885,781	773,028
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	7,859	11,732
Property taxes levied for subsequent year	<u>1,675,767</u>	<u>1,671,226</u>
Total deferred inflows of resources	1,683,626	1,682,958
Fund balances		
Nonspendable for prepaid items	—	220
Restricted for community education programs	440,040	561,602
Restricted for early childhood family education programs	271,884	381,284
Restricted for school readiness	250,555	16,217
Restricted for adult basic education	553,073	440,581
Restricted for community service	<u>954</u>	<u>1,150</u>
Total fund balances	<u><u>1,516,506</u></u>	<u><u>1,401,054</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 4,085,913</u></u>	<u><u>\$ 3,857,040</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,671,169	\$ 1,666,669	\$ (4,500)	\$ 1,683,323
Investment earnings	1,500	16,895	15,395	5,609
Other – primarily tuition and fees	3,466,014	3,399,064	(66,950)	3,479,143
State sources	2,833,655	2,782,382	(51,273)	2,465,570
Federal sources	52,227	52,227	–	95,578
Total revenue	8,024,565	7,917,237	(107,328)	7,729,223
Expenditures				
Current				
Salaries	4,862,198	4,768,102	(94,096)	4,717,303
Employee benefits	1,517,906	1,525,020	7,114	1,413,606
Purchased services	1,128,054	1,060,243	(67,811)	1,063,367
Supplies and materials	426,356	419,060	(7,296)	378,107
Other expenditures	5,281	8,452	3,171	3,687
Capital outlay	55,990	39,770	(16,220)	145,510
Total expenditures	7,995,785	7,820,647	(175,138)	7,721,580
Excess of revenue over expenditures	28,780	96,590	67,810	7,643
Other financing sources				
Transfers in	–	18,862	18,862	5,785
Net change in fund balances	\$ 28,780	115,452	\$ 86,672	13,428
Fund balances				
Beginning of year		1,401,054		1,387,626
End of year		\$ 1,516,506		\$ 1,401,054

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 129,822,814	\$ 1,047,169
Cash and investments held by trustee	118,154	2,078,529
Receivables		
Accounts and interest	525,370	–
Due from other funds	<u>1,435</u>	<u>–</u>
Total assets	<u>\$ 130,467,773</u>	<u>\$ 3,125,698</u>
Liabilities		
Accounts and contracts payable	\$ 2,490,857	\$ 1,402,240
Unearned revenue	<u>20,405</u>	<u>1,727,246</u>
Total liabilities	2,511,262	3,129,486
Fund balances (deficits)		
Restricted for alternative facility program	97,263	–
Restricted for building projects funded by certificates of participation	80,354	275,224
Restricted for capital projects	127,778,894	–
Unassigned – alternative facilities restricted account deficit	<u>–</u>	<u>(279,012)</u>
Total fund balances (deficits)	<u>127,956,511</u>	<u>(3,788)</u>
Total liabilities and fund balances	<u>\$ 130,467,773</u>	<u>\$ 3,125,698</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 250,000	\$ 886,468	\$ 636,468	\$ 963
Other	–	8,105	8,105	27,375
Total revenue	250,000	894,573	644,573	28,338
Expenditures				
Capital outlay				
Salaries	84,655	84,655	–	83,120
Employee benefits	40,052	39,856	(196)	38,737
Purchased services	1,743,091	2,975,687	1,232,596	1,440,089
Supplies and materials	–	1,696	1,696	12,137
Capital expenditures	8,416,942	8,004,366	(412,576)	17,030,707
Other expenditures	–	125	125	125
Total capital outlay	10,284,740	11,106,385	821,645	18,604,915
Debt service				
Interest and fiscal charges	–	425,930	425,930	–
Total expenditures	10,284,740	11,532,315	1,247,575	18,604,915
Excess (deficiency) of revenue over expenditures	(10,034,740)	(10,637,742)	(603,002)	(18,576,577)
Other financing sources				
Capital lease	–	–	–	4,200,000
Bond issued	112,150,000	112,150,000	–	–
Debt issuance premiums	17,912,804	17,912,804	–	–
Transfers in	8,535,237	8,535,237	–	6,220,053
Total other financing sources	138,598,041	138,598,041	–	10,420,053
Net change in fund balances	\$ 128,563,301	127,960,299	\$ (603,002)	(8,156,524)
Fund balances (deficits)				
Beginning of year		(3,788)		8,152,736
End of year		\$ 127,956,511		\$ (3,788)

INDEPENDENT SCHOOL DISTRICT NO. 196

Debt Service Fund
Balance Sheet by Account
as of June 30, 2016

(With Partial Comparative Information as of June 30, 2015)

	General	Other Post-Employment Benefits	Totals	
			2016	2015
Assets				
Cash and temporary investments	\$ 9,424,335	\$ 4,987,153	\$ 14,411,488	\$ 10,672,246
Cash and investments held by trustee	—	—	—	12,270,384
Receivables				
Current taxes	3,995,059	5,457,612	9,452,671	8,043,160
Delinquent taxes	57,223	24,694	81,917	135,535
Accounts and interest	—	—	—	12,438
Due from other governmental units	22,794	37,711	60,505	75,381
Due from other funds	276,300	639,721	916,021	543
Total assets	\$ 13,775,711	\$ 11,146,891	\$ 24,922,602	\$ 31,209,687
Liabilities				
Due to other funds	\$ 1,202	\$ 1,622	\$ 2,824	\$ —
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	57,223	24,694	81,917	135,535
Property taxes levied for subsequent year	7,385,547	10,089,363	17,474,910	14,688,431
Total deferred inflows of resources	7,442,770	10,114,057	17,556,827	14,823,966
Fund balances				
Restricted for bond refundings	—	—	—	12,282,822
Restricted for debt service	6,331,739	1,031,212	7,362,951	4,102,899
Total fund balances	6,331,739	1,031,212	7,362,951	16,385,721
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,775,711	\$ 11,146,891	\$ 24,922,602	\$ 31,209,687

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	General	Other Post-Employment Benefits	Totals	
			2016	2015
Revenue				
Local sources				
Property taxes	\$ 4,613,043	\$ 10,025,045	\$ 14,638,088	\$ 19,240,242
Investment earnings	10,328	2,039	12,367	25,897
State sources	1,277	2,815	4,092	3,553
Total revenue	4,624,648	10,029,899	14,654,547	19,269,692
Expenditures				
Debt service				
Principal	2,935,000	7,935,000	10,870,000	15,605,000
Interest	1,517,563	1,601,588	3,119,151	3,778,274
Fiscal charges and other	5,150	450	5,600	7,326
Total expenditures	4,457,713	9,537,038	13,994,751	19,390,600
Excess (deficiency) of revenue over expenditures	166,935	492,861	659,796	(120,908)
Other financing sources (uses)				
Debt issuance premiums	2,442,434	—	2,442,434	—
Bond refunding payments	(12,125,000)	—	(12,125,000)	(2,325,000)
Total other financing sources (uses)	(9,682,566)	—	(9,682,566)	(2,325,000)
Net change in fund balances	(9,515,631)	492,861	(9,022,770)	(2,445,908)
Fund balances				
Beginning of year	15,847,370	538,351	16,385,721	18,831,629
End of year	\$ 6,331,739	\$ 1,031,212	\$ 7,362,951	\$ 16,385,721

