



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2014

**South Washington County Schools
Independent School District No. 833**

Cottage Grove, Minnesota

 Igniting a passion

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Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2014

**South Washington County Schools
Independent School District No. 833**

**7362 E. Pt. Douglas Road S.
Cottage Grove, MN 55016
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INDEPENDENT SCHOOL DISTRICT NO. 833

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Section I

Introductory

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South Washington County Schools

Keith Jacobus, Ph.D., Superintendent

District Service Center

7362 E. Point Douglas Rd. S.

Cottage Grove, MN 55016

Phone: 651-458-6300 Fax: 651-458-6318

December 22, 2014

To the School Board, citizens, and employees of South Washington County Schools:

INTRODUCTION

The comprehensive annual financial report (CAFR) for Independent School District No. 833, South Washington County Schools (the District) is hereby submitted for the fiscal year ended June 30, 2014. The District's management assumes full responsibility for the completeness and accuracy of the information contained in this report. The report was prepared in accordance with accounting principles generally accepted in the United States of America. An independent firm of certified public accountants audits this report.

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

The Management's Discussion and Analysis (MD&A) is included as required supplementary information and allows the District to explain, in general terms, its financial position and results of operations of the past fiscal year.

REPORT FORMAT

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, an organizational chart, a list of School Board members and administration personnel, the Certificate of Excellence in Financial Reporting, and a map of the District. The financial section includes the Independent Auditor's Report, MD&A, basic financial statements, required supplementary information, and supplemental information that includes the combining and individual fund statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

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

REPORTING ENTITY AND ITS SERVICES

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

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 programs, special education programs, and vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood and extended day programs, along with classes for lifelong learning experiences for children and adults.

In 1843, classes were held in a log cabin located in Cottage Grove, Minnesota. One hundred five years later, the District was officially named Independent School District No. 833. The District is located in Washington County and serves the cities of Cottage Grove, Newport, St. Paul Park, and portions of Woodbury, Afton, Denmark Township, and Grey Cloud Island. It encompasses 85 square miles with a resident population of 95,556.

During 2013–2014, the District operated 24 buildings, including 3 high schools, 4 middle schools, 14 elementary schools, an alternative learning center/district program center, a district service center, and a transportation building. The average age of the District's buildings is approximately 28 years. Enrollment has climbed steadily over the previous 10 years and the District served 17,719 students for the 2013–2014 school year. The District is projecting a similar enrollment for the 2014–2015 school year.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The District's population has grown from 77,263 in 2000 to 95,556 in 2014, a 24 percent increase. In that same time period, the District's enrollment has grown from 15,134 in 2000 to 17,719, a 17 percent increase. According to the Metropolitan Council, the District can expect continuous growth through the year 2035.

The District currently holds an Aa3 bond rating. This rating is a sign that the tax base is favorably located within the Minneapolis – St. Paul Metropolitan Area, the District has a stable labor market and above average resident income levels, and alternate liquidity is available in the internal service funds.

The District's economic indicators continue to be ahead of state and national averages. As stated above, the District continues to see population growth; primarily in the northeast portion of the District boundaries. Due to the recent recession and housing decline, the total property tax value of district property has decreased for the past four years. However, the increase in population and corresponding increase in construction has partially offset these decreases. Based on economic forecasts, a leveling off of property values is expected with a subsequent modest increase.

According to data from the U.S. Census Bureau, the median household income in 2013 in Washington County was \$81,340 as compared to \$59,836 for the state of Minnesota and \$53,046 for the United States.

According to the Bureau of Labor Statistics, the unemployment rate for Washington County continues to be lower than state and national rates. In September 2014, the unemployment rate for Washington County was 3.5 percent as compared to 3.9 percent for the state of Minnesota and 5.8 percent for the United States.

MISSION STATEMENT AND STRATEGIC PLANNING

Citizens and employees came together in spring 2011 to develop a new strategic plan for the District, resulting in “Pathway to Excellence.” The District’s mission statement is: “We are committed to igniting a passion for lifelong learning.” The 2011–2016 strategic plan includes the following six strategic objectives:

- 1) Develop learners into critical thinkers achieving proficiency, continuous growth, and lifelong success.
- 2) Provide and sustain excellent learning environments that support high student achievement and a passion for lifelong learning.
- 3) Systematic processes for continuous improvement are embedded in all aspects of the District in the pursuit of performance excellence.
- 4) Recruit, hire, and develop the highest quality professionals.
- 5) The District will be the regional leader in technology and innovation that positively impacts student achievement, engagement, and college and career readiness.
- 6) Develop and sustain effective partnerships among students, staff, families, and communities.

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

The budget process includes estimates of revenues and expenditures based upon agreed assumptions. The staff allocation formulas are determined based on need and available resources to accomplish the District’s goals. The budget is adopted in June of each year and revised twice during the fiscal year of its implementation.

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.

FINANCIAL PROSPECTS FOR FUTURE YEARS

With the exception of voter-approved operating referendum, the District is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that the legislated revenue has not been sufficient to meet instructional program needs and increased costs due to inflation. The District will continue to monitor its operations to ensure that revenues are sufficient to meet expenditures and to maintain a reasonable amount in reserve to cover any unforeseen expenditures.

The District currently receives \$1,351.14 per pupil through voter-approved operating referenda. Of the current levy, \$771.27 per pupil expires in 2017–2018 and \$579.88 per pupil expires in 2023–2024. These operating levies generated approximately \$26 million for the District in the 2013–2014 school year.

RELEVANT FINANCIAL POLICIES

The District has adopted a comprehensive set of financial policies. These policies have ensured the financial stability of the District as well as provided guidance for current and future financial decisions.

The District has a number of financial policies that align with state statutes. In addition, the District has gone above and beyond the required policies to include additional policies that establish controls and procedures that are vital to the oversight of district finances. Two of these policies include:

The District's Investment Policy follows state statutes in determining what investments are allowed to be held by the District. The policy includes language about diversification levels that go beyond state statutes. This diversification language makes certain that district investments are protected while still earning a competitive rate of return.

The District's Post-Issuance Debt Compliance Policy creates procedures that ensure the District follows Internal Revenue Service guidelines and regulations in the recordkeeping of these transactions. This policy also establishes controls to verify that expenditures related to these funds are in accordance with related debt agreements; adding protection to the residents' investment in district assets.

One of the District's most important finance policies is the District's Fund Balance Policy. This policy not only ensures the District maintains sufficient funds; but assists in important financial decisions. The District's Fund Balance Policy currently states:

"To ensure the financial strength and stability of the District, the School Board will endeavor to maintain an unrestricted fund balance as of June 30th each year of 5–9 percent of the District's General Fund unrestricted operating expenditure budget."

This policy is attached to all current budget information and future budget projections and guides decision-making by the School Board.

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.

In 2013–2014, 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 2013. It was the eighth consecutive year the District has received the award.

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

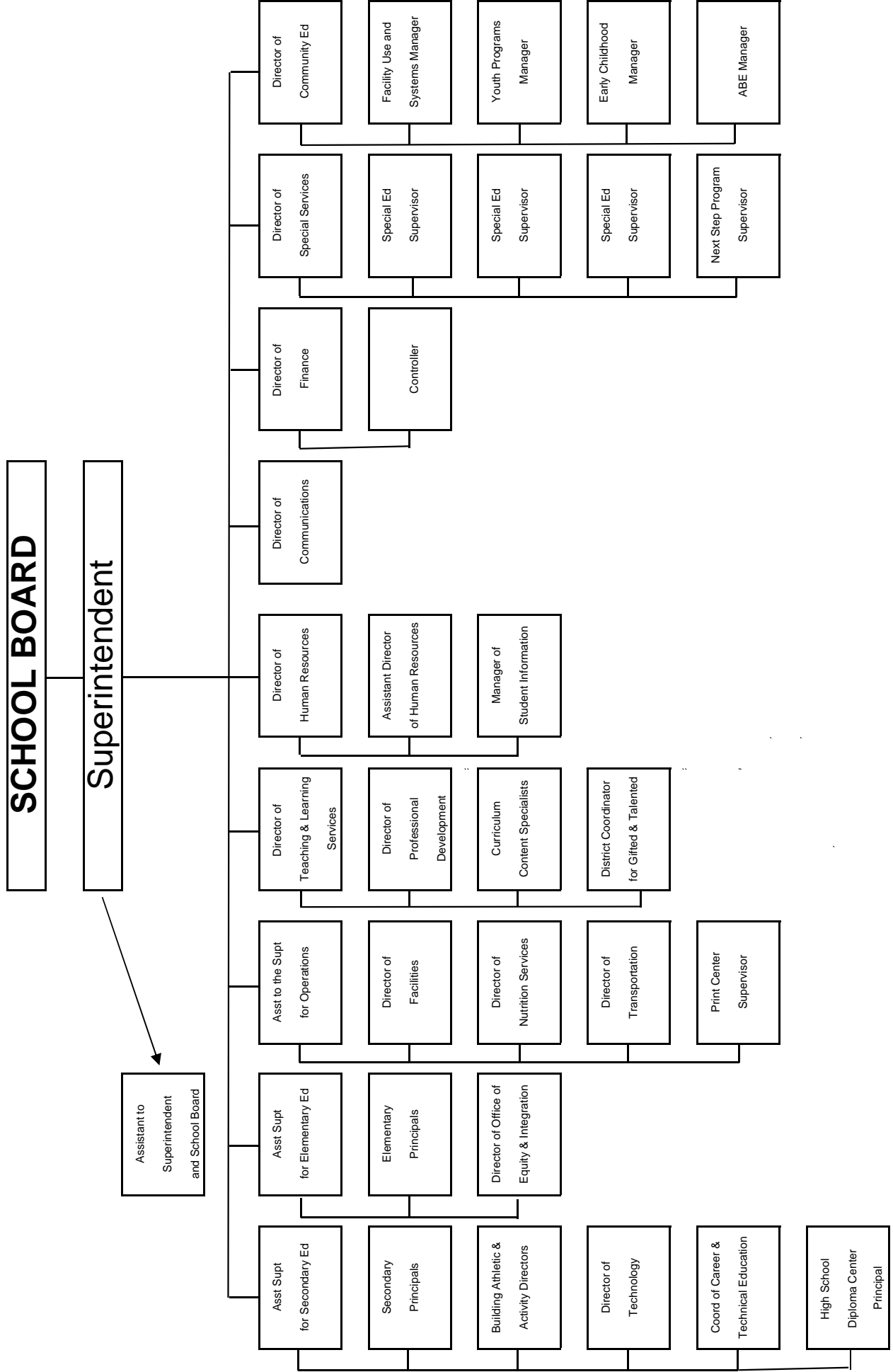
ACKNOWLEDGEMENTS

The preparation of a CAFR requires a significant amount of work on the part of a number of departments. Appreciation is extended to the many departments who contributed their time and expertise to this process.



Dan Pyan, Director of Finance

DISTRICT 833 – CENTRAL OFFICE REPORTING RELATIONSHIPS



INDEPENDENT SCHOOL DISTRICT NO. 833

School Board and Administration
Year Ended June 30, 2014

SCHOOL BOARD

	<u>Position</u>
Ron Kath	Chairperson
Tracy Brunnette	Vice Chairperson
Laurie Johnson	Treasurer
Kathleen McElwee-Stevens	Clerk
Jim Gelbmann	Director
Katie Schwartz	Director
Sharon Van Leer	Director

ADMINISTRATION

Keith Jacobus	Superintendent
Michael Johnson	Assistant Superintendent
Julie Nielsen	Assistant Superintendent
Mike Vogel	Assistant to the Superintendent for Operations
Robert Berkowitz	Director of Technology
Barbara Brown	Director of Communications
Matthew Dorschner	Director of Teaching and Learning Services
Denise Griffith	Director of Human Resources
Thomas LaBounty	Director of Research, Evaluation and Assessment
Bob Lawrence	Director of Community Education
Dan Pyan	Director of Finance
Kevin Witherspoon	Director of Special Services

Association of School Business Officials International



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

Independent School District No. 833 – South Washington County Schools

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

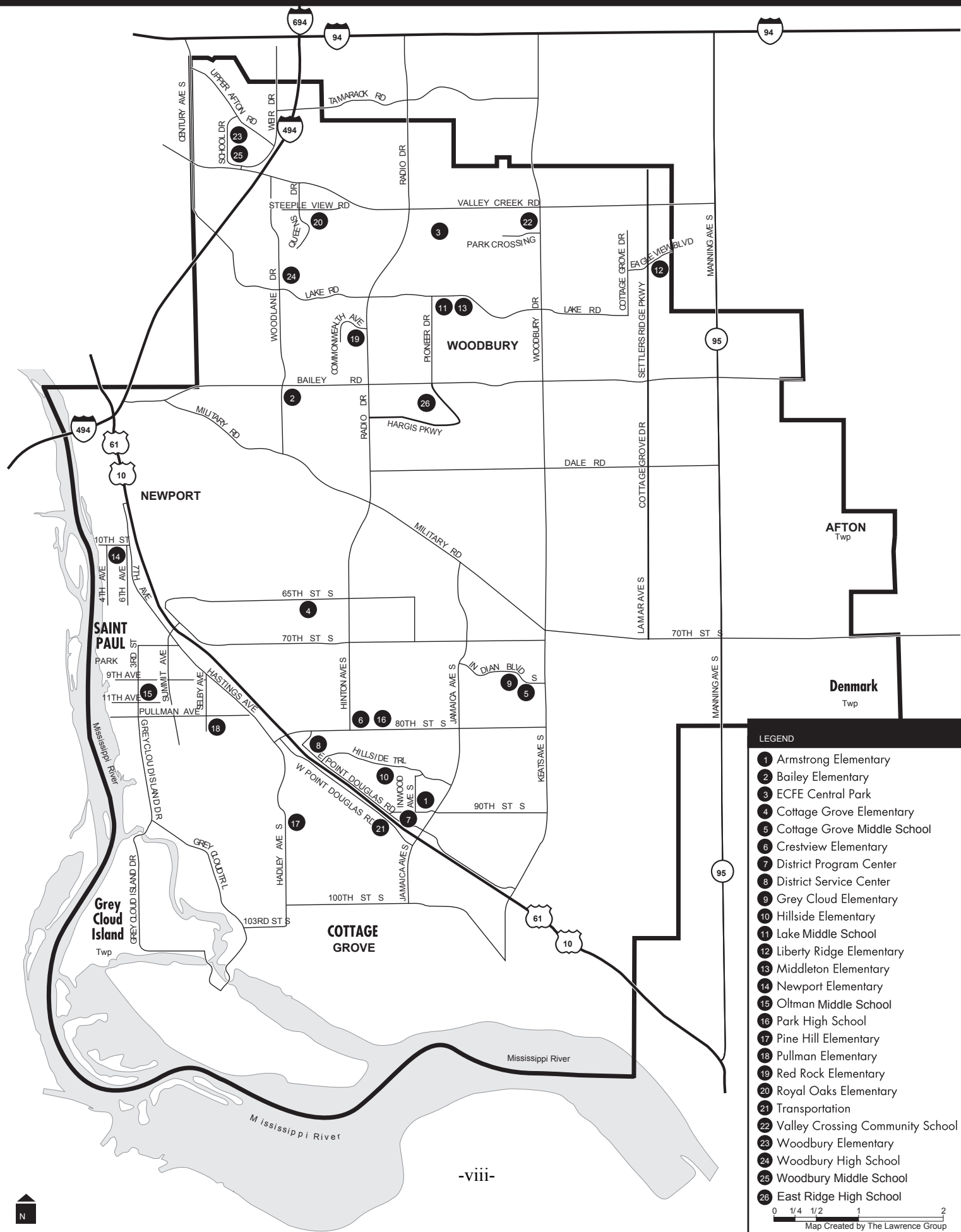
The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

SOUTH WASHINGTON COUNTY SCHOOLS





Section II

Financial

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INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 833
Cottage Grove, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 833 (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

Prior Year Comparative Information

We have previously audited the District's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 27, 2013. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota

December 22, 2014

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INDEPENDENT SCHOOL DISTRICT NO. 833

Management's Discussion and Analysis June 30, 2014

This section of Independent School District No. 833's (the District) comprehensive annual financial report (CAFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$90,128,734 (net position). The District's total net position decreased by \$6,853,776 during the fiscal year ended June 30, 2014.
- Government-wide revenues totaled \$225,044,606 and were \$6,853,776 less than expenses of \$231,898,382.
- The General Fund's total fund balance (under the governmental fund presentation) decreased \$4,397,726 from the prior year, compared to a \$3,972,529 decrease planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR consists of the following parts:

- Independent Auditor's Report;
- Management's Discussion and Analysis;
- 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 following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue 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 can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following 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 fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for various post-employment benefit activities. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2014 and 2013		
	2014	2013
Assets		
Current and other assets	\$ 133,016,386	\$ 111,978,471
Capital assets, net of depreciation	327,702,818	335,454,726
Total assets	\$ 460,719,204	\$ 447,433,197
Liabilities		
Current and other liabilities	\$ 24,131,313	\$ 23,920,223
Long-term liabilities, including due within one year	293,737,700	286,802,600
Total liabilities	\$ 317,869,013	\$ 310,722,823
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 52,721,457	\$ 39,727,864
Net position		
Net investment in capital assets	\$ 62,066,067	\$ 55,788,399
Restricted	6,717,236	7,969,499
Unrestricted	21,345,431	33,224,612
Total net position	\$ 90,128,734	\$ 96,982,510

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

Total net position decreased by \$6,853,776, which reflects the current year operating results. As presented in the table above, net investment in capital assets increased over the prior year, while restricted and unrestricted net position decreased.

