



Inver Grove Heights Schools Comprehensive Annual Financial Report

for the fiscal year ending June 30, 2018



INSPIRE. INNOVATE. EXCEL.



A Community Commitment.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

INDEPENDENT SCHOOL DISTRICT NO. 199
INVER GROVE HEIGHTS, MINNESOTA

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

Prepared by
Business Office

Heather Aune – Director of Business Services

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INDEPENDENT SCHOOL DISTRICT NO. 199

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SECTION I

INTRODUCTORY SECTION



District Office

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www.isd199.org

November 29, 2018

To the School Board, Citizens, Employees, and Students of Inver Grove Heights Schools

INTRODUCTION

The following Comprehensive Annual Financial Report (CAFR) of Independent School District No. 199, Inver Grove Heights, Minnesota, also known as Inver Grove Heights Schools (the District), presents the financial position of the District as of June 30, 2018, and the results of its operations for the fiscal year then ended. This report is prepared in accordance with accounting principles generally accepted in the United States of America, and is audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. State law requires the District to publish a complete set of audited financial statements within six months of the close of the District's fiscal year.

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

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

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

These financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

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

REPORT FORMAT

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

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

THE DISTRICT'S PROFILE

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

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

The District is a suburban school district located 12 miles south of the City of St. Paul, Minnesota, and serves a general population of approximately 35,236, covers an area of about 22 square miles, and enrolled 3,641 students for the 2017–2018 fiscal year. In terms of number of students, the District is Minnesota’s 53rd largest school district. The District has one high school, one middle school, four elementary schools, and an early learning center.

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

Our Mission

Inspire. Innovate. Excel.
A Community Commitment.

Our Vision

- Inclusive, Respectful, and Caring Environment
- A Culture of High Expectations
- Whole Student Development
- Personalized Learning
- Involved and Invested Community and District

Core Values

Courage Advocating for what is important and acting with integrity
Excellence Inspiring, engaging, and challenging ourselves and others
Inclusion Building caring authentic relationships
Innovation Using flexibility and creativity to meet challenges and needs
Teamwork Shared responsibility, accountability, and accomplishments

Strategic Direction

- A Culture of Racial Equity
- Career and College Readiness with Core Life Skills
- Effective Teams and Partnerships

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

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

BUDGETARY PROCESS

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

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

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

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

ECONOMIC FACTORS

The District is located in Dakota County, which is one of seven counties that make up the Twin Cities Metropolitan Area. Although recent economic conditions have continued to show signs of improvement for many residents of the District, in the 2017–2018 school year, the percentage of students qualifying for free and reduced lunch increased slightly from 41.4 to 41.5 percent.

Although not all of the City of Inver Grove Heights (the City) is within the school district boundaries, there has been residential and commercial growth within the city boundaries. Officials at the City indicated that the City had \$79 million of new construction in 2017 compared to \$65.5 million in 2016. Total residential construction was 111 dwelling units, including 69 single family units and 42 townhome units. Residential additions and remodeling improved as homeowners reinvested in their homes. The City issued more than 2,000 building permits for residential additions and remodeling with a valuation of \$24.6 million. There was \$11.1 million of commercial and industrial construction in 2017, compared with \$15.6 million in 2016 and \$5.8 million in 2015.

The unemployment rate for Dakota County was 2.7 percent as of June 30, 2018. This compares favorably to both state and national average unemployment rates of 2.9 percent and 4.2 percent, respectively.

Estimated market value in the District increased 8.3 percent for the year from \$2,719,753,074 to \$2,945,747,808.

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

General education state aid, the single largest source of revenue for the District, is dependent on the number of students served by the District each school year. In fiscal year 2015, the enrollment was 3,816 students and decreased slightly to 3,811 in 2016. The 2017 fiscal year enrollment went down approximately 5 percent to 3,618. In the 2018 fiscal year, enrollment rose less than 1 percent to 3,641. Each October, the District projects its future enrollment five years out. Future enrollment projections, using the "Cohort Survival Method," indicate that the District's enrollment should remain stable or slightly decrease for the next five years.