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 4,598,437	\$ 4,613,043	\$ 14,606	\$ 16,692,852
Investment earnings	30,000	10,328	(19,672)	25,286
State sources	1,300	1,277	(23)	3,082
Total revenue	<u>4,629,737</u>	<u>4,624,648</u>	<u>(5,089)</u>	<u>16,721,220</u>
Expenditures				
Debt service				
Principal	2,935,000	2,935,000	–	14,745,000
Interest	1,245,920	1,517,563	271,643	2,142,286
Fiscal charges and other	10,000	5,150	(4,850)	6,876
Total expenditures	<u>4,190,920</u>	<u>4,457,713</u>	<u>266,793</u>	<u>16,894,162</u>
Excess (deficiency) of revenue over expenditures	438,817	166,935	(271,882)	(172,942)
Other financing sources (uses)				
Debt issuance premiums	–	2,442,434	2,442,434	–
Bond refunding payment	–	(12,125,000)	(12,125,000)	(2,325,000)
Total other financing sources (uses)	<u>–</u>	<u>(9,682,566)</u>	<u>(9,682,566)</u>	<u>(2,325,000)</u>
Net change in fund balances	<u>\$ 438,817</u>	<u>(9,515,631)</u>	<u>\$ (9,954,448)</u>	<u>(2,497,942)</u>
Fund balances				
Beginning of year		<u>15,847,370</u>		<u>18,345,312</u>
End of year		<u>\$ 6,331,739</u>		<u>\$ 15,847,370</u>

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 9,963,965	\$ 10,025,045	\$ 61,080	\$ 2,547,390
Investment earnings	1,000	2,039	1,039	611
State sources	2,818	2,815	(3)	471
Total revenue	<u>9,967,783</u>	<u>10,029,899</u>	<u>62,116</u>	<u>2,548,472</u>
Expenditures				
Debt service				
Principal	7,935,000	7,935,000	–	860,000
Interest	1,601,588	1,601,588	–	1,635,988
Fiscal charges and other	1,000	450	(550)	450
Total expenditures	<u>9,537,588</u>	<u>9,537,038</u>	<u>(550)</u>	<u>2,496,438</u>
Net change in fund balances	<u>\$ 430,195</u>	<u>492,861</u>	<u>\$ 62,666</u>	<u>52,034</u>
Fund balances				
Beginning of year		<u>538,351</u>		<u>486,317</u>
End of year		<u>\$ 1,031,212</u>		<u>\$ 538,351</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

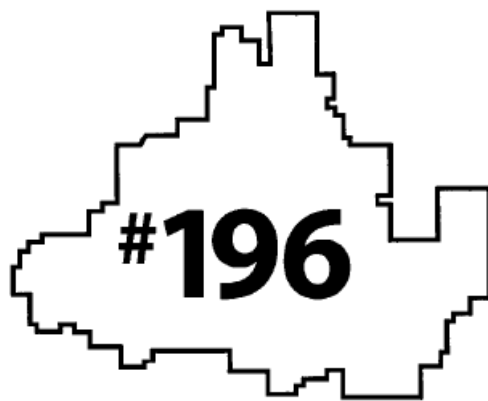
Internal Service Funds
Combining Statement of Net Position
as of June 30, 2016

	Severance Benefits	Other Post-Employment Benefits	Self-Insured Dental Benefits	Self-Insured Health Benefits	Total
Assets					
Current assets					
Cash and temporary investments	\$ 9,597,094	\$ —	\$ 77,435	\$ 20,229,371	\$ 29,903,900
Receivables					
Accounts and interest receivable	6,676	—	—	—	6,676
Restricted assets					
Cash and cash equivalents	—	31,565,351	—	—	31,565,351
Investments	—	16,377,073	—	—	16,377,073
Total assets	9,603,770	47,942,424	77,435	20,229,371	77,853,000
Liabilities					
Current liabilities					
Severance benefits payable	2,729,605	—	—	—	2,729,605
Claims payable	—	—	5,052	2,970,874	2,975,926
Due to other funds	—	—	—	—	—
Unearned revenue	—	—	256	7,053,931	7,054,187
Total current liabilities	2,729,605	—	5,308	10,024,805	12,759,718
Long-term liabilities					
Severance benefits payable	10,697,227	—	—	—	10,697,227
Net obligation for other post-employment benefits	—	21,827,872	—	—	21,827,872
Total long-term liabilities	10,697,227	21,827,872	—	—	32,525,099
Total liabilities	13,426,832	21,827,872	5,308	10,024,805	45,284,817
Net position					
Restricted for other post-employment benefits	—	26,114,552	—	—	26,114,552
Unrestricted	(3,823,062)	—	72,127	10,204,566	6,453,631
Total net position	\$ (3,823,062)	\$ 26,114,552	\$ 72,127	\$ 10,204,566	\$ 32,568,183

INDEPENDENT SCHOOL DISTRICT NO. 196

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2016

	Severance Benefits	Other Post-Employment Benefits	Self-Insured Dental Benefits	Self-Insured Health Benefits	Total
Operating revenue					
Local sources					
Contributions from governmental funds	\$ 962,928	\$ 3,269,912	\$ 373,851	\$ 38,104,845	\$ 42,711,536
Contributions from employees	—	—	8,372	5,531,237	5,539,609
Total operating revenues	962,928	3,269,912	382,223	43,636,082	48,251,145
Operating expenses					
Severance benefits	1,638,294	—	—	—	1,638,294
Other post-employment benefits	—	5,710,164	—	—	5,710,164
Self-insured benefits	—	—	356,359	42,950,422	43,306,781
Total operating expenses	1,638,294	5,710,164	356,359	42,950,422	50,655,239
Operating income (loss)	(675,366)	(2,440,252)	25,864	685,660	(2,404,094)
Nonoperating revenue					
Investment earnings (loss)	108,471	(687,079)	—	—	(578,608)
Change in net position	(566,895)	(3,127,331)	25,864	685,660	(2,982,702)
Net position					
Beginning of year	(3,256,167)	29,241,883	46,263	9,518,906	35,550,885
End of year	<u>\$ (3,823,062)</u>	<u>\$ 26,114,552</u>	<u>\$ 72,127</u>	<u>\$ 10,204,566</u>	<u>\$ 32,568,183</u>