The District's increase in net investment in capital assets is due mostly to the District adding capital assets and repaying debt at a faster rate than the assets being depreciated. A decrease in net position restricted for food service and state funding restrictions contributed to the overall decrease in the restricted portion of net position. The decrease in unrestricted net position is consistent with the change in financial position of the General Fund and internal service funds, discussed in further detail later in this report.

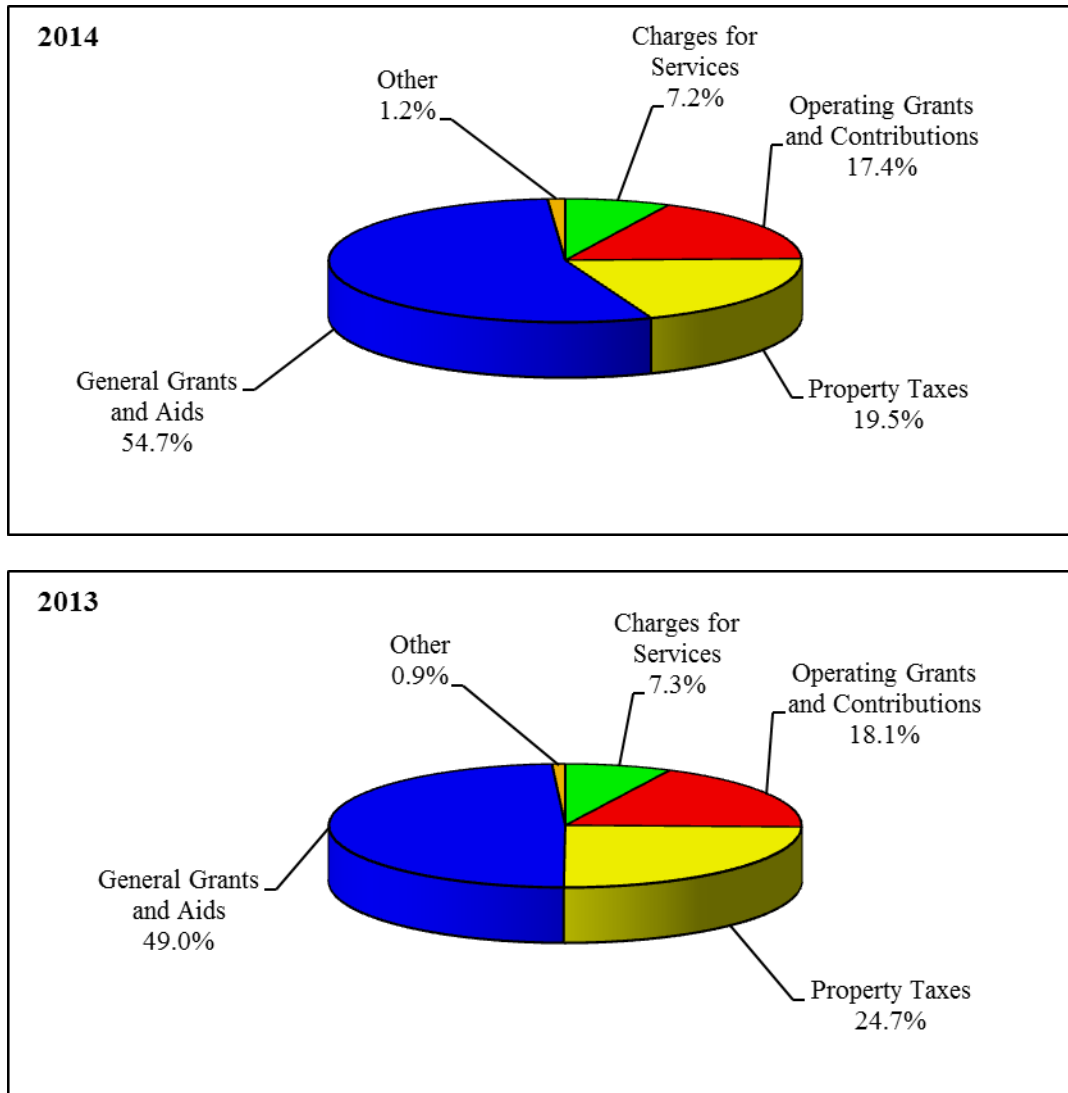
Table 2 presents a summarized version of the District's Statement of Activities:

Table 2 Summary Statement of Activities for the Years Ended June 30, 2014 and 2013		
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 16,177,040	\$ 15,806,837
Operating grants and contributions	39,081,056	39,448,027
General revenues		
Property taxes	43,948,715	53,839,663
General grants and aids	123,100,301	106,799,031
Other	2,737,494	1,959,605
Total revenues	<u>225,044,606</u>	<u>217,853,163</u>
Expenses		
Administration	7,360,847	7,050,311
District support services	3,740,490	4,018,082
Elementary and secondary regular instruction	95,372,479	92,521,117
Vocational education instruction	2,177,553	1,740,819
Special education instruction	29,637,200	25,962,043
Instructional support services	9,413,500	9,113,915
Pupil support services	19,096,318	18,413,745
Sites and buildings	22,213,724	19,778,272
Fiscal and other fixed cost programs	475,441	431,469
Food service	8,490,573	7,806,312
Community service	12,999,994	12,430,058
Depreciation not included in other functions	9,329,886	9,231,034
Interest and fiscal charges on debt	11,590,377	11,796,212
Total expenses	<u>231,898,382</u>	<u>220,293,389</u>
Change in net position	(6,853,776)	(2,440,226)
Net position – beginning	<u>96,982,510</u>	<u>99,422,736</u>
Net position – ending	<u><u>\$ 90,128,734</u></u>	<u><u>\$ 96,982,510</u></u>

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

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2014 and 2013



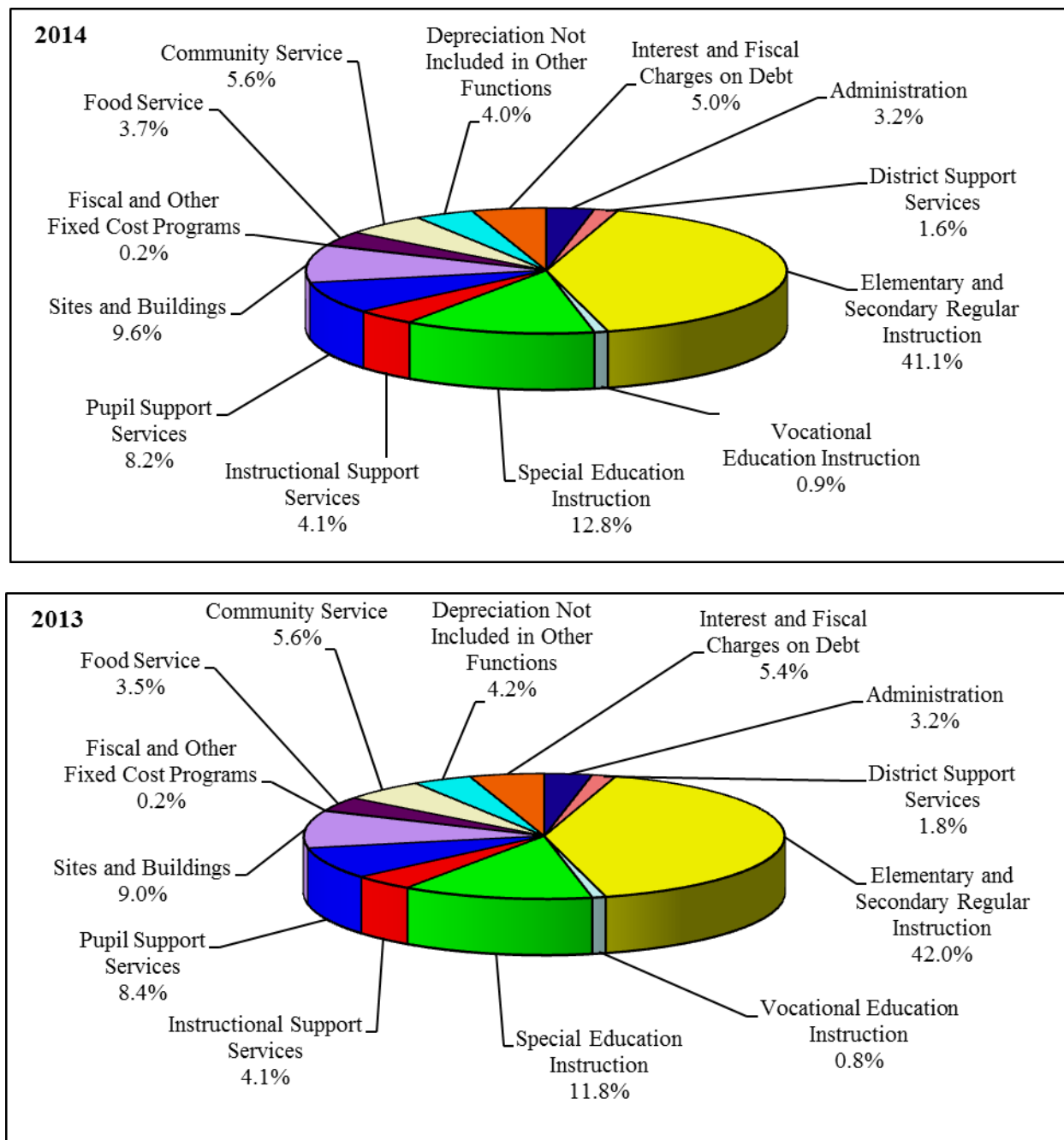
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding due to the state's financial position in recent years.

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

The proportionate share of district revenue from these two sources may change significantly between fiscal years, due to the "tax shift." The tax shift is an accounting tool used on occasion to balance the state budget, whereby districts recognize cash collections for the subsequent year's property tax levy as current year revenue, and the state adjusts aid payments to districts by an equal amount.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2014 and 2013



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3 Governmental Fund Balances as of June 30, 2014 and 2013			
	2014	2013	Increase (Decrease)
Major funds			
General	\$ 9,485,552	\$ 13,883,278	\$ (4,397,726)
Capital Projects –			
Building Construction	21,745,222	3,025,201	18,720,021
Debt Service	6,464,953	5,634,352	830,601
Nonmajor funds			
Food Service Special Revenue	959,153	1,324,578	(365,425)
Community Service Special Revenue	1,184,391	1,768,129	(583,738)
Total governmental funds	<u>\$ 39,839,271</u>	<u>\$ 25,635,538</u>	<u>\$ 14,203,733</u>

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2014, the District's governmental funds reported combined fund balances of \$39,839,271, an increase of \$14,203,733 in comparison with the prior year. Approximately 4.2 percent of this amount (\$1,691,993) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is: 1) not in spendable form (\$1,458,274), 2) restricted for particular purposes (\$32,089,239), 3) committed for particular purposes (\$3,531,073), or 4) assigned for particular purposes (\$1,068,692).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue and other financing sources	<u>\$ 172,966,320</u>	<u>\$ 181,216,274</u>	<u>\$ 8,249,954</u>	<u>4.8%</u>
Expenditures and other financing uses	<u>\$ 175,492,648</u>	<u>\$ 185,188,803</u>	<u>\$ 9,696,155</u>	<u>5.5%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2014 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 177,552,277	\$ 336,003	0.2%	\$ 6,195,479	3.6%
Expenditures	<u>188,556,385</u>	<u>3,367,582</u>	1.8%	<u>10,082,084</u>	5.6%
Excess (deficiency) of revenue over expenditures	(11,004,108)	(3,031,579)		(3,886,605)	
Other financing sources (uses)	<u>6,606,382</u>	<u>2,606,382</u>		<u>5,341,594</u>	
Net change in fund balances	<u>\$ (4,397,726)</u>	<u>\$ (425,197)</u>		<u>\$ 1,454,989</u>	

The fund balance of the General Fund decreased consistent with the planned spend-down approved in the budget.

Overall, revenues were within 0.2 percent of anticipated amounts. The revenue budget variance was primarily in property taxes, which were over budget by \$665,595, and state sources, which were less than budget by \$767,000. Conservative budgeting for other local sources contributed the \$363,133 favorable variance in this funding source. The increase in revenues over the prior year was a combination of the District serving more students, the 1.5 percent basic formula increase, and increased special education funding recognized in the current year.

The expenditure budget variance was spread across several programs and object categories of the General Fund. Overall expenditures were 1.8 percent over amounts approved in the final budget. Technology expenditures financed by capital lease of approximately \$2,600,000 and \$855,000 of unanticipated spending for snowplowing and utilities due to the long, cold winter contributed to the difference in anticipated spending. The increase in expenditures was primarily for technology equipment financed with capital lease proceeds, for additional elementary and secondary regular instruction, and special education instruction.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund expenditures exceeded revenues by \$1,379,688 in the current year, as planned in the budget. After considering proceeds of bonds issued in the current year and a transfer to the Debt Service Fund, equity increased by \$18,720,021, compared to an increase of \$17,822,226 projected in the final budget. The District has \$21,745,222 of resources remaining in this fund as of June 30, 2014 to finance various district projects.

Debt Service Fund

The Debt Service Fund revenues and other financing sources exceeded expenditures by \$830,601 in the current year. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The remaining fund balance of \$6,464,953 at June 30, 2014 is available for meeting future debt service obligations.

Internal Service Fund

During upcoming years, the District will continue to have an obligation to pay post-employment benefits according to negotiated contracts. Accordingly, the District established internal service funds to account for its severance, pension, and health plan benefits. The internal service funds are used to account for and monitor these benefits provided to eligible employees of the District on a cost reimbursement basis.

Additional details related to the District's actuarially accrued liability for pension and OPEB and funding progress are included in the notes to basic financial statements and as required supplementary information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2014 and 2013.

Table 6			
Capital Assets			
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Land	\$ 9,747,070	\$ 9,747,070	\$ –
Construction in progress	656,140	358,434	297,706
Land improvements	13,585,366	13,585,366	–
Buildings	391,257,247	389,905,851	1,351,396
Machinery and equipment	14,175,378	13,679,577	495,801
Licensed vehicles	10,685,821	10,015,921	669,900
Less accumulated depreciation	<u>(112,404,204)</u>	<u>(101,837,493)</u>	<u>(10,566,711)</u>
Total	<u>\$ 327,702,818</u>	<u>\$ 335,454,726</u>	<u>\$ (7,751,908)</u>
Depreciation expense	<u>\$ 10,566,711</u>	<u>\$ 10,373,531</u>	<u>\$ 193,180</u>

By the end of 2014, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2014, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 7 Outstanding Long-Term Liabilities			
	2014	2013	Change
General obligation bonds	\$ 276,850,000	\$ 269,700,000	\$ 7,150,000
Unamortized premium/discount	5,941,951	6,214,757	(272,806)
Capital leases	6,769,454	6,705,060	64,394
Compensated absences	1,129,369	1,237,212	(107,843)
Severance benefits	1,883,527	2,042,012	(158,485)
Net pension benefits obligation	(433)	131,918	(132,351)
Net OPEB obligation	1,163,832	771,641	392,191
Total	<u>\$ 293,737,700</u>	<u>\$ 286,802,600</u>	<u>\$ 6,935,100</u>

The District had two bond issuances and one capital lease issue in the current year. The bond issues will be used to finance various project at the District. The capital lease issued in the current year will be used to finance iPad and other computer-related equipment totaling \$2,606,382. The current year debt issuances resulted in an increase in long-term liabilities.