Minnesota school districts have the ability to raise additional revenue through voter-approved excess levy referendums. For fiscal year 2018, the additional funding is capped at \$1,936 per adjusted pupil unit as per state statutes. For fiscal year 2018, the District has authority for \$562 per adjusted pupil unit of excess levy authority, which raises a total of approximately \$2.3 million. The District was \$1,374 below the referendum cap established by the Minnesota Legislature during the 2017–18 school year. A voter approved referendum was passed in November 2017, which will bring the voter approved authority to \$819 per pupil for 2018–19, still well below the \$1,936 cap.

The District operates five school buildings: one high school (220,728 square feet), one middle school (314,970 square feet), and three elementary buildings (totaling 222,424 square feet). The average age of the five buildings is 38.73 years.

AWARDS AND ACKNOWLEDGEMENTS

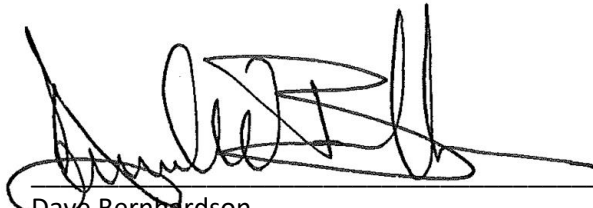
The District was awarded the ASBO International Certificate of Excellence in Financial Reporting for the preparation and issuance of a high-quality CAFR for the fiscal year ending June 30, 2017. This was the thirteenth time the District submitted its CAFR for consideration of this award. The Certificate of Excellence, the highest recognition for school district financial operations offered by the ASBO International, is only conferred to school systems that have met or exceeded the standards of the program.

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

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

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

Respectfully submitted,

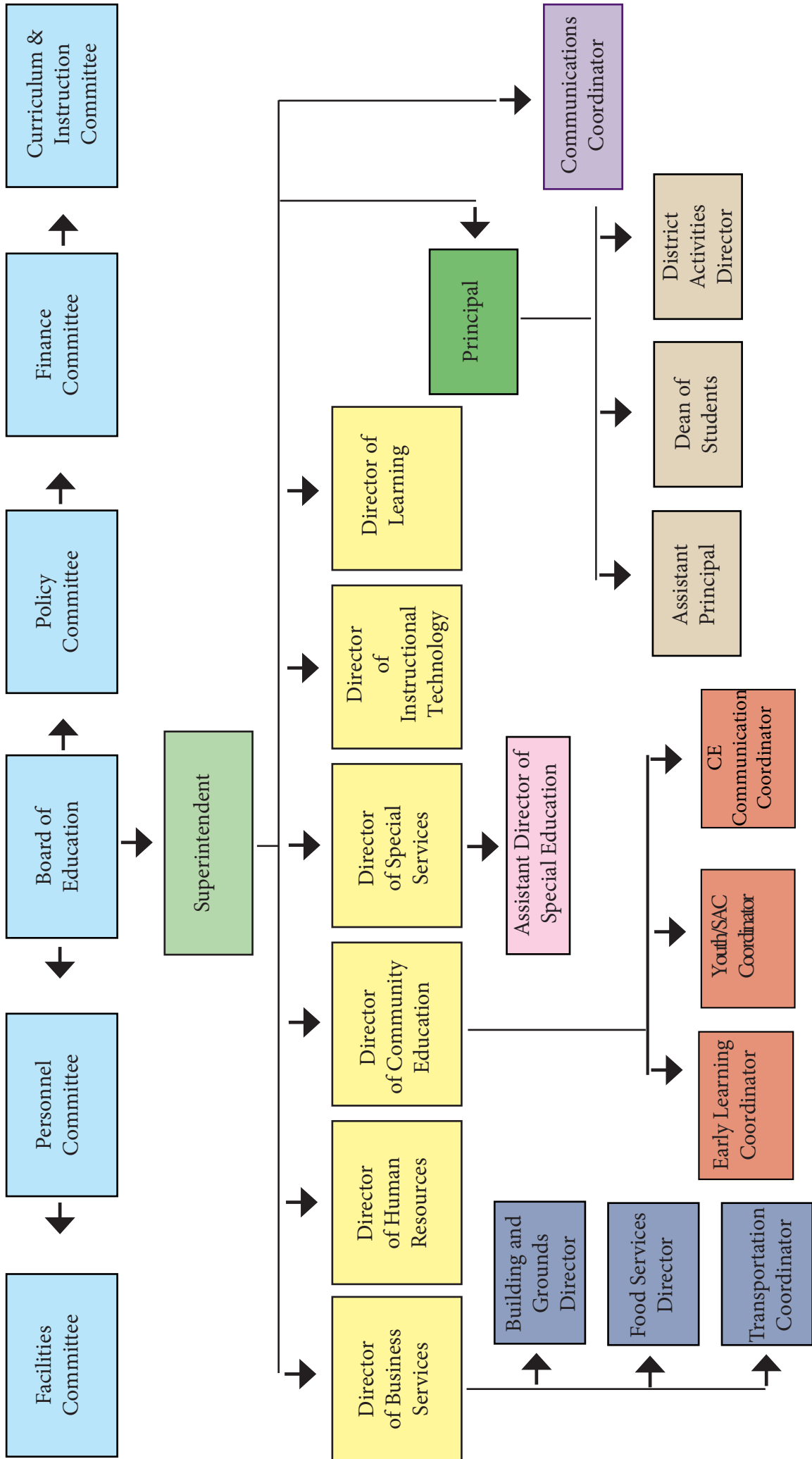
A handwritten signature in black ink, appearing to read "Dave Bernhardtson", written over a horizontal line.