INDEPENDENT SCHOOL DISTRICT NO. 196

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2016

	Severance Benefits	Other Post-Employment Benefits	Self-Insured Dental Benefits	Self-Insured Health Benefits	Total
Cash flows from operating activities					
Received from assessments made to other funds	\$ 962,928	\$ 1,869,912	\$ 374,107	\$ 38,406,559	\$ 41,613,506
Received from employee contributions	—	—	8,372	5,531,237	5,539,609
Severance, other post-employment benefits, and self-insurance claims	(962,928)	(3,269,912)	(360,367)	(43,739,142)	(48,332,349)
Net cash flows from operating activities	—	(1,400,000)	22,112	198,654	(1,179,234)
Cash flows from investing activities					
Purchase of investments	—	(2,672,513)	—	—	(2,672,513)
Sale of investments	—	4,358,172	—	—	4,358,172
Interest on investments	114,953	(687,079)	—	—	(572,126)
Net cash flows from investing activities	114,953	998,580	—	—	1,113,533
Net change in cash and cash equivalents	114,953	(401,420)	22,112	198,654	(65,701)
Cash and cash equivalents					
Beginning of year	9,482,141	31,966,771	55,323	20,030,717	61,534,952
End of year	<u>\$ 9,597,094</u>	<u>\$ 31,565,351</u>	<u>\$ 77,435</u>	<u>\$ 20,229,371</u>	<u>\$ 61,469,251</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (675,366)	\$ (2,440,252)	\$ 25,864	\$ 685,660	\$ (2,404,094)
Adjustments to reconcile operating income (loss) 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	675,366	—	—	—	675,366
Net obligation for other post-employment benefits	—	2,440,252	—	—	2,440,252
Claims payable	—	—	(4,008)	(788,720)	(792,728)
Unearned revenue	—	—	256	296,029	296,285
Net cash flows from operating activities	<u>\$ —</u>	<u>\$ (1,400,000)</u>	<u>\$ 22,112</u>	<u>\$ 198,654</u>	<u>\$ (1,179,234)</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

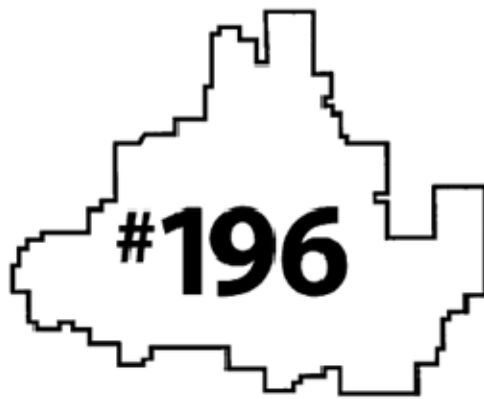
Agency Funds
Combining Statement of Assets and Liabilities
as of June 30, 2016

	Graduate Credit Program	LCTS Grant	Total
Assets			
Current assets			
Cash and temporary investments	\$ 27,421	\$ 128,558	\$ 155,979
Liabilities			
Current liabilities			
Accounts and contracts payable	\$ 27,421	\$ 126,330	\$ 153,751
Due to other governmental units	—	2,228	2,228
Total liabilities	\$ 27,421	\$ 128,558	\$ 155,979

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Graduate Credit Program				
Assets				
Cash and temporary investments	\$ 29,913	\$ 2,978	\$ 5,470	\$ 27,421
Liabilities				
Accounts and contracts payable	\$ 29,913	\$ 6,257	\$ 8,749	\$ 27,421
LCTS Grant				
Assets				
Cash and temporary investments	\$ 121,291	\$ 105,757	\$ 98,490	\$ 128,558
Liabilities				
Salaries and compensated absences payable	\$ –	\$ 12,736	\$ 12,736	\$ –
Accounts and contracts payable	121,291	26,240	21,201	126,330
Due to other governmental units	–	50,000	47,772	2,228
Total liabilities	\$ 121,291	\$ 88,976	\$ 81,709	\$ 128,558
Total – all agency funds				
Assets				
Cash and temporary investments	\$ 151,204	\$ 108,735	\$ 103,960	\$ 155,979
Liabilities				
Salaries and compensated absences payable	\$ –	\$ 12,736	\$ 12,736	\$ –
Accounts and contracts payable	151,204	32,497	29,950	153,751
Due to other governmental units	–	50,000	47,772	2,228
Total liabilities	\$ 151,204	\$ 95,233	\$ 90,458	\$ 155,979



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.

Contents:	Page
Financial Trends	120–127
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	128–137
These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.	
Debt Capacity	138–143
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	144–147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Indicators	148–159
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			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 95,458,965	\$103,319,797	\$111,989,021	\$119,230,936
Restricted for				
Capital asset acquisition	5,684,074	7,405,149	3,801,856	272,613
Debt service	4,362,373	6,135,754	6,606,010	4,243,774
Other post-employment benefits	—	—	—	—
Other purposes	2,971,469	3,818,417	4,289,513	4,802,276
Unrestricted	10,897,111	27,241,919	26,636,430	20,067,683
Total governmental activities net position	<u>\$119,373,992</u>	<u>\$147,921,036</u>	<u>\$153,322,830</u>	<u>\$148,617,282</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.

2011	2012	2013	2014	2015	2016
\$125,050,825	\$132,049,464	\$140,892,970	\$148,790,976	\$158,918,349	\$154,676,397
1,900,381	1,195,907	1,546,791	3,109,569	3,017,560	2,551,987
4,710,365	3,478,996	3,048,044	3,146,047	2,521,510	4,332,306
—	—	—	—	—	10,112
4,285,838	3,796,239	3,899,144	3,665,502	3,223,691	3,083,262
22,415,867	25,951,166	29,225,638	27,764,005	(191,421,788)	(186,199,312)
<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>	<u>\$ (21,545,248)</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Expenses				
Administration	\$ 9,484,268	\$ 10,572,073	\$ 10,676,349	\$ 12,497,969
District support services	7,633,812	8,012,405	7,231,136	8,540,817
Elementary and secondary regular instruction	132,937,600	140,899,720	139,395,913	150,566,426
Vocational education instruction	3,140,928	3,498,530	4,379,357	3,540,400
Special education instruction	51,392,350	52,071,654	52,646,589	55,603,648
Instructional support services	12,831,921	16,520,831	17,746,580	14,365,141
Pupil support services	19,048,297	20,173,827	22,449,912	20,712,281
Sites and buildings	23,362,778	24,115,360	32,544,041	26,723,703
Fiscal and other fixed cost programs	698,075	420,089	551,497	475,935
Food service	9,784,347	10,328,031	10,634,039	10,782,848
Community service	7,612,062	8,184,218	8,999,897	9,093,156
Unallocated depreciation	7,888,195	8,498,619	8,822,145	9,814,728
Interest and fiscal charges on debt	8,682,186	7,962,893	6,927,751	7,825,797
Total expenses	294,496,819	311,258,250	323,005,206	330,542,849
Program revenues				
Charges for services				
District support services	96,758	120,295	120,095	110,015
Elementary and secondary regular instruction	5,071,867	5,299,648	5,547,968	5,560,131
Vocational education instruction	65,692	1,885	33,414	21,059
Special education instruction	186,346	84,914	72,788	127,208
Instructional support services	16,810	31,710	42,153	34,560
Pupil support services	100,331	214,570	98,531	812,921
Sites and buildings	111,005	70,041	87,596	122,706
Fiscal and other fixed cost programs	1,417	13,752	-	-
Food service	7,340,463	7,773,800	7,626,413	7,390,904
Community service	3,956,546	4,242,845	4,646,333	4,614,030
Operating grants and contributions	36,629,032	42,921,499	43,753,262	45,687,662
Capital grants and contributions	139,640	17,710	68,959	37,444
Total program revenues	53,715,907	60,792,669	62,097,512	64,518,640
Net (expense) revenue	(240,780,912)	(250,465,581)	(260,907,694)	(266,024,209)
General revenues				
Taxes				
Property taxes, levied for general purposes	42,180,245	46,474,687	48,799,954	50,921,613
Property taxes, levied for community service	1,633,165	1,641,337	1,382,457	1,613,879
Property taxes, levied for facility improvements	8,503,194	6,728,396	6,176,945	4,847,224
Property taxes, levied for debt service	21,941,662	20,077,143	17,711,200	17,203,207
General grants and aids	178,683,239	186,584,417	187,486,449	183,031,690
Other general revenues	1,529,616	1,732,845	2,163,797	2,374,094
Investment earnings (loss)	4,779,838	4,335,798	2,588,686	1,326,954
Total general revenues	259,250,959	267,574,623	266,309,488	261,318,661
Change in net position	\$ 18,470,047	\$ 17,109,042	\$ 5,401,794	\$ (4,705,548)