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

Table 8 Limitations on Debt	
District's market value	\$ 7,978,967,600
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,196,845,140</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The basic general education formula allowance for Minnesota school districts increased \$78 per pupil in fiscal year 2014 to \$5,302. Beginning with the 2015 fiscal year, several funding and pupil weighting changes are effective, which include an equivalent increase of \$105, or 2.0 percent, for basic general education formula funding. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this CAFR or need additional financial information, contact the Finance Department, Independent School District No. 833, District Service Center, 7362 East Point Douglas Road South, Cottage Grove, Minnesota 55016-3025.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Governmental Activities	
	2014	2013
Assets		
Cash and temporary investments	\$ 80,242,717	\$ 56,229,095
Receivables		
Current taxes	30,976,266	29,938,851
Delinquent taxes	907,711	974,204
Accounts and interest	117,247	236,324
Due from other governmental units	18,480,783	22,342,190
Inventory	424,233	501,530
Prepaid items	1,034,041	922,889
Restricted assets – temporarily restricted		
Cash and investments for debt service	833,388	833,388
Capital assets		
Not depreciated	10,403,210	10,105,504
Depreciated, net of accumulated depreciation	317,299,608	325,349,222
Total capital assets, net of accumulated depreciation	<u>327,702,818</u>	<u>335,454,726</u>
Total assets	<u>\$ 460,719,204</u>	<u>\$ 447,433,197</u>
Liabilities		
Salaries payable	\$ 10,290,220	\$ 9,600,494
Accounts and contracts payable	8,250,356	7,538,595
Accrued interest payable	4,344,497	4,485,542
Due to other governmental units	647,949	594,637
Arbitrage payable	53,536	71,711
Unearned revenue	544,755	1,629,244
Long-term liabilities		
Due within one year	20,913,700	16,471,641
Due in more than one year	272,824,000	270,330,959
Total long-term liabilities	<u>293,737,700</u>	<u>286,802,600</u>
Total liabilities	<u>317,869,013</u>	<u>310,722,823</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	52,721,457	39,727,864
Net position		
Net investment in capital assets	62,066,067	55,788,399
Restricted for		
Capital asset acquisition	837,924	490,273
Food service	959,153	1,324,578
Community service	2,107,873	2,184,201
Debt service	2,495,074	1,574,660
Other purposes (state and other funding restrictions)	317,212	2,395,787
Unrestricted	21,345,431	33,224,612
Total net position	<u>90,128,734</u>	<u>96,982,510</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 460,719,204</u>	<u>\$ 447,433,197</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

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

Functions/Programs	Expenses	2014		2013	
		Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
				Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 7,360,847	\$ –	\$ 14,555	\$ (7,346,292)	\$ (7,043,791)
District support services	3,740,490	–	–	(3,740,490)	(3,929,820)
Elementary and secondary regular instruction	95,372,479	1,088,078	12,424,222	(81,860,179)	(77,173,881)
Vocational education instruction	2,177,553	–	874,873	(1,302,680)	(1,026,100)
Special education instruction	29,637,200	–	19,356,009	(10,281,191)	(10,019,179)
Instructional support services	9,413,500	–	227,021	(9,186,479)	(8,706,679)
Pupil support services	19,096,318	154,413	2,103,573	(16,838,332)	(15,592,594)
Sites and buildings	22,213,724	–	–	(22,213,724)	(18,568,113)
Fiscal and other fixed cost programs	475,441	–	–	(475,441)	(431,469)
Food service	8,490,573	5,317,906	2,661,055	(511,612)	(44,568)
Community service	12,999,994	9,616,643	1,419,748	(1,963,603)	(1,475,085)
Depreciation not included in other functions	9,329,886	–	–	(9,329,886)	(9,231,034)
Interest and fiscal charges	11,590,377	–	–	(11,590,377)	(11,796,212)
Total governmental activities	<u>\$231,898,382</u>	<u>\$ 16,177,040</u>	<u>\$ 39,081,056</u>	(176,640,286)	(165,038,525)
General revenues					
Taxes					
Property taxes, levied for general purposes				17,273,471	27,046,036
Property taxes, levied for community service				675,875	1,312,685
Property taxes, levied for capital projects				1,063,625	1,306,697
Property taxes, levied for debt service				24,935,744	24,174,245
General grants and aids				123,100,301	106,799,031
Other general revenues				2,582,363	1,956,699
Investment earnings				155,131	2,906
Total general revenues				<u>169,786,510</u>	<u>162,598,299</u>
Change in net position				(6,853,776)	(2,440,226)
Net position – beginning				<u>96,982,510</u>	<u>99,422,736</u>
Net position – ending				<u>\$ 90,128,734</u>	<u>\$ 96,982,510</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 17,115,825	\$ 22,171,978	\$ 17,155,880
Cash and investments held by trustee	–	–	833,388
Receivables			
Current taxes	15,780,036	–	14,448,578
Delinquent taxes	480,142	–	405,061
Accounts and interest	76,126	–	18,150
Due from other governmental units	18,265,765	–	526
Inventory	199,592	–	–
Prepaid items	936,325	–	25,599
Total assets	<u>\$ 52,853,811</u>	<u>\$ 22,171,978</u>	<u>\$ 32,887,182</u>
Liabilities			
Salaries payable	\$ 9,593,470	\$ –	\$ –
Accounts and contracts payable	7,303,257	426,756	–
Due to other governmental units	645,834	–	–
Unearned revenue	58,562	–	–
Total liabilities	<u>17,601,123</u>	<u>426,756</u>	<u>–</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	441,142	–	374,618
Property taxes levied for subsequent year	25,325,994	–	26,047,611
Total deferred inflows of resources	<u>25,767,136</u>	<u>–</u>	<u>26,422,229</u>
Fund balances (deficit)			
Nonspendable	1,135,917	–	25,599
Restricted	1,155,136	21,745,222	6,439,354
Committed	3,531,073	–	–
Assigned	1,068,692	–	–
Unassigned, reported in major funds	2,594,734	–	–
Unassigned, reported in special revenue funds	–	–	–
Total fund balances	<u>9,485,552</u>	<u>21,745,222</u>	<u>6,464,953</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 52,853,811</u>	<u>\$ 22,171,978</u>	<u>\$ 32,887,182</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2014	2013
\$ 3,931,411	\$ 60,375,094	\$ 29,969,094
—	833,388	833,388
747,652	30,976,266	29,938,851
22,508	907,711	974,204
4,717	98,993	218,430
214,492	18,480,783	22,342,190
224,641	424,233	501,530
72,117	1,034,041	922,889
<u>\$ 5,217,538</u>	<u>\$ 113,130,509</u>	<u>\$ 85,700,576</u>
\$ 696,750	\$ 10,290,220	\$ 9,600,494
520,343	8,250,356	7,538,595
2,115	647,949	594,637
486,193	544,755	1,629,244
<u>1,705,401</u>	<u>19,733,280</u>	<u>19,362,970</u>
20,741	836,501	974,204
1,347,852	52,721,457	39,727,864
<u>1,368,593</u>	<u>53,557,958</u>	<u>40,702,068</u>
296,758	1,458,274	1,424,419
2,749,527	32,089,239	14,710,898
—	3,531,073	3,899,880
—	1,068,692	2,598,614
—	2,594,734	3,393,447
(902,741)	(902,741)	(391,720)
<u>2,143,544</u>	<u>39,839,271</u>	<u>25,635,538</u>
<u>\$ 5,217,538</u>	<u>\$ 113,130,509</u>	<u>\$ 85,700,576</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Total fund balances – governmental funds	\$ 39,839,271	\$ 25,635,538
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	440,107,022	437,292,219
Accumulated depreciation	(112,404,204)	(101,837,493)
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	(276,850,000)	(269,700,000)
Unamortized premium/discount	(5,941,951)	(6,214,757)
Capital leases	(6,769,454)	(6,705,060)
Compensated absences	(1,129,369)	(1,237,212)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		
	16,838,951	23,332,324
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(4,344,497)	(4,485,542)
Arbitrage liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds until actually due.		
	(53,536)	(71,711)
Certain revenues (including delinquent property taxes) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.		
	<u>836,501</u>	<u>974,204</u>
Total net position – governmental activities	<u><u>\$ 90,128,734</u></u>	<u><u>\$ 96,982,510</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 17,356,331	\$ 1,063,625	\$ 24,986,976
Investment earnings (charges)	35,163	1,718	44,300
Other	3,824,854	–	–
State sources	151,793,431	–	5,262
Federal sources	4,542,498	–	1,115,118
Total revenue	<u>177,552,277</u>	<u>1,065,343</u>	<u>26,151,656</u>
Expenditures			
Current			
Administration	7,279,625	–	–
District support services	3,723,231	–	–
Elementary and secondary regular instruction	92,903,232	–	–
Vocational education instruction	2,177,553	–	–
Special education instruction	29,648,664	–	–
Instructional support services	9,429,549	–	–
Pupil support services	18,964,817	–	–
Sites and buildings	21,214,467	–	–
Fiscal and other fixed cost programs	475,441	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	2,445,031	564,936
Debt service			
Principal	2,541,988	–	13,360,000
Interest and fiscal charges	197,818	–	12,235,752
Total expenditures	<u>188,556,385</u>	<u>2,445,031</u>	<u>26,160,688</u>
Excess (deficiency) of revenue over expenditures	(11,004,108)	(1,379,688)	(9,032)
Other financing sources (uses)			
Building bonds issued	–	20,244,226	265,774
Premium on bonds issued	–	–	429,342
Capital lease issued	2,606,382	–	–
Transfers in	4,000,000	–	144,517
Transfers (out)	–	(144,517)	–
Total other financing sources (uses)	<u>6,606,382</u>	<u>20,099,709</u>	<u>839,633</u>
Net change in fund balances	(4,397,726)	18,720,021	830,601
Fund balances			
Beginning of year	<u>13,883,278</u>	<u>3,025,201</u>	<u>5,634,352</u>
End of year	<u>\$ 9,485,552</u>	<u>\$ 21,745,222</u>	<u>\$ 6,464,953</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2014	2013
\$ 679,486	\$ 44,086,418	\$ 54,114,344
(5,161)	76,020	33,466
14,934,549	18,759,403	17,763,536
2,361,451	154,160,144	138,316,987
2,363,597	8,021,213	7,930,071
20,333,922	225,103,198	218,158,404
—	7,279,625	6,885,574
—	3,723,231	4,126,221
—	92,903,232	91,084,361
—	2,177,553	1,740,819
—	29,648,664	25,956,261
—	9,429,549	9,121,267
—	18,964,817	18,382,511
—	21,214,467	18,770,018
—	475,441	431,469
7,905,963	7,905,963	7,534,746
12,761,208	12,761,208	12,204,906
615,914	3,625,881	7,168,443
—	15,901,988	14,187,625
—	12,433,570	12,632,458
21,283,085	238,445,189	230,226,679
(949,163)	(13,341,991)	(12,068,275)
—	20,510,000	—
—	429,342	—
—	2,606,382	1,264,788
—	4,144,517	—
—	(144,517)	—
—	27,545,724	1,264,788
(949,163)	14,203,733	(10,803,487)
3,092,707	25,635,538	36,439,025
\$ 2,143,544	\$ 39,839,271	\$ 25,635,538

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

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

	<u>2014</u>	<u>2013</u>
Total net change in fund balances – governmental funds	\$ 14,203,733	\$(10,803,487)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	2,814,803	6,736,246
Depreciation expense	(10,566,711)	(10,373,531)
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.	(6,493,373)	(1,463,026)
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.	(23,116,382)	(1,264,788)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	13,360,000	12,465,000
Capital leases	2,541,988	1,722,625
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.	141,045	139,561
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.		
Compensated absences	107,843	50,881
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.	272,806	696,685
Arbitrage liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are reported in the governmental funds when the liability is actually paid.	18,175	(71,711)
Certain revenues (including delinquent property taxes) are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.	<u>(137,703)</u>	<u>(274,681)</u>
Change in net position – governmental activities	<u>\$ (6,853,776)</u>	<u>\$ (2,440,226)</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 27,152,718	\$ 16,690,736	\$ 17,356,331	\$ 665,595
Investment earnings	—	—	35,163	35,163
Other	2,787,634	3,461,721	3,824,854	363,133
State sources	138,681,145	152,560,431	151,793,431	(767,000)
Federal sources	4,344,823	4,503,386	4,542,498	39,112
Total revenue	<u>172,966,320</u>	<u>177,216,274</u>	<u>177,552,277</u>	<u>336,003</u>
Expenditures				
Current				
Administration	7,035,409	7,099,992	7,279,625	179,633
District support services	3,590,845	3,769,482	3,723,231	(46,251)
Elementary and secondary regular instruction	89,514,913	93,399,282	92,903,232	(496,050)
Vocational education instruction	1,799,334	1,972,013	2,177,553	205,540
Special education instruction	25,483,201	29,087,940	29,648,664	560,724
Instructional support services	9,131,140	9,532,077	9,429,549	(102,528)
Pupil support services	18,617,901	20,125,907	18,964,817	(1,161,090)
Sites and buildings	16,386,900	17,023,320	21,214,467	4,191,147
Fiscal and other fixed cost programs	1,516,203	438,857	475,441	36,584
Debt service				
Principal	2,218,894	2,542,025	2,541,988	(37)
Interest and fiscal charges	197,908	197,908	197,818	(90)
Total expenditures	<u>175,492,648</u>	<u>185,188,803</u>	<u>188,556,385</u>	<u>3,367,582</u>
Excess (deficiency) of revenue over expenditures	(2,526,328)	(7,972,529)	(11,004,108)	(3,031,579)
Other financing sources				
Capital lease issued	—	—	2,606,382	2,606,382
Transfer in	—	4,000,000	4,000,000	—
Total other financing sources	<u>—</u>	<u>4,000,000</u>	<u>6,606,382</u>	<u>2,606,382</u>
Net change in fund balances	<u>\$ (2,526,328)</u>	<u>\$ (3,972,529)</u>	<u>(4,397,726)</u>	<u>\$ (425,197)</u>
Fund balances				
Beginning of year			<u>13,883,278</u>	
End of year			<u>\$ 9,485,552</u>	

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and temporary investments	\$ 19,867,623	\$ 26,260,001
Interest receivable	18,254	17,894
Total current assets	<u>19,885,877</u>	<u>26,277,895</u>
Liabilities		
Current liabilities		
Severance benefits payable	261,873	350,571
Long-term liabilities		
Severance benefits payable	1,621,654	1,691,441
Net obligation for pension benefits	(433)	131,918
Net obligation for other post-employment benefits	1,163,832	771,641
Total long-term liabilities	<u>2,785,053</u>	<u>2,595,000</u>
Total liabilities	<u>3,046,926</u>	<u>2,945,571</u>
Net position		
Unrestricted	<u><u>\$ 16,838,951</u></u>	<u><u>\$ 23,332,324</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Operating revenue		
Contributions from governmental funds	\$ —	\$ 1,213,553
Operating expenses		
Post-employment severance and health benefits	<u>2,554,309</u>	<u>2,717,730</u>
Operating income (loss)	(2,554,309)	(1,504,177)
Nonoperating revenue		
Investment earnings	<u>60,936</u>	<u>41,151</u>
Income (loss) before transfers	(2,493,373)	(1,463,026)
Transfers in	4,664	268,302
Transfers (out)	<u>(4,004,664)</u>	<u>(268,302)</u>
Change in net position	(6,493,373)	(1,463,026)
Net position		
Beginning of year	<u>23,332,324</u>	<u>24,795,350</u>
End of year	<u><u>\$ 16,838,951</u></u>	<u><u>\$ 23,332,324</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ —	\$ 1,213,553
Severance benefit payments	(281,104)	(462,762)
Pension benefit payments	(594,325)	(497,592)
Other post-employment benefit payments	(1,577,525)	(1,858,554)
Net cash flows from operating activities	<u>(2,452,954)</u>	<u>(1,605,355)</u>
Cash flows from noncapital financing activities		
Cash paid to other funds	—	15,834,040
Transfer in	4,664	268,302
Transfer (out)	(4,004,664)	(268,302)
Net cash flows from noncapital financing activities	<u>(4,000,000)</u>	<u>15,834,040</u>
Cash flows from investing activities		
Interest on investments	<u>60,576</u>	<u>26,135</u>
Net change in cash and temporary investments	(6,392,378)	14,254,820
Cash and temporary investments		
Beginning of year	<u>26,260,001</u>	<u>12,005,181</u>
End of year	<u><u>\$ 19,867,623</u></u>	<u><u>\$ 26,260,001</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (2,554,309)	\$ (1,504,177)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Severance benefits payable	(158,485)	(300,764)
Net obligation for pension benefits	(132,351)	17,321
Net obligation for other post-employment benefits	<u>392,191</u>	<u>182,265</u>
Net cash flows from operating activities	<u><u>\$ (2,452,954)</u></u>	<u><u>\$ (1,605,355)</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Scholarship Private-Purpose Trust Fund
Assets	
Cash and temporary investments	\$ 54,770
Net position	
Held in trust for scholarships	\$ 54,770

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

	Scholarship Private-Purpose Trust Fund
Additions	
Contributions	\$ 26,732
Deductions	
Scholarships and other deductions	26,845
Change in net position	(113)
Net position	
Beginning of year	54,883
End of year	\$ 54,770

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Notes to Basic Financial Statements June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 833 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. A School Board elected by voters of the District governs the District. 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.

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, district school boards can elect to either control or not to control extracurricular student activities. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar revenues are recognized when all eligible 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 included in other functions.” Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
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 obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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 internal service funds are consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type; the Scholarship Private-Purpose Trust Fund is the District's only fiduciary fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). 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.

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

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's Child Nutrition Program.

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

Proprietary Fund

Internal Service Funds – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds include financing for post-employment severance, pension, and health benefits offered by the District to its employees.

Fiduciary Fund

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 for donor-directed purposes, such as to award scholarships to former students.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for the following fiscal year for all governmental funds. 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. Budgeted expenditure appropriations lapse at year-end.

Expenditures in the General Fund, Community Service Special Revenue Fund, and the Debt Service Fund exceeded budgeted appropriations by \$3,367,582, \$58,591, and \$195,179, respectively, during the fiscal year ended June 30, 2014. These variances were financed by revenues in excess of budget and available fund balance.

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. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Debt Service Fund, the escrow account held by the trustee can be used only to retire outstanding debt as required by terms of the debt issue. Interest earned on these investments is allocated directly to the escrow account.