Dave Bernhardtson
Superintendent

A handwritten signature in blue ink, appearing to read "Heather Aune", written over a horizontal line.

Heather Aune
Director of Business Services

ISD 199
Organizational Chart



INDEPENDENT SCHOOL DISTRICT NO. 199

School Board and Administration
Year Ended June 30, 2018

SCHOOL BOARD

	<u>Position on School Board During 2017–2018</u>
Matt Schaefer	Chairperson
Cindy Nordstrom	Vice Chairperson/Treasurer
Sherry Warrick	Clerk
Sue Gliva	Director
Rachel Hanson	Director
Carrie Lounsberry	Director
Lynette Stensgard	Director

ADMINISTRATION

Dave Bernhardson	Superintendent
Heather Aune	Director of Business Services
Mary Garrison	Director of Special Services
Michele Carrol	Director of Human Resources
Teajai Schmidt	Director of Learning
Caroline Little	Director of Instructional Technology
Barbara Pierce	Director of Community Education



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Independent School District No. 199

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

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



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.' The signature is written in a cursive style.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'. The signature is written in a cursive style.

John D. Musso, CAE
Executive Director

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SECTION II

FINANCIAL SECTION



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 199
Inver Grove Heights, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 199 (the District) as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 4, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 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 solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 29, 2018

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INDEPENDENT SCHOOL DISTRICT NO. 199

Management's Discussion and Analysis Year Ended June 30, 2018

The management of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) has provided readers of the District's financial statements with this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the other components of the District's Comprehensive Annual Financial Report (CAFR), including the letter of transmittal located in the introductory section.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2018, resulting in a deficit net position of (\$24,462,534). The unrestricted portion of net position was a deficit of (\$43,839,055). The District had \$4,574,619 of net position available at year-end to meet its ongoing obligations, but restricted for specific uses. The District's total net position decreased \$8,465,900 during the fiscal year ended June 30, 2018, excluding the change in accounting principle discussed below.
- The District recorded a change in accounting principle in the current year for the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The change reflects a new standard established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to other post-employment benefits (OPEB). The implementation of this standard reduced beginning net position in the government-wide financial statements by \$5,751,098.
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$15,537,380, a decrease of \$31,653 from the prior year.
- The District's General Fund, its primary operating fund, closed the fiscal year with an unassigned fund balance of \$3,518,579, which represents approximately 8.1 percent of annual General Fund expenditures based on fiscal 2018 expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide financial statements report the District's *net position* and how 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, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following types of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial 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 financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	<u>2018</u>	<u>2017</u>
Assets		
Current and other assets	\$ 46,082,838	\$ 44,408,386
Capital assets, net of depreciation	<u>67,633,999</u>	<u>69,061,429</u>
Total assets	<u>\$ 113,716,837</u>	<u>\$ 113,469,815</u>
Deferred outflows of resources		
Pension plan deferments	\$ 43,536,149	\$ 59,063,300
OPEB plan deferments	437,682	-
Deferred charges on refunding	<u>1,045,417</u>	<u>1,152,183</u>
Total deferred outflows of resources	<u>\$ 45,019,248</u>	<u>\$ 60,215,483</u>
Liabilities		
Current and other liabilities	\$ 5,885,205	\$ 5,866,803
Long-term liabilities, including due within one year	<u>148,963,036</u>	<u>164,945,809</u>
Total liabilities	<u>\$ 154,848,241</u>	<u>\$ 170,812,612</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 13,206,886	\$ 11,808,170
Pension plan deferments	<u>15,143,492</u>	<u>1,310,052</u>
Total deferred inflows of resources	<u>\$ 28,350,378</u>	<u>\$ 13,118,222</u>
Net position		
Net investment in capital assets	\$ 14,801,902	\$ 13,119,656
Restricted	4,574,619	5,346,052
Unrestricted	<u>(43,839,055)</u>	<u>(28,711,244)</u>
Total net position	<u>\$ (24,462,534)</u>	<u>\$ (10,245,536)</u>