2011	2012	2013	2014	2015	2016
\$ 11,180,500	\$ 11,137,222	\$ 11,433,970	\$ 12,788,255	\$ 12,801,745	\$ 15,493,748
8,294,596	8,400,776	8,309,187	8,478,285	9,142,598	9,058,209
147,871,836	148,397,275	147,547,387	150,639,805	160,761,078	166,000,943
3,771,098	3,867,848	3,878,014	3,894,552	4,089,165	5,237,887
56,254,830	56,495,369	57,500,259	60,005,088	61,805,761	65,647,768
13,330,690	13,764,619	16,280,078	16,554,014	18,302,791	19,753,852
22,136,945	21,828,053	22,089,783	22,561,249	22,639,915	23,523,058
25,708,804	25,949,814	23,639,275	25,311,941	24,878,718	27,849,964
480,313	539,813	598,093	697,917	651,864	650,603
10,846,263	11,381,527	10,942,769	11,359,961	11,787,045	12,302,155
9,231,014	9,361,591	9,754,914	9,802,212	7,954,502	8,211,003
9,918,941	9,957,859	10,385,661	9,805,568	10,322,952	10,580,519
7,841,877	6,718,174	5,894,160	4,601,447	4,033,890	4,760,111
326,867,707	327,799,940	328,253,550	336,500,294	349,172,024	369,069,820
92,363	134,773	130,907	112,285	141,218	203,086
5,640,999	6,256,482	6,294,929	6,289,085	5,966,969	6,205,284
13,070	12,633	14,197	17,675	17,997	3,343
323,786	286,617	313,960	271,959	978,884	961,972
33,087	34,718	53,566	44,434	24,389	143,290
931,678	1,121,369	1,124,840	1,190,359	1,249,628	231,078
213,825	128,841	93,836	123,572	245,482	118,028
—	—	—	—	—	—
7,219,979	7,026,043	6,547,387	6,519,363	6,376,625	6,390,305
4,915,046	5,349,086	5,441,560	5,759,982	3,373,200	3,325,681
48,184,008	45,572,463	47,069,459	48,096,296	54,043,906	58,170,271
52,688	23,875	41,520	103,677	62,540	8,105
67,620,529	65,946,900	67,126,161	68,528,687	72,480,838	75,760,443
(259,247,178)	(261,853,040)	(261,127,389)	(267,971,607)	(276,691,186)	(293,309,377)
75,606,000	48,125,441	47,579,360	24,660,338	51,982,775	53,871,623
2,444,228	1,591,757	1,658,474	850,036	1,678,863	1,662,796
7,322,623	7,703,130	6,637,900	6,020,570	6,220,053	8,535,237
18,379,723	18,497,035	19,463,752	18,533,559	19,185,246	14,584,470
157,855,931	192,639,683	191,800,239	218,035,675	208,882,436	215,880,510
2,417,001	2,280,965	2,841,805	2,329,934	383,544	563,633
4,967,666	(876,475)	3,286,674	5,405,007	864,399	412,078
268,993,172	269,961,536	273,268,204	275,835,119	289,197,316	295,510,347
\$ 9,745,994	\$ 8,108,496	\$ 12,140,815	\$ 7,863,512	\$ 12,506,130	\$ 2,200,970

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 6,541,509	\$ 6,554,348	\$ 3,620,075	\$ 3,206,123
Unreserved	26,868,617	34,285,964	36,048,482	31,828,883
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	<u>\$ 33,410,126</u>	<u>\$ 40,840,312</u>	<u>\$ 39,668,557</u>	<u>\$ 35,035,006</u>
All other governmental funds				
Reserved	\$ 16,141,199	\$ 11,476,258	\$ 5,870,499	\$ 3,085,685
Unreserved, reported in				
Special revenue funds	1,439,066	1,927,249	2,253,820	2,562,040
Capital Projects – Building Construction Fund	—	—	—	(1,396,911)
Debt Service Fund	5,682,445	7,350,087	7,705,342	5,290,924
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Unassigned, reported in				
Capital Projects – Building Construction Fund	—	—	—	—
Total all other governmental funds	<u>\$ 23,262,710</u>	<u>\$ 20,753,594</u>	<u>\$ 15,829,661</u>	<u>\$ 9,541,738</u>

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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
773,859	843,827	854,963	940,209	924,736	967,324
2,218,810	1,195,907	1,714,690	3,010,821	3,296,572	2,454,724
8,962,579	9,487,053	20,341,273	8,451,360	6,636,835	10,790,390
23,542,504	29,847,225	16,844,900	18,728,496	21,074,506	16,839,773
<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>	<u>\$ 31,052,211</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
319,961	196,015	249,138	172,385	132,289	136,641
9,393,920	36,826,306	49,345,541	30,575,969	19,888,229	138,407,574
(91,298)	—	—	—	(279,012)	—
<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>	<u>\$ 138,544,215</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Local sources				
Taxes	\$ 74,065,528	\$ 74,697,557	\$ 73,939,516	\$ 74,528,277
Investment earnings	4,525,997	3,961,904	1,602,779	303,790
Other	20,512,946	21,182,866	22,093,951	22,855,768
State sources	202,416,935	216,030,229	217,577,040	196,502,525
Federal sources	10,263,367	11,896,836	12,076,767	30,566,131
Total revenues	311,784,773	327,769,392	327,290,053	324,756,491
Expenditures				
Current				
Administration	9,647,124	10,293,805	12,296,918	10,936,881
District support services	7,570,746	8,012,337	8,517,040	8,337,360
Elementary and secondary regular instruction	132,069,330	138,688,332	163,971,417	148,836,850
Vocational education instruction	3,136,167	3,501,957	4,694,936	3,590,812
Special education instruction	50,942,815	52,056,253	59,789,980	54,584,837
Instructional support services	12,745,304	16,489,090	19,064,240	14,147,361
Pupil support services	19,406,860	19,977,362	23,322,712	21,601,756
Sites and buildings	19,173,883	25,540,858	24,250,273	21,957,328
Fiscal and other fixed cost programs	698,075	420,089	551,497	475,935
Food service	9,932,991	10,153,258	11,239,092	10,656,596
Community service	7,591,026	8,125,587	9,749,495	8,974,527
Capital outlay	17,303,531	11,970,869	7,845,072	9,200,584
Debt service				
Principal	18,976,990	17,269,095	17,486,403	17,415,183
Interest and fiscal charges	5,196,882	4,625,339	4,459,336	5,611,984
Total expenditures	314,391,724	327,124,231	367,238,411	336,327,994
Excess of revenues over (under) expenditures	(2,606,951)	645,161	(39,948,358)	(11,571,503)
Other financing sources (uses)				
Transfers in	—	6,766,236	6,631,231	5,056,267
Transfers out	—	(6,766,236)	(6,631,231)	(5,056,267)
Refunding debt issued	3,958,369	11,085,000	—	—
Debt issued	—	—	37,440,000	—
Premium on debt issued	—	474,801	141,283	—
Discount on debt issued	—	—	—	—
Bond refunding payments	(3,944,519)	(11,570,000)	(3,835,000)	—
Capital leases and other loans	—	4,280,000	—	496,033
Sale of capital assets	9,329	6,108	106,387	153,996
Total other financing sources (uses)	23,179	4,275,909	33,852,670	650,029
Net change in fund balances	\$ (2,583,772)	\$ 4,921,070	\$ (6,095,688)	\$ (10,921,474)
Debt service as a percentage of noncapital expenditures	8.1%	6.9%	6.1%	7.0%