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

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

G. Receivables

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

At June 30, 2014, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 18,025,634
Due from other Minnesota school districts	298,229
Due from Washington County and other	<u>156,920</u>
Total	<u><u>\$ 18,480,783</u></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, warehouse supplies, and surplus commodities received from the federal government. Purchased food and supplies are recorded at cost on a first-in, first-out basis. Warehouse supplies are recorded using an average cost 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 expenses/expenditures at the time of consumption.

J. 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 \$3,247,461 of the property tax levy collectible in 2014 as revenue to the District in fiscal year 2013–2014. The remaining portion of the taxes collectible in 2014 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

K. Capital Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental 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 declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary, ranging from 20 to 50 years for land improvements and buildings and 5 to 15 years for machinery, equipment, and licensed vehicles. 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.

L. 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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

M. Compensated Absences Payable

- 1. Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when used or matured due to employee termination or similar circumstances.
- 2. Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of an employee's severance pay upon termination for certain collective bargaining units.

N. 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. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. Severance or retirement benefits are required to be paid out twice a year (June and January) following the effective date of retirement. Retirement benefits for certain employee groups are paid into a post-employment tax sheltered annuity account. For all other employees, severance benefits are paid out directly to the employee.

Severance pay based on convertible sick leave is recorded as a liability in the Internal Service Fund and in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position

In the government-wide and internal service fund financial statements, net position represents the difference between assets, deferred outflows of resources (if any), 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 Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

P. Fund Balance Classifications

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management

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

R. 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.

S. Restricted Assets

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

T. Deferred Inflows of Resources

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Prior Period Comparative Financial Information/Reclassifications

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

V. Future Change in Accounting Standards

GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for fiscal years beginning after June 15, 2014. The District has not yet determined the financial statement impact of adopting this new standard.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 13,689,282
Investments	67,429,598
Cash on hand	<u>11,995</u>
Total	<u>\$ 81,130,875</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 80,242,717
Restricted assets – temporarily restricted	
Cash and investments for debt service	833,388
Statement of Fiduciary Net Position	
Cash and temporary investments	<u>54,770</u>
Total	<u>\$ 81,130,875</u>

B. Deposits

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

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

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

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

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

At year-end, the District had a carrying amount of deposits of \$13,689,282, while the balance on the bank records was \$13,694,240. At June 30, 2014, all deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District had the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years			Total
	Credit Rating	Rating Agency	Less Than 1	1 to 5	6 to 10	
U.S. agency securities	AA	S&P	\$ –	\$ 7,688,943	\$ 1,041,853	\$ 8,730,796
Negotiable certificates of deposit	N/R	N/A	\$ 5,897,756	\$ 1,241,000	\$ –	7,138,756
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	45,146,759
Wells Fargo Advantage Governmental Fund	AAA	S&P	N/A	N/A	N/A	1,492,510
RBC U.S. Government Fund	AAA	S&P	N/A	N/A	N/A	4,087,389
First American Treasury Obligations Fund	AAA	S&P	N/A	N/A	N/A	833,388
Total investments						<u>\$ 67,429,598</u>

N/A – Not Available

N/R – Not Reported

The Minnesota School District Liquid Asset Fund is regulated by Minnesota Statutes and is an external investment pool which is not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The District's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. At June 30, 2014, the District’s investment portfolio includes the following percentages of specific issuers:

U.S. agency securities	
FHLMC	6.9%

The District has an internal policy that limits investment choices and addresses these potential risks beyond the statutory limitations listed above. These limitations are discussed below:

- Investments in the various authorized instruments cannot exceed the following percentages of total funds:
 1. U.S. treasury obligations (bills, notes, and bonds) – 100 percent
 2. U.S. government agency securities and instrumentalities of government-sponsored corporations – 100 percent
 3. Bankers’ acceptances – 25 percent
 4. Commercial paper – 75 percent
 5. Repurchase agreements – 50 percent
 6. Certificates of deposit commercial banks – 100 percent
 7. Certificates of deposit savings and loans – 25 percent
 8. School district investment pool – 75 percent
- Not more than 50 percent of the total nonconstruction portfolio shall be with any one depository.

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 asset activity for the year ended June 30, 2014 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 9,747,070	\$ –	\$ –	\$ –	\$ 9,747,070
Construction in progress	358,434	856,825	–	(559,119)	656,140
Total capital assets, not depreciated	10,105,504	856,825	–	(559,119)	10,403,210
Capital assets, depreciated					
Land improvements	13,585,366	–	–	–	13,585,366
Buildings	389,905,851	792,277	–	559,119	391,257,247
Machinery and equipment	13,679,577	495,801	–	–	14,175,378
Licensed vehicles	10,015,921	669,900	–	–	10,685,821
Total capital assets, depreciated	427,186,715	1,957,978	–	559,119	429,703,812
Less accumulated depreciation for					
Land improvements	(6,599,085)	(671,205)	–	–	(7,270,290)
Buildings	(79,946,649)	(7,955,453)	–	–	(87,902,102)
Machinery and equipment	(7,938,166)	(1,148,022)	–	–	(9,086,188)
Licensed vehicles	(7,353,593)	(792,031)	–	–	(8,145,624)
Total accumulated depreciation	(101,837,493)	(10,566,711)	–	–	(112,404,204)
Net capital assets, depreciated	325,349,222	(8,608,733)	–	559,119	317,299,608
Total capital assets, net	\$ 335,454,726	\$ (7,751,908)	\$ –	\$ –	\$ 327,702,818

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

District support services	\$ 16,392
Elementary and secondary regular instruction	169,238
Special education instruction	694
Instructional support services	652
Pupil support services	749,290
Sites and buildings	165,089
Food service	127,791
Community service	7,679
Depreciation not included in other functions	9,329,886
Total depreciation expense	\$ 10,566,711

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

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

Issue	Issue Date	Interest Rate	Face/Par Value	Remaining Maturities	Principal Outstanding
General obligation bonds					
2005B Refunding Bonds	10/20/2005	3.99%	\$ 52,500,000	02/01/2015–02/01/2021	\$ 41,435,000
2006A Building Bonds	11/28/2006	4.15%	\$ 110,000,000	02/01/2015–02/01/2027	97,300,000
2008A Building Bonds	06/18/2008	4.41%	\$ 39,000,000	02/01/2015–02/01/2027	35,100,000
2008B Alternative Facility Bonds	08/13/2008	4.41%	\$ 11,250,000	02/01/2015–02/01/2025	10,700,000
2010A Refunding Bonds	04/21/2010	3.30%	\$ 41,445,000	02/01/2015–02/01/2023	40,140,000
2010B Taxable Alternative Facility Bonds	06/10/2010	5.50%	\$ 4,365,000	06/01/2026	4,220,000
2010C Taxable Alternative Facility Bonds	06/10/2010	5.00%	\$ 19,565,000	06/01/2024–06/01/2026	19,565,000
2011A Refunding Bonds	11/15/2011	2.00%	\$ 6,275,000	12/01/2014	2,700,000
2012A Alternative Facility Bonds	04/19/2012	3.35%	\$ 6,150,000	02/01/2027	4,475,000
2012B Refunding Bonds	04/19/2012	0.83%	\$ 2,165,000	06/01/2015	705,000
2014A Alternative Facility Bonds	05/20/2014	3.34%	\$ 14,840,000	02/01/2015–02/01/2028	14,840,000
2014B Capital Facilities Bonds	05/20/2014	1.97%	\$ 5,670,000	02/01/2015–02/01/2024	5,670,000
Total general obligation bonds					<u>\$ 276,850,000</u>

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

The District's 2010B bonds were issued as Qualified Zone Academy Bonds – Direct Payment, for which the District receives a federal rebate equal to 100 percent of the interest payment on this debt issue. The District's 2010C bonds were issued as Qualified School Construction Bonds – Direct Payment. Although the District has complied with all eligibility requirements for this credit, the District received notice from the Internal Revenue Service that interest payment credits were reduced from originally anticipated amounts.

B. Capital Leases

The District has entered into six capital lease agreements for equipment and facility space. The leases, which bear interest rates ranging from 0.5 percent to 5.22 percent, call for periodic principal and interest payments through April 15, 2027. The leases are being paid through the General Fund. The capitalized assets acquired through these leases totaled \$18,034,660 (the present value of the future minimum lease payments as of the inception date) and are presented in the capital assets as buildings. Two of the leases were used to acquire equipment which individually fell under the District's capitalization policy and, therefore, the equipment acquired is not included as part of capital assets.

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, severance benefits, pension benefits, and other post-employment benefits (OPEB). The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund or through the internal service funds.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2015	\$ 17,105,000	\$ 11,865,302	\$ 2,417,458	\$ 144,398
2016	15,465,000	11,391,130	1,180,834	103,821
2017	16,920,000	10,660,255	247,295	92,062
2018	18,030,000	9,849,705	254,772	84,585
2019	19,200,000	8,986,955	262,476	76,881
2020–2024	110,295,000	31,716,988	1,436,335	260,449
2025–2028	79,835,000	7,457,098	970,284	47,787
	<u>\$ 276,850,000</u>	<u>\$ 91,927,433</u>	<u>\$ 6,769,454</u>	<u>\$ 809,983</u>

E. Changes in Long-Term Liabilities

	Balance – June 30, 2013	Additions	Retirements	Balance – June 30, 2014	Due Within One Year
General obligation bonds	\$ 269,700,000	\$ 20,510,000	\$ 13,360,000	\$ 276,850,000	\$ 17,105,000
Unamortized premium/discount	6,214,757	429,342	702,148	5,941,951	–
Capital leases	6,705,060	2,606,382	2,541,988	6,769,454	2,417,458
Compensated absences	1,237,212	1,169,450	1,277,293	1,129,369	1,129,369
Severance benefits	2,042,012	122,619	281,104	1,883,527	261,873
Net pension benefits obligation (see Note 7)	131,918	461,974	594,325	(433)	–
Net OPEB obligation (see Note 6)	771,641	1,969,716	1,577,525	1,163,832	–
	<u>\$ 286,802,600</u>	<u>\$ 27,269,483</u>	<u>\$ 20,334,383</u>	<u>\$ 293,737,700</u>	<u>\$ 20,913,700</u>

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. When applicable, certain 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. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

At June 30, 2014, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 199,592	\$ –	\$ –	\$ 224,641	\$ 424,233
Prepaid items	936,325	–	25,599	72,117	1,034,041
Total nonspendable	1,135,917	–	25,599	296,758	1,458,274
Restricted					
Health and safety	316,147	–	–	–	316,147
Operating capital	147,018	–	–	–	147,018
Learning and development	137,232	–	–	–	137,232
State-approved alternative programs	149,297	–	–	–	149,297
Safe schools levy	374,759	–	–	–	374,759
Community arts center	30,683	–	–	–	30,683
Alternative facilities program	–	21,690,523	–	–	21,690,523
Building construction	–	54,699	–	–	54,699
Debt service	–	–	6,439,354	–	6,439,354
Food service	–	–	–	695,468	695,468
Community education programs	–	–	–	1,663,588	1,663,588
Early Childhood Family Education programs	–	–	–	336,714	336,714
Adult basic education	–	–	–	53,757	53,757
Total restricted	1,155,136	21,745,222	6,439,354	2,749,527	32,089,239
Committed					
Alternative Teacher Professional Pay System	250,870	–	–	–	250,870
Donations/gifts	278,779	–	–	–	278,779
School budget carryover	123,248	–	–	–	123,248
Tax shift	2,878,176	–	–	–	2,878,176
Total committed	3,531,073	–	–	–	3,531,073
Assigned					
Subsequent year budget deficit	1,068,692	–	–	–	1,068,692
Unassigned					
Unassigned	2,594,734	–	–	–	2,594,734
Community service restricted account deficit	–	–	–	(275,823)	(275,823)
School readiness restricted account deficit	–	–	–	(626,918)	(626,918)
Total unassigned	2,594,734	–	–	(902,741)	1,691,993
	<u>\$ 9,485,552</u>	<u>\$ 21,745,222</u>	<u>\$ 6,464,953</u>	<u>\$ 2,143,544</u>	<u>\$ 39,839,271</u>

NOTE 5 – FUND BALANCES (CONTINUED)

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will endeavor to maintain an unrestricted fund balance each year of 5 percent to 9 percent of the District's General Fund unrestricted operating expenditure budget. At June 30, 2014, the unrestricted fund balance of the General Fund was 4.8 percent of the fiscal 2014 General Fund Operating Account expenditures, as calculated in accordance with the District's fund balance policy.

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

A. Plan Descriptions

The District provides post-employment benefits to certain eligible employees through the 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 publicly available financial report. These benefits are summarized as follows:

Teachers' Post-Employment Healthcare Savings Benefits – Eligible teachers receive at retirement an amount equal to a calculated number of days paid multiplied by their daily rate of pay at retirement. This benefit is limited to 121 days or \$41,347, whichever is greater. This amount is used to extend insurance coverage for the retired teacher.

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 and/or dental 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, and some covering premium costs as defined within each collective bargaining agreement. 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 an internal service fund to account for these obligations.

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

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 1,983,627
Interest on net OPEB obligation	34,724
Adjustment to ARC	(48,635)
Annual OPEB cost (expense)	<u>1,969,716</u>
Contributions made	<u>1,577,525</u>
Increase in net OPEB obligation	392,191
Net OPEB obligation – beginning of year	<u>771,641</u>
Net OPEB obligation – end of year	<u><u>\$ 1,163,832</u></u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 2,040,287	\$ 2,010,477	98.5%	\$ 589,376
2013	\$ 2,040,819	\$ 1,858,554	91.1%	\$ 771,641
2014	\$ 1,969,716	\$ 1,577,525	80.1%	\$ 1,163,832

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were both \$16,125,242, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$100,846,768, and the ratio of the UAAL to the covered payroll was 16.0 percent.

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

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 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; an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after five years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2013 for the various amortization layers ranged from 24 to 30 years.

NOTE 7 – PENSION BENEFITS PLAN

A. Plan Description

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

Teacher Pension Benefits – For eligible teachers hired before July 1, 1991, the District pays a lump sum pension benefit up to \$22,500 based on years of service at retirement. The amount of any pension benefits due to an employee is reduced by the total matching contributions made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

Other Pension Benefits – The District offers pension benefits to several other employee groups. Eligible employees (contracts stipulate a minimum number of years of service and a minimum age) can earn a lump sum pension benefit that differs by bargaining unit. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

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 internal service funds to account for these obligations.

NOTE 7 – PENSION BENEFITS PLAN (CONTINUED)

C. Annual Pension Cost and Net Pension Obligation

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

ARC	\$ 465,368
Interest on net pension obligation	5,936
Adjustment to ARC	(9,330)
Annual pension cost/expense	<u>461,974</u>
Contributions made	<u>594,325</u>
Increase (decrease) in net pension obligation	(132,351)
Net pension obligation – beginning of year	<u>131,918</u>
Net pension obligation – end of year	<u>\$ (433)</u>

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

Fiscal Year Ended June 30,	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2012	\$ 509,102	\$ 800,640	157.3%	\$ 114,597
2013	\$ 514,913	\$ 497,592	96.6%	\$ 131,918
2014	\$ 461,974	\$ 594,325	128.6%	\$ (433)

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were both \$4,062,740, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$74,171,503 and the ratio of the UAAL to the covered payroll was 5.5 percent.

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

NOTE 7 – PENSION BENEFITS PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2013 for the various amortization layers ranged from 24 to 30 years.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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

Teachers' Retirement Association (TRA)

A. Plan Description

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

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

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

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

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

With these provisions:

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

Tier II

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

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

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

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

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

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

B. Funding Policy

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

The District's contributions for the years ended June 30, 2014, 2013, and 2012 were \$6,382,175, \$5,734,669, and \$4,981,858, respectively, equal to the required contributions for each year as set by state statutes.

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

Public Employees' Retirement Association (PERA)

A. Plan Description

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

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

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

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

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

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

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the GERP. 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.

B. Funding Policy

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

The District's contributions to the GERP for the years ended June 30, 2014, 2013, and 2012 were \$2,039,405, \$1,922,319, and \$1,830,807, respectively. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)

Before the beginning of the Plan year, which is from January 1 to December 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 Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

Amounts withheld for medical reimbursement and dependant care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependant care activity is included in the financial statements in the General Fund and special revenue 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 in an amount equal to the eligible healthcare and dependant care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – INTERFUND TRANSACTIONS

The District made the following transfers during the year ended June 30, 2014:

	<u>Transfers in</u>	<u>Transfers (out)</u>
General Fund	\$ 4,000,000	\$ –
Capital Projects – Building Construction Fund	–	144,517
Debt Service Fund	144,517	–
Internal service funds		
Severance Benefits Fund	4,664	–
Pension Benefits Fund	–	425,781
Other Post-Employment Benefits Fund	–	3,578,883
	<u> </u>	<u> </u>
Total transfers	<u>\$ 4,149,181</u>	<u>\$ 4,149,181</u>

Transfers were made between funds to allocate resources for spending as approved in the budget or as required by statute for unspent bond proceeds.