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as depreciable lives and capitalization policies. Net position also includes long-term liabilities for severance, pension, and OPEB, which are not reported in the governmental funds.

Total net position decreased by \$14,216,998, which reflects a decrease of \$8,465,900 from current year operating results, along with the \$5,751,098 decrease from the change in accounting principle discussed earlier. The decrease in unrestricted net position was partially due to the implementation of the GASB statement for OPEB discussed earlier in this report. The changes in the District's share of the state-wide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans also contributed to the differences in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

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

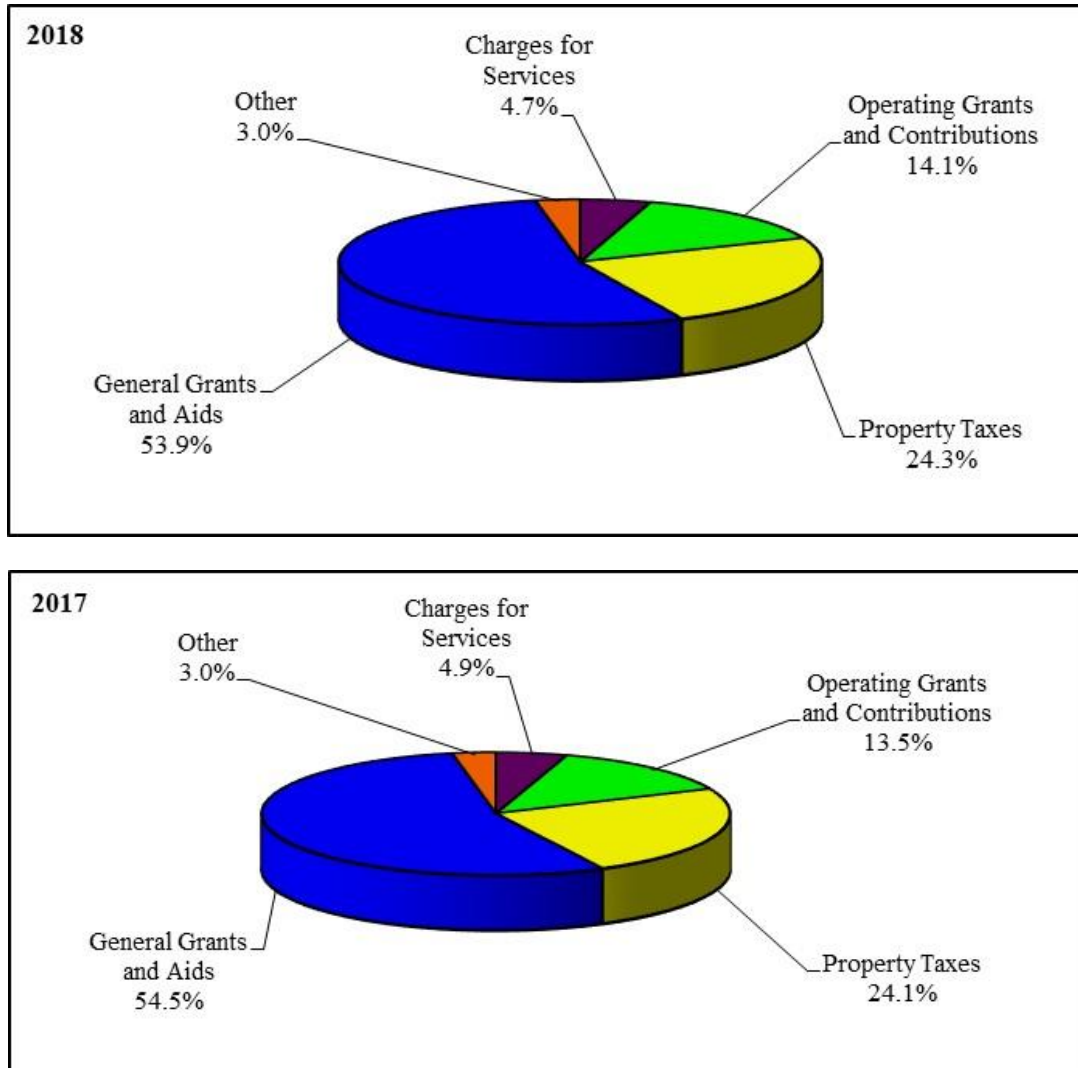
	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues		
Charges for services	\$ 2,510,325	\$ 2,676,839
Operating grants and contributions	7,565,389	7,394,314
General revenues		
Property taxes	13,001,061	13,145,638
General grants and aids	28,813,615	29,739,668
Other	<u>1,611,122</u>	<u>1,654,163</u>
Total revenues	53,501,512	54,610,622
Expenses		
Administration	2,266,737	2,213,704
District support services	2,672,841	2,670,755