2011	2012	2013	2014	2015	2016
\$ 103,540,368	\$ 75,872,335	\$ 75,534,830	\$ 50,312,679	\$ 79,262,313	\$ 78,828,084
108,110	62,715	183,896	254,245	197,264	990,686
23,736,052	24,616,940	24,762,575	24,827,075	21,183,365	20,303,840
190,544,694	218,969,312	224,715,822	251,943,911	247,270,824	258,200,427
13,612,715	17,281,296	12,289,808	12,123,310	12,820,914	13,700,319
331,541,939	336,802,598	337,486,931	339,461,220	360,734,680	372,023,356
10,610,352	10,884,027	11,685,219	12,662,675	13,188,527	14,846,637
8,003,178	8,390,674	8,303,655	8,245,964	8,802,535	9,360,367
146,233,427	146,550,850	146,884,786	151,453,547	160,442,599	165,181,027
3,684,086	3,820,177	3,860,595	3,899,432	4,161,539	5,198,949
55,441,820	55,821,234	57,700,284	60,749,987	62,011,436	65,226,216
13,266,880	13,446,242	16,120,814	16,734,739	18,361,748	19,695,766
21,823,059	20,036,358	22,686,884	23,318,080	22,991,342	23,694,661
21,853,910	26,073,195	22,380,519	22,906,580	21,468,077	21,979,790
480,313	539,813	598,093	697,917	651,864	650,603
10,859,314	11,130,758	10,707,855	11,253,357	11,509,963	11,757,651
9,085,817	9,230,564	9,772,281	9,784,435	7,739,627	8,044,250
9,795,213	8,609,979	6,200,964	13,388,239	19,028,484	11,640,890
17,084,198	17,203,854	16,871,223	16,460,404	17,880,544	13,326,884
5,443,472	5,470,324	5,368,621	4,897,774	4,586,660	4,384,850
333,665,039	337,208,049	339,141,793	356,453,130	372,824,945	374,988,541
(2,123,100)	(405,451)	(1,654,862)	(16,991,910)	(12,090,265)	(2,965,185)
7,434,560	7,813,886	6,749,505	6,128,424	6,225,838	8,554,099
(7,434,560)	(7,813,886)	(7,456,023)	(6,128,424)	(6,225,838)	(8,554,099)
–	34,800,000	12,100,000	2,230,000	–	–
2,705,000	–	–	13,710,000	–	112,150,000
–	4,406,816	811,026	325,933	–	20,355,238
(41,187)	–	–	–	–	–
–	(11,185,000)	–	(26,850,000)	(2,325,000)	(12,125,000)
–	5,478,812	–	96,569	4,200,000	480,000
2,878	180,821	404,526	8,143	10,180	27,218
2,666,691	33,681,449	12,609,034	(10,479,355)	1,885,180	120,887,456
\$ 543,591	\$ 33,275,998	\$ 10,954,172	\$ (27,471,265)	\$ (10,205,085)	\$117,922,271
6.9%	6.9%	6.7%	6.2%	6.3%	4.8%

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				
	General Purposes	Community Service	Capital Projects – Facility Improvement	Debt Service	Total
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
2016	53,871,623	1,662,796	8,535,237	14,584,470	78,654,126

Note: Legislative changes in the “tax shift” impacted the amount of tax revenue recognized in fiscal years 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		
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	
2016	53,988,090	1,666,669	8,535,237	14,638,088	78,828,084	

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 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 Calendar Year	Real and Personal Property	Fiscal Disparities Contribution	Tax Increment	Tax Capacity (1)	
				Tax Rate Determining Value Subtotal	
				Amount	Percent Increase (Decrease)
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	(14,673,865)	(2,150,890)	141,216,326	9.9
2016	166,440,791	(14,921,393)	(1,904,735)	149,614,663	5.9

(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

Fiscal Disparities Distribution	Total Tax Capacity	Referendum Market Value	
		Amount	Percent Increase
\$ 15,169,829	\$ 171,247,737	\$ 15,169,386,575	8.7 %
17,418,603	178,358,662	15,685,495,575	3.4
20,382,039	180,299,688	15,593,464,050	(0.6)
21,289,264	170,622,815	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
17,375,325	158,591,651	14,246,590,466	8.8
17,855,260	167,469,923	14,984,685,831	5.2

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	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
Tax capacity rate	2016	12.843	1.004	10.470	24.317
Market value rate	2016	0.270	—	—	0.270

- (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
34.891 0.017	34.564 –	16.971 –	25.232 0.016	– –	36.514 –
35.537 0.017	35.005 –	15.252 –	25.892 0.015	43.821 –	37.403 –
37.086 0.031	36.121 –	13.587 –	26.886 0.015	44.186 –	37.878 –
39.848 0.034	38.568 –	16.605 –	30.407 0.016	49.274 –	43.002 –
42.388 0.038	42.598 –	14.343 –	33.675 0.017	55.733 –	43.169 –
44.110 0.042	43.213 –	18.984 –	34.553 0.016	63.093 –	44.883 –
49.210 0.021	47.021 –	22.842 –	38.272 0.017	66.821 –	46.312 –
47.891 0.021	46.670 –	19.507 –	38.250 0.017	65.876 –	46.128 –
45.274 0.020	44.790 –	20.081 –	36.525 0.016	61.455 –	48.131 –
44.721 0.020	46.525 –	17.482 –	37.097 0.015	59.239 –	49.266 –

(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	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	—	—	—	—
Tax capacity rate	2016	38.669	43.149	29.445	16.724
Market value rate	2016	—	—	—	—