NOTE 11 – JOINT VENTURES

A. Valley Crossing Community School

The District participates in a joint venture to govern the administration, financing, and operation of a joint elementary school known as Valley Crossing Community School (the joint elementary school). The joint elementary school was established through a joint powers agreement entered into on October 18, 1994 and amended in July 1995 with the District, Independent School District No. 622, and Independent School District No. 834 (the independent districts) and Northeast Metropolitan Intermediate School District No. 916 (the intermediate district), pursuant to applicable Minnesota Statutes. The independent districts establish policies and take steps to ensure that a sufficient number of pupils from each of the independent districts and the intermediate district will be enrolled in the joint elementary school and will also provide advice and assistance to the intermediate district (which is responsible for the operations of the joint elementary school).

The participating districts pay tuition equal to aids paid by the state and all local tax levies received by the districts, based on their individual share of pupils attending the joint elementary school. The District does not hold an explicit measurable equity interest in the joint elementary school. If the joint elementary school or its contents were to be sold, the remaining net sale proceeds would be distributed among the participating districts based on the ratio of leasing levies, capital expenditure revenue/related tuition, and continuing capital costs paid by each district.

Total operating revenues for the joint elementary school for fiscal 2013–2014 as reported by the intermediate district were as follows:

	<u>ISD No. 622</u>	<u>ISD No. 834</u>	<u>ISD No. 833</u>	<u>Total</u>
Total funding by district	<u>\$ 620,811</u>	<u>\$ 2,315,964</u>	<u>\$ 1,801,510</u>	<u>\$ 4,738,285</u>

The following information for the joint elementary school is from the audited financial statements of the intermediate district for the year ended June 30, 2013, the most recent financial statements available:

	<u>General Fund</u>	<u>Community Service Fund</u>	<u>Debt Service Fund</u>	<u>Capital Assets</u>	<u>Long-Term Debt</u>
Assets	\$ 2,761,307	\$ –	\$ 208,093	\$ 17,499,338	\$ –
Liabilities	\$ 1,449,347	\$ –	\$ 90,382	\$ –	\$ 3,950,000
Fund balances	\$ 1,311,960	\$ 519	\$ 117,711	\$ –	\$ –
Revenue	\$ 6,209,894	\$ 2,390	\$ 1,438,613	\$ –	\$ –
Expenditures	\$ 6,118,195	\$ 2,722	\$ 1,435,513	\$ –	\$ –

As part of the joint powers agreement covering the construction and operation of the joint elementary school, the District is committed to levy its proportionate share of lease costs necessary to repay \$18,000,000 of bonds issued by the intermediate district during fiscal 1995–1996 to fund construction of the joint elementary school. A calculation is performed to determine each participating district's proportionate share of the required lease levy based on each district's number of pupils attending the joint elementary school. The District's share of the total debt service requirement on these bonds for fiscal 2013–2014 is \$564,936, out of a total commitment of \$1,435,763 for the three participating school districts. Further financial information can be obtained from the intermediate district.

NOTE 11 – JOINT VENTURES (CONTINUED)

B. East Metro Integration District No. 6067

The District participates in a joint venture for the operation of an elementary and middle school known as Harambee Community School and Crosswinds Middle School (the joint schools). The joint schools were established through a joint powers agreement with the District, Special School District No. 6, Independent School District No. 197, Independent School District No. 199, Independent School District No. 623, Independent School District No. 624, Independent School District No. 625, Independent School District No. 832, and Independent School District No. 834 (the independent districts), pursuant to applicable Minnesota Statutes. The joint powers agreement was entered into on May 18, 1995, and amended January 25, 1998, January 26, 1999, and October 1, 1999. The purpose of the agreement is to govern the administration, financing, and operation of a joint elementary and middle school. The independent districts pay tuition equal to aids paid by the state and all local tax levies received by the independent districts, based on their individual shares of the pupils attending the joint schools. If the joint schools or its contents were to be sold, the remaining net sale proceeds would be distributed among the independent districts in an amount which the Joint Powers Board determines is proportionate to the respective member contributions. Financial information regarding the joint schools can be obtained through the Joint Powers Board or the member school districts. During the year ended June 30, 2014, the District paid East Metro Integration District No. 6067 \$290,586 in tuition. As of June 30, 2013, East Metro Integration District No. 6067 had governmental fund assets totaling \$4,461,504 and governmental fund equity of \$3,726,713. Information related to 2013–2014 for East Metro Integration District No. 6067 is not available. Further financial information can be obtained from East Metro Integration District No. 6067.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. 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. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2014, the District had commitments totaling \$523,900 under various construction contracts for which the work was not yet completed.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. Tax Abatement Levy

In September 2000, the District pledged the full faith, credit, and taxing powers of the District on a school district economic development abatement tax levy for the payment of a portion of the principal and interest on bonds issued by the City of Woodbury, Minnesota (the City) issued in compliance with Minnesota Statute § 469.1814. These bonds were issued by and for the City to construct certain highway public improvements and to complete certain site improvements at the Highway 494 – Tamarack Road interchange.

This pledge shall continue as scheduled in the agreement, which is through the District's payable 2014 (revenue in 2015) levy. The District's future economic development tax levy that will be used to make payments to the City on these bonds is as follows:

<u>Year</u>	<u>Amount</u>
2015	<u><u>\$ 74,100</u></u>

NOTE 13 – SUBSEQUENT EVENTS

In August 2014, the District entered into a lease agreement for school buses totaling \$1,363,140. The lease requires three consecutive annual payments of \$454,380 with the first payment due September 2014.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

Schedules of Funding Progress
June 30, 2014

Other Post-Employment Benefits Plan

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, 2009	\$ 18,156,592	\$ —	\$ 18,156,592	— %	\$ 92,615,888	19.6 %
July 1, 2011	\$ 18,057,291	\$ —	\$ 18,057,291	— %	\$ 91,634,068	19.7 %
July 1, 2013	\$ 16,125,242	\$ —	\$ 16,125,242	— %	\$ 100,846,768	16.0 %

Pension Benefits Plan

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, 2009	\$ 5,917,530	\$ —	\$ 5,917,530	— %	\$ 67,853,360	8.7 %
July 1, 2011	\$ 4,821,107	\$ —	\$ 4,821,107	— %	\$ 67,113,959	7.2 %
July 1, 2013	\$ 4,062,740	\$ —	\$ 4,062,740	— %	\$ 74,171,503	5.5 %

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 1,210,485	\$ 2,720,926	\$ 3,931,411
Receivables			
Current taxes	—	747,652	747,652
Delinquent taxes	—	22,508	22,508
Accounts and interest	995	3,722	4,717
Due from other governmental units	46,669	167,823	214,492
Inventory	224,641	—	224,641
Prepaid items	39,044	33,073	72,117
Total assets	<u>\$ 1,521,834</u>	<u>\$ 3,695,704</u>	<u>\$ 5,217,538</u>
Liabilities			
Salaries payable	\$ 114,632	\$ 582,118	\$ 696,750
Accounts and contracts payable	137,990	382,353	520,343
Due to other governmental units	502	1,613	2,115
Unearned revenue	309,557	176,636	486,193
Total liabilities	<u>562,681</u>	<u>1,142,720</u>	<u>1,705,401</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	—	20,741	20,741
Property taxes levied for subsequent year	—	1,347,852	1,347,852
Total deferred inflows of resources	<u>—</u>	<u>1,368,593</u>	<u>1,368,593</u>
Fund balances (deficit)			
Nonspendable for inventory	224,641	—	224,641
Nonspendable for prepaid items	39,044	33,073	72,117
Restricted	695,468	2,054,059	2,749,527
Unassigned	—	(902,741)	(902,741)
Total fund balances	<u>959,153</u>	<u>1,184,391</u>	<u>2,143,544</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,521,834</u>	<u>\$ 3,695,704</u>	<u>\$ 5,217,538</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2014

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 679,486	\$ 679,486
Investment earnings (charges)	(12,987)	7,826	(5,161)
Other	5,317,906	9,616,643	14,934,549
State sources	308,353	2,053,098	2,361,451
Federal sources	2,352,702	10,895	2,363,597
Total revenue	<u>7,965,974</u>	<u>12,367,948</u>	<u>20,333,922</u>
Expenditures			
Current			
Food service	7,905,963	—	7,905,963
Community service	—	12,761,208	12,761,208
Capital outlay	425,436	190,478	615,914
Total expenditures	<u>8,331,399</u>	<u>12,951,686</u>	<u>21,283,085</u>
Net change in fund balances	(365,425)	(583,738)	(949,163)
Fund balances			
Beginning of year	<u>1,324,578</u>	<u>1,768,129</u>	<u>3,092,707</u>
End of year	<u>\$ 959,153</u>	<u>\$ 1,184,391</u>	<u>\$ 2,143,544</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 17,115,825	\$ 6,522,704
Receivables		
Current taxes	15,780,036	15,334,784
Delinquent taxes	480,142	524,002
Accounts and interest	76,126	204,183
Due from other governmental units	18,265,765	21,778,051
Inventory	199,592	274,213
Prepaid items	<u>936,325</u>	<u>831,064</u>
Total assets	<u><u>\$ 52,853,811</u></u>	<u><u>\$ 45,469,001</u></u>
Liabilities		
Salaries payable	\$ 9,593,470	\$ 9,024,346
Accounts and contracts payable	7,303,257	6,395,586
Due to other governmental units	645,834	589,007
Unearned revenue	<u>58,562</u>	<u>1,065,645</u>
Total liabilities	<u>17,601,123</u>	<u>17,074,584</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	441,142	524,002
Property taxes levied for subsequent year	<u>25,325,994</u>	<u>13,987,137</u>
Total deferred inflows of resources	<u>25,767,136</u>	<u>14,511,139</u>
Fund balances		
Nonspendable for inventory	199,592	274,213
Nonspendable for prepaid items	936,325	831,064
Restricted for health and safety	316,147	360,505
Restricted for operating capital	147,018	129,768
Restricted for learning and development	137,232	419,730
Restricted for state-approved alternative programs	149,297	108,323
Restricted for basic skills	–	1,837,051
Restricted for safe schools levy	374,759	–
Restricted for community arts center	30,683	30,683
Committed for ATPPS	250,870	604,235
Committed for donations/gifts	278,779	244,890
Committed for school budget carryover	123,248	172,579
Committed for tax shift	2,878,176	2,878,176
Assigned for staff development	–	72,286
Assigned for subsequent year budget deficit	1,068,692	2,526,328
Unassigned	<u>2,594,734</u>	<u>3,393,447</u>
Total fund balances	<u><u>9,485,552</u></u>	<u><u>13,883,278</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 52,853,811</u></u>	<u><u>\$ 45,469,001</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2014		2013	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 16,690,736	\$ 17,356,331	\$ 665,595	\$ 27,207,656
Investment earnings	—	35,163	35,163	5,844
Other	3,461,721	3,824,854	363,133	3,075,779
State sources	152,560,431	151,793,431	(767,000)	136,622,880
Federal sources	4,503,386	4,542,498	39,112	4,444,639
Total revenue	<u>177,216,274</u>	<u>177,552,277</u>	<u>336,003</u>	<u>171,356,798</u>
Expenditures				
Current				
Administration	7,099,992	7,279,625	179,633	6,885,574
District support services	3,769,482	3,723,231	(46,251)	4,126,221
Elementary and secondary regular instruction	93,399,282	92,903,232	(496,050)	91,084,361
Vocational education instruction	1,972,013	2,177,553	205,540	1,740,819
Special education instruction	29,087,940	29,648,664	560,724	25,956,261
Instructional support services	9,532,077	9,429,549	(102,528)	9,121,267
Pupil support services	20,125,907	18,964,817	(1,161,090)	18,382,511
Sites and buildings	17,023,320	21,214,467	4,191,147	18,770,018
Fiscal and other fixed cost programs	438,857	475,441	36,584	431,469
Debt service				
Principal	2,542,025	2,541,988	(37)	1,722,625
Interest and fiscal charges	197,908	197,818	(90)	253,175
Total expenditures	<u>185,188,803</u>	<u>188,556,385</u>	<u>3,367,582</u>	<u>178,474,301</u>
Excess (deficiency) of revenue over expenditures	(7,972,529)	(11,004,108)	(3,031,579)	(7,117,503)
Other financing sources				
Capital lease issued	—	2,606,382	2,606,382	1,264,788
Transfers in	4,000,000	4,000,000	—	—
Total other financing sources	<u>4,000,000</u>	<u>6,606,382</u>	<u>2,606,382</u>	<u>1,264,788</u>
Net change in fund balances	<u>\$ (3,972,529)</u>	<u>(4,397,726)</u>	<u>\$ (425,197)</u>	<u>(5,852,715)</u>
Fund balances				
Beginning of year		<u>13,883,278</u>		<u>19,735,993</u>
End of year		<u>\$ 9,485,552</u>		<u>\$ 13,883,278</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 1,210,485	\$ 1,264,032
Receivables		
Accounts and interest	995	1,491
Due from other governmental units	46,669	319,230
Inventory	224,641	227,317
Prepaid items	<u>39,044</u>	<u>28,498</u>
Total assets	<u><u>\$ 1,521,834</u></u>	<u><u>\$ 1,840,568</u></u>
Liabilities		
Salaries payable	\$ 114,632	\$ 120,404
Accounts and contracts payable	137,990	122,930
Due to other governmental units	502	—
Unearned revenue	<u>309,557</u>	<u>272,656</u>
Total liabilities	562,681	515,990
Fund balances		
Nonspendable for inventory	224,641	227,317
Nonspendable for prepaid items	39,044	28,498
Restricted for food service	<u>695,468</u>	<u>1,068,763</u>
Total fund balances	<u><u>959,153</u></u>	<u><u>1,324,578</u></u>
Total liabilities and fund balances	<u><u>\$ 1,521,834</u></u>	<u><u>\$ 1,840,568</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (charges)	\$ 1,000	\$ (12,987)	\$ (13,987)	\$ (5,682)
Other – primarily meal sales	5,464,500	5,317,906	(146,594)	5,140,646
State sources	318,350	308,353	(9,997)	294,493
Federal sources	2,547,492	2,352,702	(194,790)	2,326,605
Total revenue	<u>8,331,342</u>	<u>7,965,974</u>	<u>(365,368)</u>	<u>7,756,062</u>
Expenditures				
Current				
Salaries	2,871,878	2,938,538	66,660	2,856,330
Employee benefits	960,933	920,580	(40,353)	909,250
Purchased services	624,022	575,303	(48,719)	557,549
Supplies and materials	3,643,506	3,457,281	(186,225)	3,199,976
Other expenditures	25,000	14,261	(10,739)	11,641
Capital outlay	410,240	425,436	15,196	339,124
Total expenditures	<u>8,535,579</u>	<u>8,331,399</u>	<u>(204,180)</u>	<u>7,873,870</u>
Net change in fund balances	<u>\$ (204,237)</u>	<u>(365,425)</u>	<u>\$ (161,188)</u>	<u>(117,808)</u>
Fund balances				
Beginning of year		<u>1,324,578</u>		<u>1,442,386</u>
End of year		<u>\$ 959,153</u>		<u>\$ 1,324,578</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 2,720,926	\$ 2,501,826
Receivables		
Current taxes	747,652	734,593
Delinquent taxes	22,508	24,352
Accounts and interest	3,722	2,536
Due from other governmental units	167,823	244,103
Prepaid items	<u>33,073</u>	<u>27,702</u>
Total assets	<u><u>\$ 3,695,704</u></u>	<u><u>\$ 3,535,112</u></u>
Liabilities		
Salaries payable	\$ 582,118	\$ 455,744
Accounts and contracts payable	382,353	307,387
Due to other governmental units	1,613	5,630
Unearned revenue	<u>176,636</u>	<u>290,943</u>
Total liabilities	1,142,720	1,059,704
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	20,741	24,352
Property taxes levied for subsequent year	<u>1,347,852</u>	<u>682,927</u>
Total deferred inflows of resources	1,368,593	707,279
Fund balances (deficit)		
Nonspendable for prepaid items	33,073	27,702
Restricted for community education programs	1,663,588	1,709,130
Restricted for early childhood family education programs	336,714	301,972
Restricted for adult basic education	53,757	67,484
Restricted for community service	–	53,561
Unassigned – community service restricted account deficit	(275,823)	–
Unassigned – school readiness restricted account deficit	<u>(626,918)</u>	<u>(391,720)</u>
Total fund balances	<u>1,184,391</u>	<u>1,768,129</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,695,704</u></u>	<u><u>\$ 3,535,112</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 681,363	\$ 679,486	\$ (1,877)	\$ 1,320,051
Investment earnings	5,000	7,826	2,826	3,544
Other – primarily tuition and fees	9,659,885	9,616,643	(43,242)	9,547,111
State sources	2,102,187	2,053,098	(49,089)	1,393,689
Federal sources	10,895	10,895	–	8,112
Total revenue	<u>12,459,330</u>	<u>12,367,948</u>	<u>(91,382)</u>	<u>12,272,507</u>
Expenditures				
Current				
Salaries	8,015,101	8,437,265	422,164	7,954,890
Employee benefits	2,254,111	2,336,706	82,595	2,080,736
Purchased services	1,313,966	1,225,410	(88,556)	1,104,197
Supplies and materials	699,948	694,416	(5,532)	685,071
Other expenditures	397,094	67,411	(329,683)	380,012
Capital outlay	212,875	190,478	(22,397)	172,823
Total expenditures	<u>12,893,095</u>	<u>12,951,686</u>	<u>58,591</u>	<u>12,377,729</u>
Net change in fund balances	<u>\$ (433,765)</u>	<u>(583,738)</u>	<u>\$ (149,973)</u>	<u>(105,222)</u>
Fund balances				
Beginning of year		<u>1,768,129</u>		<u>1,873,351</u>
End of year		<u>\$ 1,184,391</u>		<u>\$ 1,768,129</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	<u>\$ 22,171,978</u>	<u>\$ 3,737,893</u>
Liabilities		
Accounts and contracts payable	\$ 426,756	\$ 712,692
Fund balances		
Restricted for alternative facilities program	21,690,523	2,895,565
Restricted for building construction	<u>54,699</u>	<u>129,636</u>
Total fund balances	<u>21,745,222</u>	<u>3,025,201</u>
 Total liabilities and fund balances	 <u>\$ 22,171,978</u>	 <u>\$ 3,737,893</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,063,625	\$ 1,063,625	\$ –	\$ 1,306,697
Investment earnings	–	1,718	1,718	5,992
Total revenue	1,063,625	1,065,343	1,718	1,312,689
Expenditures				
Capital outlay				
Supplies and materials	29,636	74,991	45,355	83,078
Capital expenditures	3,387,366	2,370,040	(1,017,326)	5,985,403
Other expenditures	100,000	–	(100,000)	–
Total expenditures	3,517,002	2,445,031	(1,071,971)	6,068,481
Excess (deficiency) of revenue over expenditures	(2,453,377)	(1,379,688)	1,073,689	(4,755,792)
Other financing sources (uses)				
Building bonds issued	20,420,120	20,244,226	(175,894)	–
Transfers (out)	(144,517)	(144,517)	–	–
Total other financing sources (uses)	20,275,603	20,099,709	(175,894)	–
Net change in fund balances	\$ 17,822,226	18,720,021	\$ 897,795	(4,755,792)
Fund balances				
Beginning of year		3,025,201		7,780,993
End of year		\$ 21,745,222		\$ 3,025,201