Elementary and secondary regular instruction	25,739,432	26,134,438
Vocational education instruction	319,225	335,447
Special education instruction	9,715,185	10,706,959
Instructional support services	3,147,923	3,330,003
Pupil support services	4,677,260	4,470,214
Sites and buildings	4,735,153	5,118,362
Fiscal and other fixed cost programs	133,569	129,517
Food service	2,094,804	2,018,448
Community service	2,234,523	2,258,123
Depreciation not allocated directly to programs	2,060,251	1,989,650
Interest on long-term debt	<u>2,170,509</u>	<u>2,277,837</u>
Total expenses	<u>61,967,412</u>	<u>63,653,457</u>
Change in net position	(8,465,900)	(9,042,835)
Net position – beginning, as previously reported	(10,245,536)	(1,202,701)
Change in accounting principle	<u>(5,751,098)</u>	<u>–</u>
Net position – beginning, as restated	<u>(15,996,634)</u>	<u>(1,202,701)</u>
Net position – ending	<u>\$ (24,462,534)</u>	<u>\$ (10,245,536)</u>

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

As seen above, total revenues in fiscal 2018 were \$1,109,110 less than the previous year, and total expenses decreased \$1,686,045 (2.6 percent) from the previous year, both due primarily to the impact from changes in the District's proportionate share of the state-wide PERA and the TRA pension plans mentioned earlier.