Dakota County	Miscellaneous Other (2)	Total Direct and Overlapping Rates		
		Apple Valley Resident	Eagan Resident	Rosemount Resident
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
1%	–	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	0.270	0.255
28.570	5.063	102.671	95.047	101.099
–	–	0.290	0.285	0.270

INDEPENDENT SCHOOL DISTRICT NO. 196

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Levy Year Collectible December 31,					
	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Burnsville Center SPE, LLC	\$ 107,500,000	1	0.7 %	\$ 97,227,600	1	0.6 %
West Publishing Company	74,193,500	2	0.5	81,618,000	2	0.5
Xcel Energy	68,161,800	3	0.5	46,692,300	4	0.3
Flint Hills Resources, LP	67,255,668	4	0.4	—	—	—
Dakota Electric Association	46,384,600	5	0.3	50,910,500	3	0.3
Stephen & Roberta Haight	41,784,700	6	0.3	—	—	—
Nighthawk Properties, LLC	39,167,300	7	0.3	—	—	—
Eagan Promenade Inc	34,073,100	8	0.2	—	—	—
Apple Valley Leased Housing Association III	32,118,700	9	0.2	25,000,000	10	0.2
WRPV XI Woods Burnsville LLC	29,951,800	10	0.2	—	—	—
Koch Refining Company	—	—	—	35,737,600	5	0.2
Promenade Oaks, LLC	—	—	—	35,000,000	6	0.2
Individual	—	—	—	34,000,000	7	0.2
DDRA Community Centers Five, LP	—	—	—	33,185,000	8	0.2
Principal Life Insurance Company	—	—	—	31,111,700	9	0.2
Nicollet Ridge Limited Partnership	—	—	—	25,000,000	10	0.2
Total	<u>\$ 540,591,168</u>		<u>3.6 %</u>	<u>\$ 495,482,700</u>		<u>3.3 %</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 Collectible December 31,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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	867,532	75,021,495	100.00
2009	75,161,647	74,066,346	98.54	1,038,155	75,104,501	99.92
2010	77,716,489	76,858,532	98.90	819,753	77,678,285	99.95
2011	76,514,703	75,577,446	98.78	922,724	76,500,170	99.98
2012	75,939,060	75,216,046	99.05	688,732	75,904,778	99.95
2013	73,876,495	73,303,172	99.22	509,320	73,812,492	99.91
2014	78,338,055	77,887,178	99.42	374,277	78,261,455	99.90
2015	78,627,184	78,236,512	99.50	253,840	78,490,352	99.83
2016 (1)	85,688,567	N/A	N/A	N/A	N/A	N/A

N/A – Not Applicable

- (1) Only a portion of the calendar year 2016 taxes are collected by June 30, 2016. A total of \$39,351,036 of 2016 taxes were collected by June 30, 2016.

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 Obligation Bonds</u>	<u>Refunding Bonds</u>	<u>Capital Notes</u>	<u>State Energy Loans</u>	<u>Capital Leases</u>
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	—	—	10,519,317
2016	138,270,000	32,660,000	—	—	9,467,435

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 of Participation</u>	<u>Total</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
\$ –	\$ 172,063,809	0.01 %	\$ 1,170
–	158,589,714	0.01	1,073
–	174,708,311	0.01	1,162
–	157,789,161	0.01	1,035
2,705,000	143,409,963	0.01	946
2,555,000	155,299,921	0.01	1,015
2,400,000	150,531,698	0.01	1,019
15,955,000	123,254,863	0.01	831
14,955,000	107,249,317	0.01	717
14,030,000	194,427,435	N/A	1,270

INDEPENDENT SCHOOL DISTRICT NO. 196

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds and Capital Notes</u>	<u>Less Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Market Value of Property (1)</u>	<u>Per Capita (2)</u>
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
2016	170,930,000	7,362,951	163,567,049	1.09	1,069

(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, 2016

Taxing Unit	Tax Collection Calendar Year 2015–2016 Taxable Net Tax Capacity	General Obligation Bonded Debt (1)	Debt Applicable to Tax Capacity in ISD No. 196	
			Percent	Amount
Direct debt				
ISD No. 196	\$ 149,614,663	\$ 170,930,000	100.00 %	\$ 170,930,000
Overlapping debt				
Dakota County	464,506,387	23,420,000	32.21	7,543,439
Cities				
Apple Valley	45,443,309	44,110,000	92.94	40,995,705
Burnsville	58,931,932	30,615,000	24.75	7,578,741
Eagan	75,474,030	21,975,871	63.23	13,895,712
Farmington	16,227,923	18,375,000	0.03	6,117
Inver Grove Heights	32,272,465	47,411,870	23.45	11,120,390
Lakeville	59,726,112	99,205,000	13.99	13,881,548
Rosemount	22,985,161	21,465,000	86.19	18,500,667
Town of Empire	3,331,733	880,000	16.79	147,767
Other				
Metropolitan Council	3,634,111,000	206,020,000	4.12	8,481,748
Total overlapping debt				<u>122,151,834</u>
Total direct and overlapping debt outstanding				<u><u>\$ 293,081,834</u></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			
	2007	2008	2009	2010
Debt limit	\$ 2,275,407,986	\$ 2,352,824,336	\$ 2,339,019,608	\$ 2,195,791,815
Total net debt applicable to limit	152,240,600	134,252,908	156,517,363	143,744,858
Legal debt margin	\$ 2,123,167,386	\$ 2,218,571,428	\$ 2,182,502,245	\$ 2,052,046,957
Total net debt applicable to limit as a percentage of debt limit	6.69%	5.71%	6.69%	6.55%

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

2011	2012	2013	2014	2015	2016
\$ 2,054,362,429	\$ 2,006,942,428	\$ 1,907,640,566	\$ 1,963,489,649	\$ 2,136,988,570	\$ 2,247,702,875
129,462,750	110,596,476	95,170,813	80,873,371	65,389,279	163,567,049
<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>	<u>\$ 2,084,135,826</u>
6.30%	5.51%	4.99%	4.12%	3.06%	7.28%

Legal Debt Margin Calculation for Fiscal Year 2016

Estimated market value – 2016	\$14,984,685,831
Debt limit (15% of market value)	2,247,702,875
Debt applicable to limit	
General obligation bonds	170,930,000
Less amount set aside for repayment of general obligation debt	<u>(7,362,951)</u>
Total net debt applicable to limit	<u>163,567,049</u>
Legal debt margin	<u>\$ 2,084,135,826</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar Year	ISD No. 196 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)		
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	7.0
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	5.2
2013	148,392	408,509	20,706,256	50,687	37.4	94	27,202	4.5
2014	149,616	412,529	21,524,339	52,177	36.8	94	27,204	3.8
2015	153,051	414,686	N/A	N/A	N/A	N/A	27,790	3.3

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) 2015 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	2015 (1)			2006 (1)		
	Employees	Rank	Percentage of Total District Population	Employees	Rank	Percentage of Total District Population
Total District Population			153,051			147,108
Thomson West	6,000	1	3.92 %	6,000	1	4.08 %
ISD No. 196	3,693	2	2.41	4,000	2	2.72
United Parcel Service	1,729	3	1.13	1,435	7	0.98
Burnsville Center	1,500	4	0.98	—	—	—
Fairview Ridges Hospital	1,050	5	0.69	—	—	—
Cub Foods	894	6	0.58	—	—	—
U.S. Postal Service	816	7	0.53	1,570	6	1.07
YMCA	749	8	0.49	—	—	—
City of Eagan	583	9	0.38	—	—	—
Target	510	10	0.33	—	—	—
Blue Cross-Blue Shield	—	—	—	3,300	3	2.24
Northwest Airlines	—	—	—	2,300	4	1.56
Lockheed Martin	—	—	—	1,600	5	1.09
Coca-Cola Bottling	—	—	—	900	8	0.61
Flint Hills Resources	—	—	—	850	9	0.58
Ecolab Research Facility	—	—	—	700	10	0.48

(1) Calendar year.