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 17,155,880	\$ 15,942,639
Cash and investments held by trustee	833,388	833,388
Receivables		
Current taxes	14,448,578	13,869,474
Delinquent taxes	405,061	425,850
Accounts and interest	18,150	10,220
Due from other governmental units	526	806
Prepaid items	<u>25,599</u>	<u>35,625</u>
Total assets	<u><u>\$ 32,887,182</u></u>	<u><u>\$ 31,118,002</u></u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	\$ 374,618	\$ 425,850
Property taxes levied for subsequent year	<u>26,047,611</u>	<u>25,057,800</u>
Total deferred inflows of resources	26,422,229	25,483,650
Fund balances		
Nonspendable for prepaid items	25,599	35,625
Restricted for debt service	<u>6,439,354</u>	<u>5,598,727</u>
Total fund balances	<u><u>6,464,953</u></u>	<u><u>5,634,352</u></u>
Total deferred inflows of resources and fund balances	<u><u>\$ 32,887,182</u></u>	<u><u>\$ 31,118,002</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 24,777,986	\$ 24,986,976	\$ 208,990	\$ 24,279,940
Investment earnings	25,000	44,300	19,300	23,768
State sources	—	5,262	5,262	5,925
Federal sources	1,111,385	1,115,118	3,733	1,150,715
Total revenue	25,914,371	26,151,656	237,285	25,460,348
Expenditures				
Capital outlay – joint elementary school	564,936	564,936	—	588,015
Debt service				
Principal	13,360,000	13,360,000	—	12,465,000
Interest	11,938,904	11,938,904	—	12,363,345
Fiscal charges and other	101,669	296,848	195,179	15,938
Total expenditures	25,965,509	26,160,688	195,179	25,432,298
Excess (deficiency) of revenue over expenditures	(51,138)	(9,032)	42,106	28,050
Other financing sources				
Building bonds issued	91,670	265,774	174,104	—
Premium on bonds issued	—	429,342	429,342	—
Transfers in	144,517	144,517	—	—
Total other financing sources	236,187	839,633	603,446	—
Net change in fund balances	\$ 185,049	830,601	\$ 645,552	28,050
Fund balances				
Beginning of year		5,634,352		5,606,302
End of year		\$ 6,464,953		\$ 5,634,352

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Assets			
Current assets			
Cash and temporary investments	\$ 1,881,975	\$ 4,059,381	\$ 13,926,267
Interest receivable	1,552	3,359	13,343
Total assets	1,883,527	4,062,740	13,939,610
Liabilities			
Current liabilities			
Severance benefits payable	261,873	—	—
Long-term liabilities			
Severance benefits payable	1,621,654	—	—
Net obligation for pension benefits	—	(433)	—
Net obligation for other post-employment benefits	—	—	1,163,832
Total long-term liabilities	1,621,654	(433)	1,163,832
Total liabilities	1,883,527	(433)	1,163,832
Net position			
Unrestricted	\$ —	\$ 4,063,173	\$ 12,775,778

Totals	
2014	2013
\$ 19,867,623	\$ 26,260,001
18,254	17,894
<u>19,885,877</u>	<u>26,277,895</u>
261,873	350,571
1,621,654	1,691,441
(433)	131,918
1,163,832	771,641
<u>2,785,053</u>	<u>2,595,000</u>
<u>3,046,926</u>	<u>2,945,571</u>
<u><u>\$ 16,838,951</u></u>	<u><u>\$ 23,332,324</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Operating revenue			
Contributions from governmental funds	\$ —	\$ —	\$ —
Operating expenses			
Severance benefits	122,619	—	—
Pension benefits	—	461,974	—
Other post-employment benefits	—	—	1,969,716
Total operating expenses	<u>122,619</u>	<u>461,974</u>	<u>1,969,716</u>
Operating income (loss)	(122,619)	(461,974)	(1,969,716)
Nonoperating revenue			
Investment earnings	<u>5,180</u>	<u>11,212</u>	<u>44,544</u>
Income (loss) before transfers	(117,439)	(450,762)	(1,925,172)
Transfers in	4,664	—	—
Transfers (out)	<u>—</u>	<u>(425,781)</u>	<u>(3,578,883)</u>
Change in net position	(112,775)	(876,543)	(5,504,055)
Net position			
Beginning of year	<u>112,775</u>	<u>4,939,716</u>	<u>18,279,833</u>
End of year	<u>\$ —</u>	<u>\$ 4,063,173</u>	<u>\$ 12,775,778</u>

Totals	
2014	2013
\$ —	\$ 1,213,553
122,619	161,998
461,974	514,913
1,969,716	2,040,819
<u>2,554,309</u>	<u>2,717,730</u>
(2,554,309)	(1,504,177)
<u>60,936</u>	<u>41,151</u>
(2,493,373)	(1,463,026)
4,664	268,302
<u>(4,004,664)</u>	<u>(268,302)</u>
(6,493,373)	(1,463,026)
<u>23,332,324</u>	<u>24,795,350</u>
<u>\$ 16,838,951</u>	<u>\$ 23,332,324</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2014

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

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits
Cash flows from operating activities			
Received from assessments made to other funds	\$ —	\$ —	\$ —
Severance benefit payments	(281,104)	—	—
Pension benefit payments	—	(594,325)	—
Other post-employment benefit payments	—	—	(1,577,525)
Net cash flows from operating activities	(281,104)	(594,325)	(1,577,525)
Cash flows from noncapital financial activities			
Cash paid to other funds	—	—	—
Transfer in	4,664	—	—
Transfer (out)	—	(425,781)	(3,578,883)
Net cash flows from noncapital financing activities	4,664	(425,781)	(3,578,883)
Cash flows from investing activities			
Interest on investments	5,095	11,307	44,174
Net change in cash and temporary investments	(271,345)	(1,008,799)	(5,112,234)
Cash and cash equivalents			
Beginning of year	2,153,320	5,068,180	19,038,501
End of year	\$ 1,881,975	\$ 4,059,381	\$ 13,926,267
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (122,619)	\$ (461,974)	\$ (1,969,716)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets and liabilities			
Severance benefits payable	(158,485)	—	—
Net obligation for pension benefits	—	(132,351)	—
Net obligation for other post-employment benefits	—	—	392,191
Net cash flows from operating activities	\$ (281,104)	\$ (594,325)	\$ (1,577,525)

Totals	
2014	2013
\$ —	\$ 1,213,553
(281,104)	(462,762)
(594,325)	(497,592)
(1,577,525)	(1,858,554)
(2,452,954)	(1,605,355)
—	15,834,040
4,664	268,302
(4,004,664)	(268,302)
(4,000,000)	15,834,040
60,576	26,135
(6,392,378)	14,254,820
26,260,001	12,005,181
\$ 19,867,623	\$ 26,260,001
\$ (2,554,309)	\$ (1,504,177)
(158,485)	(300,764)
(132,351)	17,321
392,191	182,265
\$ (2,452,954)	\$ (1,605,355)

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Section III

Statistical

Igniting a passion

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STATISTICAL SECTION

(UNAUDITED)

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STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 833'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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 12,785,633	\$ 16,864,766	\$ 25,835,739	\$ 36,944,822
Restricted	9,392,461	7,534,342	4,321,541	4,572,455
Unrestricted	11,380,083	19,959,177	19,581,794	51,659,277
Total governmental activities net position	<u>\$ 33,558,177</u>	<u>\$ 44,358,285</u>	<u>\$ 49,739,074</u>	<u>\$ 93,176,554</u>

Note: The District implemented GASB Statement No. 45 in fiscal 2008. The implementation of this standard caused the net position balance as of July 1, 2007 in the District's government-wide and proprietary fund statements to increase by \$28,341,339.

2009	2010	2011	2012	2013	2014
\$ 45,824,725	\$ 51,600,287	\$ 52,070,800	\$ 50,633,665	\$ 55,788,399	\$ 62,066,067
4,732,369	5,078,562	4,568,751	7,224,679	7,969,499	6,717,236
54,122,656	50,012,108	40,897,389	41,564,392	33,224,612	21,345,431
<u>\$104,679,750</u>	<u>\$106,690,957</u>	<u>\$ 97,536,940</u>	<u>\$ 99,422,736</u>	<u>\$ 96,982,510</u>	<u>\$ 90,128,734</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Expenses				
Administration	\$ 5,349,477	\$ 5,574,435	\$ 6,422,750	\$ 6,055,970
District support services	3,782,863	2,064,384	3,356,314	3,843,610
Elementary and secondary regular instruction	64,133,569	64,935,214	73,658,482	74,726,838
Vocational education instruction	2,128,461	2,385,479	2,427,399	2,607,651
Special education instruction	20,076,877	22,206,426	24,122,013	23,144,174
Instructional support services	6,019,554	7,685,721	10,155,121	8,551,355
Pupil support services	10,706,653	11,517,788	13,800,524	14,752,655
Sites and buildings	14,267,696	13,937,835	14,294,927	16,010,719
Fiscal and other fixed cost programs	514,449	475,489	446,164	442,154
Food service	5,373,017	5,835,480	6,070,077	6,430,201
Community service	7,452,369	8,403,545	9,259,049	9,480,317
Depreciation not included in other functions	4,640,219	4,725,014	4,716,412	4,904,146
Interest and fiscal charges	7,606,809	9,175,556	12,965,932	14,061,738
Total governmental activities expenses	152,052,013	158,922,366	181,695,164	185,011,528
Program revenues				
Charges for services				
Food service	4,390,674	4,555,370	4,669,659	4,979,997
Community service	5,389,878	5,794,533	6,291,549	7,023,282
All other	1,574,541	1,128,176	1,075,222	1,059,612
Operating grants and contributions	25,966,339	27,359,420	29,583,372	31,929,265
Total governmental activities program revenues	37,321,432	38,837,499	41,619,802	44,992,156
Net (expense) revenue	(114,730,581)	(120,084,867)	(140,075,362)	(140,019,372)
General revenues and other changes in net assets				
Taxes				
Property taxes, levied for general purposes	18,332,712	10,526,279	23,303,107	25,927,022
Property taxes, levied for community service	1,151,208	553,044	1,171,219	1,239,434
Property taxes, levied for capital projects	3,173,000	3,643,000	4,881,000	3,687,977
Property taxes, levied for debt service	12,681,395	12,572,464	12,412,767	17,565,143
General grants and aids	83,804,686	98,009,867	94,094,127	96,090,673
Other general revenues	361,020	1,477,226	1,266,275	1,318,569
Investment earnings	1,385,291	4,103,095	9,488,027	9,286,695
Total general revenues and other changes in net position	120,889,312	130,884,975	146,616,522	155,115,513
Change in net position	\$ 6,158,731	\$ 10,800,108	\$ 6,541,160	\$ 15,096,141

2009	2010	2011	2012	2013	2014
\$ 6,099,495	\$ 6,432,684	\$ 6,726,526	\$ 6,804,171	\$ 7,050,311	\$ 7,360,847
3,495,202	4,488,058	4,155,337	3,911,630	4,018,082	3,740,490
78,667,476	83,495,190	88,083,313	88,058,900	92,521,117	95,372,479
2,486,278	2,261,115	1,909,055	1,717,365	1,740,819	2,177,553
23,573,415	24,300,238	24,304,069	23,604,017	25,962,043	29,637,200
8,015,593	8,720,902	8,762,391	8,523,989	9,113,915	9,413,500
15,354,371	16,113,029	17,177,994	17,762,412	18,413,745	19,096,318
15,876,405	15,855,796	21,394,450	19,307,770	19,778,272	22,213,724
269,333	477,434	320,340	397,742	431,469	475,441
6,631,553	6,573,724	7,086,114	7,520,073	7,806,312	8,490,573
9,965,857	10,032,694	10,520,754	11,558,180	12,430,058	12,999,994
5,123,789	5,734,973	8,563,123	8,945,019	9,231,034	9,329,886
15,558,451	14,692,589	14,757,583	13,100,740	11,796,212	11,590,377
191,117,218	199,178,426	213,761,049	211,212,008	220,293,389	231,898,382
5,103,675	5,095,535	5,057,023	4,945,351	5,140,646	5,317,906
7,432,061	7,540,926	8,002,134	8,817,171	9,547,111	9,616,643
1,077,496	1,201,243	1,157,250	1,180,515	1,119,080	1,242,491
33,787,038	33,907,129	35,709,293	34,410,790	39,448,027	39,081,056
47,400,270	47,744,833	49,925,700	49,353,827	55,254,864	55,258,096
(143,716,948)	(151,433,593)	(163,835,349)	(161,858,181)	(165,038,525)	(176,640,286)
26,972,635	28,329,696	39,366,853	27,927,885	27,046,036	17,273,471
1,146,358	1,283,820	1,997,132	1,277,741	1,312,685	675,875
3,184,665	2,217,915	2,069,000	—	1,306,697	1,063,625
18,979,960	21,113,789	20,075,991	23,546,002	24,174,245	24,935,744
97,061,395	96,811,892	88,826,346	106,110,510	106,799,031	123,100,301
1,288,131	1,570,069	1,685,748	3,543,466	1,956,699	2,582,363
6,587,000	2,117,619	660,262	1,338,373	2,906	155,131
155,220,144	153,444,800	154,681,332	163,743,977	162,598,299	169,786,510
\$ 11,503,196	\$ 2,011,207	\$ (9,154,017)	\$ 1,885,796	\$ (2,440,226)	\$ (6,853,776)

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INDEPENDENT SCHOOL DISTRICT NO. 833

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	Debt Service	Total
2005	\$ 18,332,712	\$ 1,151,208	\$ 3,173,000	\$ 12,681,395	\$ 35,338,315
2006	10,526,279	553,044	3,643,000	12,572,464	27,294,787
2007	23,303,107	1,171,219	4,881,000	12,412,767	41,768,093
2008	25,927,022	1,239,434	3,687,977	17,565,143	48,419,576
2009	26,972,635	1,146,358	3,184,665	18,979,960	50,283,618
2010	28,329,696	1,283,820	2,217,915	21,113,789	52,945,220
2011	39,366,853	1,997,132	2,069,000	20,075,991	63,508,976
2012	27,927,885	1,277,741	—	23,546,002	52,751,628
2013	27,046,036	1,312,685	1,306,697	24,174,245	53,839,663
2014	17,273,471	675,875	1,063,625	24,935,744	43,948,715

Note: The change in “tax shift” as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved	\$ 5,676,418	\$ 4,098,105	\$ 2,383,457	\$ 2,171,001
Unreserved	17,485,477	21,151,839	21,953,005	24,753,613
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	<u>\$ 23,161,895</u>	<u>\$ 25,249,944</u>	<u>\$ 24,336,462</u>	<u>\$ 26,924,614</u>
All other governmental funds				
Reserved	\$ 6,076,819	\$ 61,400,383	\$ 58,931,558	\$ 136,804,657
Unreserved, reported in				
Special revenue funds	1,218,402	1,201,128	1,273,866	1,379,934
Capital Projects – Building Construction Fund	4,051,086	4,155,647	101,678,951	(1,064,466)
Debt Service Fund	3,189,456	3,430,709	5,848,080	3,535,831
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Unassigned – special revenue funds	—	—	—	—
Total all other governmental funds	<u>\$ 14,535,763</u>	<u>\$ 70,187,867</u>	<u>\$ 167,732,455</u>	<u>\$ 140,655,956</u>
Total all governmental funds	<u>\$ 37,697,658</u>	<u>\$ 95,437,811</u>	<u>\$ 192,068,917</u>	<u>\$ 167,580,570</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011. The new fund balance classifications under GASB Statement No. 54 are not available for years prior to fiscal 2010.

2009	2010	2011	2012	2013	2014
\$ 2,583,462	\$ —	\$ —	\$ —	\$ —	\$ —
25,537,221	—	—	—	—	—
—	725,419	823,164	1,125,484	1,105,277	1,135,917
—	1,573,914	832,872	2,188,743	2,886,060	1,155,136
—	—	4,810,821	4,188,228	3,899,880	3,531,073
—	11,379,950	7,708,428	3,988,180	2,598,614	1,068,692
—	11,292,132	5,204,005	8,245,358	3,393,447	2,594,734
<u>\$ 28,120,683</u>	<u>\$ 24,971,415</u>	<u>\$ 19,379,290</u>	<u>\$ 19,735,993</u>	<u>\$ 13,883,278</u>	<u>\$ 9,485,552</u>
\$ 84,876,525	\$ —	\$ —	\$ —	\$ —	\$ —
1,545,210	—	—	—	—	—
—	—	—	—	—	—
2,946,674	—	—	—	—	—
—	179,281	187,327	187,405	319,142	322,357
—	82,712,351	65,501,210	16,691,364	11,824,838	30,934,103
—	(40,461)	(115,104)	(175,737)	(391,720)	(902,741)
<u>\$ 89,368,409</u>	<u>\$ 82,851,171</u>	<u>\$ 65,573,433</u>	<u>\$ 16,703,032</u>	<u>\$ 11,752,260</u>	<u>\$ 30,353,719</u>
<u>\$ 117,489,092</u>	<u>\$ 107,822,586</u>	<u>\$ 84,952,723</u>	<u>\$ 36,439,025</u>	<u>\$ 25,635,538</u>	<u>\$ 39,839,271</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Local sources				
Property taxes	\$ 35,334,730	\$ 27,362,164	\$ 41,538,611	\$ 48,050,563
Investment earnings	931,890	3,185,001	8,138,540	8,562,925
Other	11,964,503	12,955,305	13,302,705	14,381,460
State sources	104,891,243	120,322,913	118,700,281	122,519,327
Federal sources	4,879,782	5,046,374	4,977,218	5,500,611
Total revenues	158,002,148	168,871,757	186,657,355	199,014,886
Expenditures				
Current				
Administration	5,073,361	5,741,966	6,240,802	6,068,728
District support services	3,659,137	3,706,438	3,342,924	3,834,051
Elementary and secondary regular instruction	60,378,807	66,438,712	72,333,804	75,024,779
Vocational education instruction	2,134,905	2,393,335	2,430,709	2,607,651
Special education instruction	20,093,639	22,217,768	23,917,942	23,196,140
Instructional support services	6,032,281	7,561,060	10,117,486	8,525,880
Pupil support services	10,389,067	11,418,699	14,557,827	15,151,565
Sites and buildings	10,808,067	12,570,741	13,614,584	15,011,450
Fiscal and other fixed cost programs	514,449	475,489	446,164	442,154
Food service	5,390,514	5,557,903	5,833,806	6,246,966
Community service	7,537,306	8,129,415	9,067,390	9,400,012
Capital outlay	5,939,041	7,701,685	22,383,893	67,773,544
Debt service				
Principal	7,877,842	6,953,735	6,962,567	9,698,357
Interest and fiscal charges	8,194,830	7,720,612	10,857,484	15,471,360
Total expenditures	154,023,246	168,587,558	202,107,382	258,452,637
Excess (deficiency) of revenues over expenditures	3,978,902	284,199	(15,450,027)	(59,437,751)
Other financing sources (uses)				
Building bonds issued	3,550,000	52,500,000	110,000,000	39,000,000
Refunding bonds issued	—	—	—	—
Premium on bonds issued	—	4,486,173	2,081,133	439,404
Discount on bonds issued	(20,813)	—	—	—
Payments to refunded bond escrow agent	(7,280,000)	—	—	(4,490,000)
Capital leases issued	355,582	469,781	—	—
Transfers in	300,048	289,148	297,814	285,815
Transfers out	(300,048)	(289,148)	(297,814)	(285,815)
Sale of capital assets	—	—	—	—
Total other financing sources (uses)	(3,395,231)	57,455,954	112,081,133	34,949,404
Net change in fund balances	\$ 583,671	\$ 57,740,153	\$ 96,631,106	\$(24,488,347)
Debt service as a percentage of noncapital expenditures	10.9%	9.1%	9.9%	13.2%

2009	2010	2011	2012	2013	2014
\$ 50,026,665	\$ 52,709,735	\$ 63,259,902	\$ 53,398,487	\$ 54,114,344	\$ 44,086,418
6,075,712	1,587,535	522,878	271,107	33,466	76,020
14,901,363	15,407,773	15,902,155	18,486,503	17,763,536	18,759,403
125,054,777	113,312,426	115,110,779	130,985,867	138,316,987	154,160,144
5,793,656	17,406,595	9,424,860	9,535,433	7,930,071	8,021,213
201,852,173	200,424,064	204,220,574	212,677,397	218,158,404	225,103,198
6,132,975	6,259,025	6,630,915	6,834,030	6,885,574	7,279,625
3,479,438	4,012,025	3,922,033	3,932,209	4,126,221	3,723,231
79,073,331	81,946,206	85,964,779	87,351,693	91,084,361	92,903,232
2,486,278	2,261,115	1,992,798	1,717,365	1,740,819	2,177,553
23,604,573	24,284,928	24,153,866	23,732,334	25,956,261	29,648,664
7,981,401	8,682,829	8,735,134	8,573,910	9,121,267	9,429,549
14,819,938	15,985,035	17,177,277	17,473,201	18,382,511	18,964,817
16,413,934	15,310,726	16,793,160	19,728,887	18,770,018	21,214,467
269,333	477,434	320,340	397,742	431,469	475,441
6,475,838	6,435,678	6,899,039	7,323,687	7,534,746	7,905,963
9,879,929	9,941,998	10,289,794	11,378,251	12,204,906	12,761,208
68,508,505	27,550,445	19,130,882	14,170,324	7,168,443	3,625,881
8,848,152	9,702,244	9,976,286	11,141,959	14,187,625	15,901,988
15,225,363	15,879,670	15,104,134	15,214,160	12,632,458	12,433,570
263,198,988	228,729,358	227,090,437	228,969,752	230,226,679	238,445,189
(61,346,815)	(28,305,294)	(22,869,863)	(16,292,355)	(12,068,275)	(13,341,991)
11,250,000	23,930,000	—	6,150,000	—	20,510,000
—	41,445,000	—	8,440,000	—	—
5,337	3,773,788	—	93,657	—	429,342
—	—	—	—	—	—
—	(50,510,000)	—	(51,005,000)	—	—
—	—	—	4,100,000	1,264,788	2,606,382
444,689	284,327	295,369	139,164	—	4,144,517
(444,689)	(284,327)	(295,369)	(139,164)	—	(144,517)
—	—	—	—	—	—
11,255,337	18,638,788	—	(32,221,343)	1,264,788	27,545,724
<u>\$(50,091,478)</u>	<u>\$ (9,666,506)</u>	<u>\$(22,869,863)</u>	<u>\$(48,513,698)</u>	<u>\$(10,803,487)</u>	<u>\$ 14,203,733</u>
<u>12.4%</u>	<u>12.7%</u>	<u>11.9%</u>	<u>12.3%</u>	<u>12.0%</u>	<u>12.0%</u>

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INDEPENDENT SCHOOL DISTRICT NO. 833

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

Fiscal Year	Property Tax					Total
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund		
2005	\$ 18,588,292	\$ 1,130,509	\$ 3,173,000	\$ 12,442,929	\$ 35,334,730	
2006	10,552,580	556,231	3,643,000	12,610,353	27,362,164	
2007	23,167,822	1,167,002	4,881,000	12,322,787	41,538,611	
2008	25,696,111	1,229,814	3,687,977	17,436,661	48,050,563	
2009	26,835,663	1,143,075	3,184,665	18,863,262	50,026,665	
2010	28,223,168	1,277,326	2,217,915	20,991,326	52,709,735	
2011	39,212,681	1,989,914	2,069,000	19,988,307	63,259,902	
2012	28,343,779	1,294,368	–	23,760,340	53,398,487	
2013	27,207,656	1,320,051	1,306,697	24,279,940	54,114,344	
2014	17,356,331	679,486	1,063,625	24,986,976	44,086,418	

Note: The change in “tax shift” as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 833

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation				
	Agricultural	Non-Agricultural	Fiscal Disparities		Tax Increment
			Contribution	Distribution	
2005	\$ 899,884	\$ 77,007,665	\$ (4,282,798)	\$ 7,427,992	\$ (1,686,420)
2006	951,696	87,278,069	(4,745,954)	7,846,695	(1,661,814)
2007	1,065,741	96,238,721	(4,414,207)	9,228,771	(1,994,330)
2008	1,214,492	100,728,035	(5,280,413)	10,771,320	(2,032,706)
2009	1,332,450	103,487,889	(5,945,701)	12,349,668	(2,409,347)
2010	1,390,202	99,076,630	(6,930,281)	13,071,258	(2,386,274)
2011	1,556,753	91,487,690	(7,024,577)	13,200,039	(1,583,763)
2012	1,460,166	85,636,730	(6,411,866)	12,973,932	(1,367,074)
2013	1,416,082	80,294,632	(6,400,832)	11,605,924	(1,218,416)
2014	1,520,718	84,069,276	(6,110,679)	11,530,736	(850,053)

Source: State of Minnesota School Tax Report

<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ 79,366,323	29.182	\$ 6,995,942,800	1.13 %
89,668,692	27.460	7,993,924,250	1.12
100,124,696	31.101	8,798,601,650	1.14
105,400,728	29.841	9,187,642,000	1.15
108,814,959	30.708	9,369,148,400	1.16
104,221,535	31.649	8,902,560,100	1.17
97,636,142	35.215	8,208,261,700	1.19
92,291,888	37.894	8,109,596,500	1.14
85,697,390	41.286	7,626,898,000	1.12
90,159,998	39.169	7,978,967,600	1.13

INDEPENDENT SCHOOL DISTRICT NO. 833

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	ISD No. 833	Overlapping Rates Municipalities (1)			
			Cottage Grove	Woodbury	Newport	St. Paul Park
Tax capacity rate	2005	29.182%	39.170%	30.124%	47.367%	32.734%
Market value rate	2005	0.18393%	–	0.01943%	–	–
Tax capacity rate	2006	27.460%	37.924%	29.018%	48.896%	31.534%
Market value rate	2006	0.20180%	–	0.01696%	–	–
Tax capacity rate	2007	31.101%	35.813%	28.122%	45.944%	31.516%
Market value rate	2007	0.18811%	–	0.02450%	–	–
Tax capacity rate	2008	29.841%	35.189%	28.169%	47.213%	32.734%
Market value rate	2008	0.18952%	–	0.02318%	–	–
Tax capacity rate	2009	30.708%	34.632%	28.474%	44.046%	32.831%
Market value rate	2009	0.19232%	–	0.02249%	–	–
Tax capacity rate	2010	31.649%	35.415%	31.033%	53.643%	35.028%
Market value rate	2010	0.20782%	–	0.02362%	–	–
Tax capacity rate	2011	35.215%	38.255%	34.921%	60.261%	43.221%
Market value rate	2011	0.20834%	–	0.02572%	–	–
Tax capacity rate	2012	37.894%	41.446%	35.921%	64.662%	49.481%
Market value rate	2012	0.19942%	–	0.02566%	–	–
Tax capacity rate	2013	41.286%	45.046%	39.440%	70.803%	57.471%
Market value rate	2013	0.21905%	–	0.02700%	–	–
Tax capacity rate	2014	39.169%	43.812%	38.076%	72.054%	48.754%
Market value rate	2014	0.22287%	–	0.02594%	–	–

N/A – Not Available

- (1) Municipalities listed includes those with district learning sites.
- (2) The miscellaneous other levy includes Intermediate District No. 916, Metropolitan Council, Metropolitan Mosquito, Transit District, Transit Area, Washington County HRA, Woodbury EDA, Woodbury HRA, Ramsey-Washington Metro Watershed District, Valley Branch Watershed District, South Washington Watershed District, and Regional Rail Authority.
- (3) The City of Cottage Grove was used as the municipality for purposes of the total district residents.

Source: Washington County

Denmark	Grey Cloud Island	Afton	Washington County	Miscellaneous Other (2)	Total ISD No. 833 Resident (3)
19.650%	29.238%	26.646%	28.599%	9.854%	106.805%
—	—	—	—	—	0.18393%
13.477%	28.045%	26.571%	26.968%	9.287%	101.639%
—	—	—	—	—	0.20180%
12.726%	24.592%	22.349%	25.673%	7.616%	100.203%
—	—	—	—	—	0.18811%
14.318%	23.657%	22.510%	25.936%	7.906%	98.872%
—	—	—	—	—	0.18952%
13.851%	23.017%	24.037%	26.371%	7.941%	99.652%
—	—	—	—	—	0.19232%
13.035%	23.875%	25.357%	27.775%	8.512%	103.351%
—	—	—	0.00314%	—	0.21096%
13.088%	23.773%	27.044%	29.772%	9.263%	112.505%
—	—	—	0.00229%	—	0.21063%
13.696%	27.277%	30.078%	31.939%	10.322%	121.601%
—	—	—	0.00180%	—	0.20122%
13.678%	25.691%	30.059%	34.225%	12.854%	133.411%
—	—	—	0.00191%	—	0.22096%
13.135%	26.196%	30.092%	32.811%	12.843%	128.635%
—	—	—	0.00449%	—	0.22736%

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INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Taxpayers
Prior Year and Eight Years Ago

Taxpayer	Type of Property	2013			2006		
		Tax Capacity	Rank	Percent of Total Tax Capacity	Tax Capacity	Rank	Percent of Total Tax Capacity
Xcel Energy	Utility	\$ 1,991,030	1	2.32 %	\$ 1,571,967	1	1.75 %
3M Company	Industrial	673,130	2	0.79	550,823	3	0.61
Woodbury Village Shopping	Commercial	669,792	3	0.78	684,144	2	0.76
Grand Reserve Apartments Corp.	Residential	563,088	4	0.66	535,185	4	0.60
TMF I Valley, LLC	Residential	411,404	5	0.48	–	–	–
St. Paul Park Refining Co., LLC (1)	Industrial	367,386	6	0.43	195,889	9	0.22
Target	Commercial	365,654	7	0.43	–	–	–
VRS/CAP Classic at Preserve	Residential	363,860	8	0.42	–	–	–
Allina Health System	Commercial	363,308	9	0.42	370,200	6	0.41
Health Investors Business Trust	Commercial	302,748	10	0.35	199,086	8	0.22
ML Casa II, LP	Residential	–	–	–	–	–	–
I & G St. Paul, LLC	Residential	–	–	–	428,467	5	0.48
Bellwood, LLC	Commercial	–	–	–	226,896	7	0.25
West-Biel 68, LLC	Commercial	–	–	–	188,600	10	0.21
Total		<u>\$ 6,071,400</u>		<u>7.08 %</u>	<u>\$ 4,951,257</u>		<u>5.51 %</u>

(1) Listed as Marathon Ashland Petroleum, LLC in 2006

Note 1: The most recent data available is from 2013.

Note 2: Information prior to 2006 is not readily available.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 833

Property Tax Levies, Collections, and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	First Year Levy Recognized	
					Amount	Percentage of Levy
2005	\$ 32,557,234	\$ 3,786,791	\$ 1,319,393	\$ 37,663,418	N/A	N/A
2006	37,425,187	3,693,361	1,170,109	42,288,657	N/A	N/A
2007	43,570,682	4,359,764	1,272,180	49,202,626	N/A	N/A
2008	44,446,083	5,311,229	1,221,897	50,979,209	N/A	N/A
2009	46,375,776	5,957,603	1,227,271	53,560,650	\$ 52,392,329	97.8 %
2010	46,043,972	6,455,509	1,328,990	53,828,471	52,730,574	98.0
2011	45,370,297	6,856,973	1,505,259	53,732,529	53,122,776	98.9
2012	46,267,400	7,196,635	10,202	53,474,237	52,997,555	99.1
2013	47,348,831	6,764,319	11,047	54,124,197	53,735,190	99.3
2014	48,596,750	7,360,609	11,559	55,968,918	24,992,652	44.7

N/A – Not Available (first year collections were not readily available for years collectible prior to 2009).