Sources: 2015 data from Reference USA, written and telephone survey (December 2015) done by Ehlers, and the Minnesota Department of Employment and Economic Development
2006 data from previous district CAFR

INDEPENDENT SCHOOL DISTRICT NO. 196

Employees by Classification
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Administrators/principals (1)	99	103	112	106
Supervisors/special staff	60	64	69	60
Teachers/nurses	2,351	3,002	3,013	2,724
Clerical	1,052	1,165	1,112	1,003
Building chiefs and custodians	228	261	255	227
Food service	209	248	248	189
Truck drivers/mechanics/bus drivers	270	297	322	273
Non-licensed specialists	42	45	56	42
Total	4,311	5,185	5,187	4,624

(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

2011	2012	2013	2014	2015	2016
86	106	109	104	135	117
56	56	58	59	71	69
2,419	2,386	2,542	2,537	2,769	2,812
893	875	928	950	982	1,096
204	207	204	203	199	201
185	188	189	181	194	196
266	258	266	255	257	245
51	44	46	52	56	56
4,160	4,120	4,342	4,341	4,663	4,792

INDEPENDENT SCHOOL DISTRICT NO. 196

Operating Indicators
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Standardized tests				
MCA Reading (1)				
Grade 3	86 %	85 %	86 %	83 %
Grade 4	81	79	82	81
Grade 5	83	84	81	84
Grade 6	71	76	80	78
Grade 7	77	72	74	74
Grade 8	71	76	74	78
Grade 10	74	82	85	85
MCA Math (1)				
Grade 3	87	90	91	90
Grade 4	83	81	85	87
Grade 5	75	80	77	81
Grade 6	70	71	70	77
Grade 7	70	64	69	70
Grade 8	61	65	62	63
Grade 11	49	46	57	56
MCA Science (1)				
Grade 5	—	43	55	53
Grade 8	—	41	41	49
High school	—	57	64	67
MAP (Measures of Academic Progress) (2)				
Reading				
Grade 2–5	61.3	65.4	68.8	67.1
Grade 6–7	57.6	59.9	58.9	58.3
Math				
Grade 2–5	63.5	70.9	73.0	71.5
Grade 6–7	53.6	56.7	60.2	61.4
ACT				
Average composite score	23.8	23.8	23.9	24.0
National Merit Scholars				
Commended	20	39	40	39
Finalists and semifinalists	15	19	19	19
Attendance percentages				
Kindergarten	96.00	96.20	96.30	95.20
1st grade	96.30	96.30	96.20	96.00
2nd grade	96.50	96.60	96.40	96.00
3rd grade	96.70	96.60	96.60	96.20
4th grade	96.50	96.60	96.60	96.20
5th grade	96.60	96.50	96.40	96.00
6th grade	96.30	96.40	96.20	95.80
7th grade	96.10	96.00	95.90	95.70
8th grade	95.60	95.90	95.70	95.30
9th grade	95.70	95.90	96.00	95.70
10th grade	94.70	95.10	95.10	95.40
11th grade	94.30	94.00	94.60	94.70
12th grade	91.80	90.40	90.70	91.70
All grades	94.60 %	94.50 %	95.59 %	95.40 %
Graduation data (3)				
District graduation rates	95 %	95 %	95 %	86 %
State graduation rate	N/A	74 %	74 %	76 %

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.

Sources: 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 District’s Teaching and Learning Department

2011	2012	2013	2014	2015	2016
87 %	87 %	64 %	63 %	63 %	59 %
83	83	63	61	65	65
89	86	74	76	72	73
83	85	67	68	71	66
78	81	65	65	63	65
79	79	65	66	67	66
84	87	75	72	71	74
80	77	76	76	76	74
78	76	77	77	77	73
66	68	68	70	69	65
54	64	66	67	66	66
60	61	67	67	64	63
54	65	63	66	64	66
64	54	68	65	63	64
57	61	66	71	67	70
46	46	51	56	57	63
65	68	68	69	69	73
69.5	63.1	64.3	72.3	72.8	N/A
60.7	61.3	62.5	61.0	63.2	56.6
75.7	72.9	66.3	65.0	71.9	55.0
60.3	67.8	55.5	60.3	63.2	58.4
24.0	24.1	24.0	24.1	24.4	23.0
29	36	36	29	41	32
12	16	16	15	15	15
95.20	96.20	95.80	96.40	95.70	95.80
96.06	96.20	96.00	96.10	95.70	95.80
96.27	96.60	96.20	96.30	95.80	96.10
96.34	96.60	96.40	96.50	96.00	96.00
96.32	96.40	96.30	96.40	96.00	96.00
96.25	96.50	96.20	96.30	95.90	95.90
95.80	96.10	95.80	95.50	95.90	95.70
95.66	95.80	95.40	95.60	95.40	95.40
95.25	95.80	95.00	95.40	95.30	95.20
96.38	96.20	96.10	96.10	99.00	95.70
95.58	95.50	95.30	95.50	98.70	95.00
94.87	94.20	94.90	94.60	98.40	93.20
93.80	91.50	91.70	92.10	95.60	90.20
95.68 %	95.68 %	95.47 %	95.10 %	95.80 %	94.60 %
88 %	91 %	92 %	92 %	90 %	N/A
77 %	78 %	80 %	81 %	82 %	N/A

INDEPENDENT SCHOOL DISTRICT NO. 196

Capital Asset Statistics by Program and Classification
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Program				
Administration	\$ 132,142	\$ 147,409	\$ 179,261	\$ 203,816
District support services	1,227,903	1,025,661	1,016,096	990,747
Elementary and secondary				
regular instruction	2,484,307	2,496,662	8,760,956	8,949,532
Vocational education	126,666	154,190	160,600	157,451
Special education	212,067	228,326	276,257	286,452
Community education	68,350	59,378	52,310	52,310
Instructional support	159,086	232,944	225,944	196,515
Transportation	10,807,062	11,780,723	12,781,307	13,537,639
Food service	1,728,313	1,947,582	1,984,681	2,009,242
Sites and buildings	1,959,012	2,153,834	2,320,109	2,496,147
Sites and buildings – unallocated	299,131,493	337,772,769	361,308,814	367,140,887
Total program	<u>\$ 318,036,400</u>	<u>\$ 357,999,478</u>	<u>\$ 389,066,335</u>	<u>\$ 396,020,738</u>
Classification				
Land	\$ 8,870,712	\$ 8,870,712	\$ 8,870,712	\$ 8,870,712
Land improvements	9,741,173	9,886,433	10,153,666	10,421,635
Building	257,423,527	292,938,345	314,011,440	318,610,626
Equipment	11,462,669	13,040,963	21,689,145	22,391,107
Eligible pupil transportation vehicle	10,934,816	11,804,100	12,813,825	13,995,557
Food service equipment	1,987,368	2,242,901	2,311,523	2,372,098
Property and equipment under capital leases	17,616,134	19,216,024	19,216,024	19,359,003
Total classification	<u>318,036,400</u>	<u>357,999,478</u>	<u>389,066,335</u>	<u>396,020,738</u>
Construction in progress	<u>55,022,066</u>	<u>29,026,823</u>	<u>3,608,373</u>	<u>1,059,415</u>
Total classification and construction in progress	<u>\$ 373,058,466</u>	<u>\$ 387,026,301</u>	<u>\$ 392,674,708</u>	<u>\$ 397,080,153</u>