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids and have been included in collections. Legislative changes beginning with taxes collectible in 2012 significantly changed the calculation of tax credits applied and paid through state aids.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report

			Uncollected Taxes Receivable as of June 30, 2014					
Received in Subsequent Years	Total to Date		Delinquent		Current			
	Amount	Percentage of Levy	Amount	Percent	Amount	Percent		
\$ 37,663,418	\$ 37,663,418	100.0 %	\$ —	— %	\$ —	— %		
42,288,657	42,288,657	100.0	—	—	—	—		
49,202,626	49,202,626	100.0	—	—	—	—		
50,943,082	50,943,082	99.9	36,127	0.1	—	—		
1,093,201	53,485,530	99.9	75,120	0.1	—	—		
1,008,642	53,739,216	99.8	89,255	0.2	—	—		
484,169	53,606,945	99.8	125,584	0.2	—	—		
284,064	53,281,619	99.6	192,618	0.4	—	—		
—	53,735,190	99.3	389,007	0.7	—	—		
—	24,992,652	44.7	—	—	30,976,266	55.3		
			<u>\$ 907,711</u>		<u>\$ 30,976,266</u>			

INDEPENDENT SCHOOL DISTRICT NO. 833

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Energy Conservation Loans	Total Primary Government		
2005	\$ 151,645,000	\$ 9,547,725	\$ 138,691	\$ 161,331,416	1.72 %	\$ 1,712
2006	198,160,000	9,085,291	102,171	207,347,462	2.06	2,200
2007	302,195,000	8,121,239	68,656	310,384,895	2.89	3,235
2008	328,020,000	7,139,224	37,314	335,196,538	2.99	3,478
2009	331,405,000	6,187,414	5,972	337,598,386	3.13	3,471
2010	337,570,000	5,191,142	—	342,761,142	3.05	3,519
2011	328,635,000	4,149,856	—	332,784,856	2.79	3,578
2012	282,165,000	7,162,897	—	289,327,897	2.29	3,079
2013	269,700,000	6,705,060	—	276,405,060	2.07	2,928
2014	276,850,000	6,769,454	—	283,619,454	N/A	2,968

N/A – Not Available

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

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

INDEPENDENT SCHOOL DISTRICT NO. 833

Ratio of Net General Obligation Bonded Debt
to Market Value and Net General Obligation Bonded Debt
per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percentage of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2005	\$ 151,645,000	\$ 4,039,423	\$ 147,605,577	\$ 6,995,942,800	2.11 %	94,245	\$ 1,566
2006	198,160,000	62,485,622	135,674,378	7,993,924,250	1.70	94,245	1,440
2007	302,195,000	63,850,319	238,344,681	8,798,601,650	2.71	95,957	2,484
2008	328,020,000	56,537,683	271,482,317	9,187,642,000	2.95	96,369	2,817
2009	331,405,000	55,517,184	275,887,816	9,369,148,400	2.94	97,257	2,837
2010	337,570,000	48,867,209	288,702,791	8,902,560,100	3.24	97,406	2,964
2011	328,635,000	47,211,175	281,423,825	8,208,261,700	3.43	92,998	3,026
2012	282,165,000	5,606,302	276,558,698	8,109,596,500	3.41	93,972	2,943
2013	269,700,000	5,634,352	264,065,648	7,626,898,000	3.46	94,399	2,797
2014	276,850,000	6,464,953	270,385,047	7,978,967,600	3.39	95,556	2,830

Source: Annual school district census and U.S. census

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INDEPENDENT SCHOOL DISTRICT NO. 833

Direct and Overlapping Debt
as of June 30, 2014

Governmental Unit	Bonded Debt	Percent Allocable to ISD No. 833	Portion Allocable to ISD No. 833
Independent School District No. 833	\$ 276,850,000	100.00 %	\$ 276,850,000
Overlapping debt			
Washington County	133,610,000	33.95	45,359,660
City of Afton	3,290,000	5.72	188,050
City of Cottage Grove	15,555,000	98.23	15,279,257
City of Newport	2,205,000	100.00	2,205,000
City of St. Paul Park	2,870,000	100.00	2,870,000
City of Woodbury	50,464,663	73.99	37,340,722
Metropolitan Council	196,680,000	3.01	5,912,791
Ramsey-Washington Metro Watershed District	1,474,532	57.33	845,299
South Washington Watershed District	5,210,000	75.69	3,943,220
Total overlapping debt			<u>113,943,999</u>
Total direct and overlapping debt			<u>\$ 390,793,999</u>

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable assessed value that is within the District's boundaries and dividing it by the overlapping government's total taxable assessed value.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 833

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Debt limit	\$1,049,391,420	\$1,199,088,638	\$1,319,790,248	\$ 1,378,146,300
Total net debt applicable to limit	147,605,577	135,674,378	238,344,681	271,482,317
Legal debt margin	\$ 855,178,153	\$1,063,414,260	\$1,081,445,567	\$ 1,106,663,983
Total net debt applicable to the limit as a percentage of debt limit	14.07%	11.31%	18.06%	19.70%

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

2009	2010	2011	2012	2013	2014
\$ 1,405,372,260	\$ 1,335,384,015	\$ 1,231,239,255	\$ 1,216,439,475	\$ 1,144,034,700	\$ 1,196,845,140
275,887,816	288,702,791	281,423,825	276,558,698	264,065,648	270,385,047
<u>\$ 1,129,484,444</u>	<u>\$ 1,046,681,224</u>	<u>\$ 949,815,430</u>	<u>\$ 939,880,777</u>	<u>\$ 879,969,052</u>	<u>\$ 926,460,093</u>
19.63%	21.62%	22.86%	22.74%	23.08%	22.59%

Legal Debt Margin Calculation for Fiscal Year 2014

Market value	\$ 7,978,967,600
Debt limit (15% of market value)	1,196,845,140
Debt applicable to limit	
General obligation bonds	276,850,000
Less amount set aside for repayment of general obligation debt	<u>(6,464,953)</u>
Total net debt applicable to limit	<u>270,385,047</u>
Legal debt margin	<u>\$ 926,460,093</u>

INDEPENDENT SCHOOL DISTRICT NO. 833

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Washington County			Total ISD No. 833 Population (2)	School Enrollment (3)	Unemployment Rate (1)
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)			
2005	224,857	\$ 9,360,258,000	\$ 42,990	94,245	16,127	3.4 %
2006	228,103	10,082,316,000	44,942	94,245	16,472	3.5
2007	233,104	10,736,049,000	47,424	95,957	16,618	4.1
2008	234,311	11,200,728,000	48,118	96,369	16,767	5.4
2009	236,917	10,776,352,000	46,208	97,257	16,727	7.4
2010	238,136	11,240,061,000	47,200	97,406	16,864	6.7
2011	240,640	11,948,856,000	49,654	92,998	17,150	6.3
2012	243,144	12,657,651,000	52,058	93,972	17,477	5.4
2013	245,648	13,366,446,000	54,413	94,399	17,649	4.6
2014	N/A	N/A	N/A	95,556	17,719	N/A

N/A – Not Available

Sources:

- (1) 2013 Comprehensive Annual Financial Report of Washington County, Minnesota
- (2) Annual school district census and U.S. census
- (3) The District

INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Employers
Current Year and Eight Years Ago

Employer	2014			2006		
	Employees	Rank	Percent of Employment	Employees	Rank	Percent of Employment
Independent School District No. 833	2,418	1	35.79 %	2,448	1	34.76 %
HealthEast Woodwinds Hospital	850	2	12.58	766	3	10.88
Bailey Nurseries, Inc.	800	3	11.84	950	2	13.49
3M Company – Cottage Grove	700	4	10.36	745	4	10.58
Renewal by Anderson	450	5	6.66	400	5	5.68
Ecowater Systems	440	6	6.51	341	8	4.84
Target	330	7	4.88	377	6	5.35
Woodbury Health Care Center	300	8	4.44	370	7	5.25
Northern Tier Energy	268	9	3.97	306	10	4.34
YMCA	200	10	2.96	–	–	–
Assurant	–	–	–	340	9	4.83
Total	<u>6,756</u>		<u>100.00 %</u>	<u>7,043</u>		<u>100.00 %</u>

Note 1: Information prior to 2006 is not readily available.

Note 2: The statistic for total cities employment is not available; therefore, the percentage represents the percentage of the top 10 listed.

Source: Reference USA, written and telephone survey (April 2014), and the Minnesota Department of Employment and Economic Development

INDEPENDENT SCHOOL DISTRICT NO. 833

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2005	2006	2007	2008
District directors/superintendent	16	16	17	16
Principals	32	32	32	38
Teachers, nurses, and counselors	1,021	1,026	1,095	1,183
Coordinators, supervisors, specialists, and technical support	201	201	205	242
Paraprofessionals	291	271	273	304
Food service	130	128	129	122
Custodians	91	94	94	104
Bus drivers and mechanics	143	161	184	186
Community education leads and assistants	22	22	22	22
Total	1,947	1,951	2,051	2,217

N/A – Not Available

(1) This schedule is a headcount based on contract group. Full-time and part-time employees count the same.

2009	2010	2011	2012	2013	2014
15	14	15	15	14	14
40	40	41	41	41	43
1,205	1,209	1,250	1,267	1,280	1,350
238	234	237	235	240	237
321	327	324	337	348	374
115	139	145	140	148	142
106	115	116	117	121	116
200	206	199	203	206	194
22	22	22	22	20	23
2,262	2,306	2,349	2,377	2,418	2,493

INDEPENDENT SCHOOL DISTRICT NO. 833

Operating Indicators by Function
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Standardized tests				
MCA Reading (1)				
Grade 3	81 %	87 %	85 %	83 %
Grade 4 (2)	N/A	N/A	75	78
Grade 5	83	83	79	78
Grade 6 (2)	N/A	N/A	75	76
Grade 7	75	78	74	71
Grade 8 (2)	N/A	N/A	77	73
Grade 10	87	73	70	78
MCA Math (1)				
Grade 3	83	84	84	85
Grade 4 (2)	N/A	N/A	77	78
Grade 5	83	59	58	71
Grade 6 (2)	N/A	N/A	69	74
Grade 7	83	72	66	65
Grade 8 (2)	N/A	N/A	67	65
Grade 11	78	38	38	39
ACT				
Average composite score	22.8	22.8	23.8	22.9

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test.
- (2) Test first administered in fiscal year 2006–2007.

2009	2010	2011	2012	2013	2014
84 %	84 %	87 %	85 %	65 %	65 %
79	80	83	86	60	64
80	82	87	86	71	72
81	77	81	82	65	67
76	75	78	81	64	64
73	75	82	83	68	69
84	81	86	87	74	71
88	91	80	79	81	82
82	86	75	81	83	77
74	78	61	65	72	67
71	73	57	68	65	69
74	71	60	65	68	68
65	70	65	69	73	72
49	56	65	56	68	60
23.0	23.0	23.4	23.6	23.5	24.1

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INDEPENDENT SCHOOL DISTRICT NO. 833

School Facilities
as of June 30, 2014

Facility	Use	Constructed	Acres	Classrooms	Square Footage	Capacity*	Enrollment (1)
Armstrong Elementary	School	1969/1987/2001	12.00	31	76,211	484	366
Cottage Grove Elementary	School	2002	35.00	36	98,635	648	557
Crestview Elementary	School	1963/1970/1990/ 1999/2001	35.00	36	81,840	648	658
Gordon Bailey Elementary	School	1991/1992/2000	30.00	45	107,243	820	667
Grey Cloud Elementary	School	1991/1992/2001/	41.00	45	110,954	756	657
Hillside Elementary	School	1963/1970/1990/ 2001	16.00	32	75,864	616	467
Liberty Ridge Elementary	School	2003/2013	25.00	56	135,123	993	966
Middleton Elementary	School	1991/1992/1999	30.00	45	107,614	780	793
Newport Elementary	School	1955/1970/1990	9.00	21	79,286	352	277
Pine Hill Elementary	School	1960/1967/1970/ 2001	12.00	28	73,631	510	351
Pullman Elementary	School	1960/1970/2002	16.00	29	70,842	510	405
Red Rock Elementary	School	2002	31.00	36	98,556	648	616
Royal Oaks Elementary	School	1966/1970/1990/ 2001	7.00	32	75,859	616	488
Woodbury Elementary	School	1960/1963/1970/ 1989/1990/1999/ 2002	10.00	40	95,567	648	471
Cottage Grove Middle School	School	1995/2004/2007/	72.00	56	196,641	1,342	1,162
Lake Middle School	School	1995/2000	67.00	54	188,996	1,320	1,202
Oltman Middle School	School	1951/1960/1965/ 1973/1974/1995/ 2002	20.00	37	184,721	936	706
Woodbury Middle School	School	1969/1989/2002	16.00	44	181,496	1,080	929
East Ridge High School	School	2009	58.00	70	382,264	1,802	1,842
Park Senior High School	School	1964/1971/1973/ 1994/2002/2003	51.00	86	403,981	2,167	1,831
Woodbury Senior High School	School	1974/2002/2003	45.00	80	366,599	2,026	1,828
District Service Center	Office/ warehouse	1975	7.00	N/A	51,312	N/A	N/A
District Program Center	School/ office	1975	7.00	9	56,045	N/A	N/A

N/A – Not Available

(1) Enrollment data from October 1, 2013

* Capacity is based on student to staff ratios in effect for fiscal year 2014

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Fiscal Year	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance
2005	15,159	1,281,373	172	7,450	49.14
2006	15,484	1,357,036	172	7,890	50.95
2007	15,621	1,364,665	172	7,934	50.79
2008	15,761	1,427,835	173	8,253	52.37
2009	15,723	1,453,001	171	8,497	54.04
2010	15,852	1,595,427	173	9,222	58.18
2011	16,121	1,681,144	174	9,662	59.93
2012	16,428	1,713,365	174	9,847	59.94
2013	16,590	1,657,164	173	9,579	57.74
2014	16,656	1,670,058	168	9,941	59.68

(1) Based on State Food and Nutrition Department guidelines; attendance is deemed to be 94 percent of enrollment.

Free Lunch		Reduced Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
180,354	14.08 %	62,809	4.90 %
206,599	15.22	68,230	5.03
201,439	14.76	83,524	6.12
207,137	14.51	92,794	6.50
218,340	15.03	98,004	6.74
260,093	16.30	89,631	5.62
284,227	16.91	103,884	6.18
327,020	19.09	105,126	6.14
335,781	20.26	104,921	6.33
332,818	19.93	104,162	6.24

INDEPENDENT SCHOOL DISTRICT NO. 833

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

	Fiscal Year			
	2005	2006	2007	2008
Administration	\$ 315	\$ 349	\$ 376	\$ 362
District support services	227	225	201	229
Elementary and secondary regular instruction	3,744	4,033	4,353	4,475
Vocational education instruction	132	145	146	156
Special education instruction	1,246	1,349	1,439	1,383
Instructional support services	374	459	609	508
Pupil support services	644	693	876	904
Sites and buildings	670	763	819	895
Fiscal and other fixed cost programs	32	29	27	26
Food service	334	337	351	373
Community service	467	494	546	561
Capital outlay	368	468	1,347	4,042
Debt service	997	891	1,072	1,501
Total expenditures	<u>\$ 9,551</u>	<u>\$ 10,235</u>	<u>\$ 12,162</u>	<u>\$ 15,414</u>
Average daily membership	<u>16,127.03</u>	<u>16,472.25</u>	<u>16,617.96</u>	<u>16,766.94</u>

Note: Includes all governmental fund expenditures.

2009	2010	2011	2012	2013	2014
\$ 367	\$ 371	\$ 387	\$ 391	\$ 390	\$ 411
208	238	229	225	234	210
4,727	4,859	5,012	4,998	5,161	5,243
149	134	116	98	99	123
1,411	1,440	1,408	1,358	1,471	1,673
477	515	509	491	517	532
886	948	1,002	1,000	1,042	1,070
981	908	979	1,129	1,063	1,197
16	28	19	23	24	27
387	382	402	419	427	446
591	590	600	651	692	720
4,096	1,634	1,115	811	406	205
1,439	1,517	1,462	1,508	1,520	1,599
\$ 15,735	\$ 13,563	\$ 13,241	\$ 13,102	\$ 13,044	\$ 13,457
16,727.03	16,864.10	17,150.17	17,476.57	17,649.40	17,718.84

INDEPENDENT SCHOOL DISTRICT NO. 833

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2005	102.86	1,089.96	7,598.73	7,335.48	16,127.03	18,526.90
2006	106.47	1,102.00	7,804.01	7,459.77	16,472.25	18,922.60
2007	132.71	1,108.62	7,876.94	7,499.69	16,617.96	19,085.41
2008	140.67	1,108.31	7,895.99	7,621.97	16,766.94	19,344.52
2009	146.66	1,101.05	7,787.71	7,691.61	16,727.03	19,312.60
2010	154.53	1,148.96	7,852.79	7,707.82	16,864.10	19,443.29
2011	169.09	1,106.78	7,939.92	7,934.38	17,150.17	19,827.54
2012	218.11	1,164.59	8,034.05	8,059.82	17,476.57	20,188.71
2013	258.89	1,041.81	8,155.97	8,192.73	17,649.40	20,465.32
2014	267.35	1,058.51	8,155.42	8,237.56	17,718.84	20,541.78

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2005 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	1.115	1.060	1.300