Source: The District's Finance Department

2011	2012	2013	2014	2015	2016
\$ 201,217 932,471	\$ 198,717 862,520	\$ 190,127 1,010,232	\$ 190,908 1,052,752	\$ 249,608 1,081,139	\$ 249,608 1,209,990
9,017,233	9,005,469	9,019,255	9,156,130	9,310,499	9,498,719
143,323	140,590	166,854	166,854	166,854	153,059
292,624	319,752	324,676	345,565	358,609	387,351
56,877	48,020	42,437	42,437	36,225	36,225
196,710	181,009	175,634	158,389	154,527	159,917
13,768,324	13,199,928	14,019,124	14,931,523	15,355,534	15,966,253
2,045,907	2,110,819	2,164,109	2,296,422	2,392,865	2,486,240
2,606,356	3,596,095	3,711,558	4,766,294	5,049,084	6,418,617
369,999,764	380,961,031	385,485,390	395,222,661	410,215,923	412,984,267
<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>	<u>\$ 449,550,246</u>
\$ 8,870,712 10,826,510 320,226,324 24,655,160 14,223,093 2,436,108	\$ 8,870,712 11,327,871 329,828,810 27,191,998 13,541,853 2,552,543	\$ 8,870,712 11,616,641 332,834,757 28,391,134 14,358,205 2,605,833	\$ 8,870,712 12,841,906 334,572,452 29,075,405 15,409,291 2,712,415	\$ 8,870,712 12,948,913 336,821,378 30,760,757 15,330,093 2,357,122	\$ 8,870,712 12,976,413 357,940,976 32,852,222 14,480,477 2,450,498
18,022,899	17,310,162	17,207,108	17,227,800	17,227,800	17,336,653
399,260,806	410,623,949	415,884,390	420,709,981	424,316,775	446,907,951
3,748,287	271,931	425,007	7,619,954	20,054,092	2,642,295
<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>	<u>\$ 449,550,246</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

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

	Fiscal Year			
	2007	2008	2009	2010
Administration	\$ 348	\$ 374	\$ 450	\$ 402
District support services	273	291	312	306
Elementary and secondary regular instruction	4,769	5,044	5,999	5,466
Vocational education instruction	113	127	172	132
Special education instruction	1,839	1,893	2,188	2,005
Instructional support services	460	600	698	520
Pupil support services	701	727	853	793
Sites and buildings	692	929	887	806
Fiscal and other fixed cost programs	25	15	20	17
Food service	359	369	411	391
Community service	274	296	357	330
Capital outlay	625	435	287	338
Debt service	873	796	803	846
Total expenditures	<u>\$ 11,352</u>	<u>\$ 11,898</u>	<u>\$ 13,436</u>	<u>\$ 12,352</u>
Average daily membership	<u>27,694</u>	<u>27,495</u>	<u>27,332</u>	<u>27,228</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

2011	2012	2013	2014	2015	2016
\$ 392	\$ 402	\$ 436	\$ 470	\$ 485	\$ 540
295	310	310	306	324	340
5,396	5,417	5,482	5,626	5,897	6,004
136	141	144	145	153	189
2,046	2,063	2,154	2,257	2,279	2,371
490	497	602	622	675	716
805	741	847	866	845	861
806	964	835	851	789	799
18	20	22	26	24	24
401	411	400	418	423	427
335	341	365	363	284	292
361	318	231	497	699	423
831	838	830	793	826	644
<u>\$ 12,313</u>	<u>\$ 12,465</u>	<u>\$ 12,658</u>	<u>\$ 13,242</u>	<u>\$ 13,704</u>	<u>\$ 13,630</u>
<u>27,099</u>	<u>27,053</u>	<u>26,793</u>	<u>26,918</u>	<u>27,206</u>	<u>27,513</u>

INDEPENDENT SCHOOL DISTRICT NO. 196

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance
2007	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	14,460	58.9
2015	24,853	2,528,744	169	14,963	60.2
2016	25,198	2,561,285	169	15,156	60.1

(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
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
694,018	27.1	207,102	8.1

INDEPENDENT SCHOOL DISTRICT NO. 196

School Facilities
as of June 30, 2016

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 students' 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 January 6, 2016 Building Age Report; enrollment based on Minnesota Department of Education August 9, 2016 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	695
35	77,060	595	678
39	76,880	725	809
45	83,824	790	684
39	80,017	680	768
50	84,530	835	948
43	85,497	725	713
37	67,743	705	416
45	80,000	680	563
39	89,230	680	898
44	85,328	815	627
47	88,784	815	821
38	73,251	660	719
47	83,936	770	843
46	72,391	790	661
34	66,312	595	459
41	68,028	725	418
37	80,043	680	570
71	198,534	1,200	893
64	223,560	1,300	1,073
73	197,014	1,200	1,054
61	172,796	1,055	1,236
60	163,535	1,030	986
60	186,598	1,165	937
83	360,104	1,990	1,592
87	382,970	2,040	2,010
97	338,242	2,015	2,171
91	398,998	2,015	2,069
53	71,171	400	419
18	27,659	310	265
26	50,338	160	76
6	13,730	309	–
22	54,000	529	294
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				
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	180	45,310,000
2015	2,677	63,330,428	173	39,739,000
City of Apple Valley				
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
2015	5,755	90,870,178	120	34,525,000
City of Eagan				
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
2015	2,470	101,187,211	49	17,047,341

(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 Ended June 30,	ADM (for Students Served or Tuition Paid)						Total Pupil Units	
	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary	Secondary	Total		Number	Percent Increase (Decrease)
					Number	Percent Increase (Decrease)		
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	501.42	1,749.62	12,235.89	12,718.96	27,205.89	1.1	29,748.93	(4.8)
2016	500.75	1,721.13	12,421.88	12,869.63	27,513.39	1.1	30,087.31	1.1

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 and Kindergarten – Handicapped	Kindergarten		Elementary		Secondary
		Part-Time	All-Day	1–3	4–6	
Fiscal 2007	Various	0.557	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	Various	0.612	0.061	1.115	1.060	1.300
Fiscal 2015 through 2016	Various	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education