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

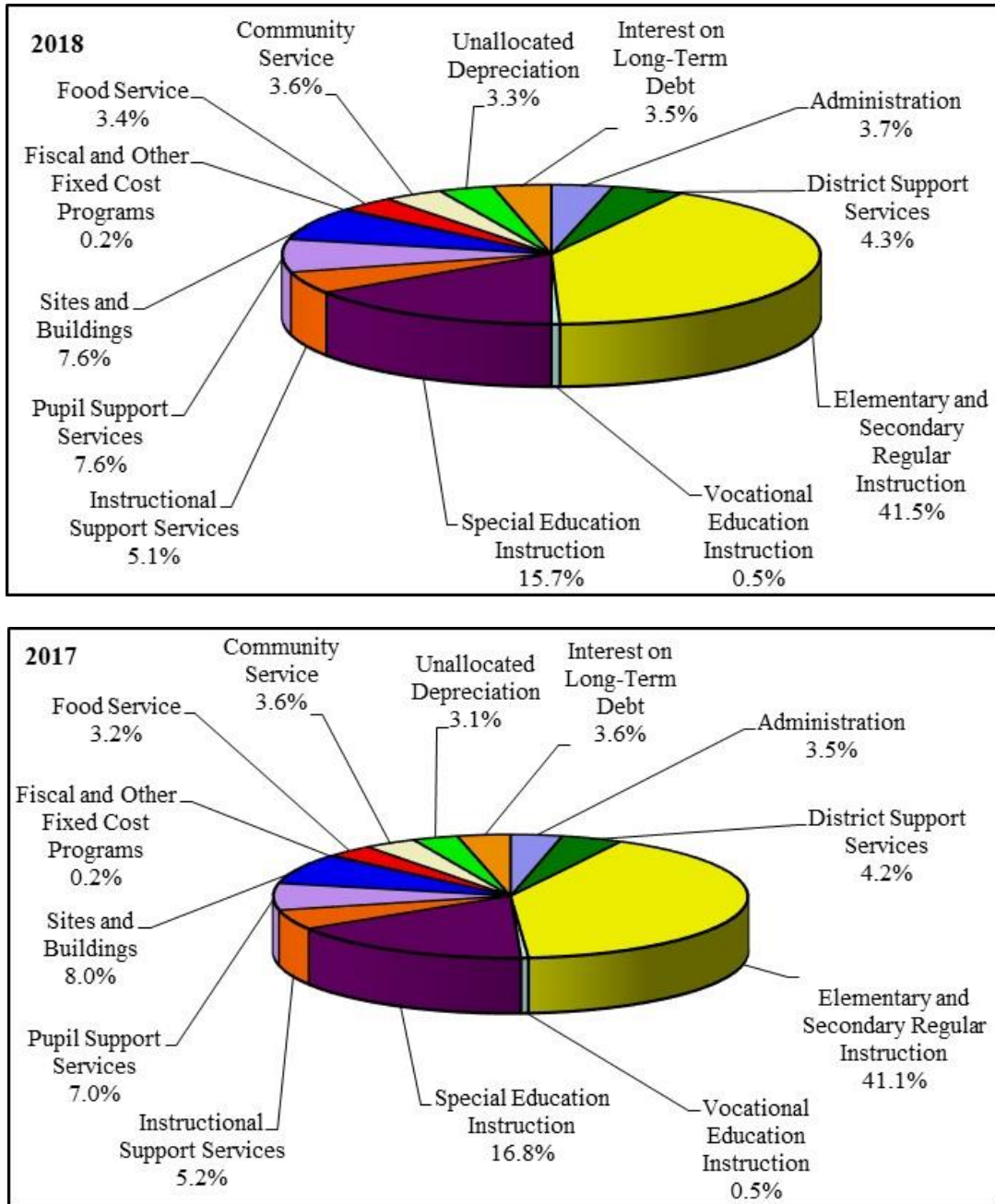
Figure A – Sources of Revenue for Fiscal Years 2018 and 2017



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 increases 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.

Figure B – Expenses for Fiscal Years 2018 and 2017



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Total Percent Change</u>
Major funds				
General	\$ 12,416,837	\$ 12,370,335	\$ 46,502	0.4%
Debt Service	1,282,748	1,214,385	68,363	5.6%
Nonmajor funds				
Food Service Special Revenue	1,281,693	1,459,298	(177,605)	(12.2%)
Community Service Special Revenue	<u>556,102</u>	<u>525,015</u>	<u>31,087</u>	5.9%
Total governmental funds	<u>\$ 15,537,380</u>	<u>\$ 15,569,033</u>	<u>\$ (31,653)</u>	(0.2%)

The fund balance of the General Fund increased from current year operations compared to a \$1,154,178 decrease approved in the budget, mainly due to conservative budgeting for severance and other employee benefits. The increase in the Debt Service Fund was mainly due to the relationship between authorized tax levies and scheduled principal and interest payments on outstanding debt. The Food Service Special Revenue Fund decreased as projected in the budget. The Community Service Special Revenue Fund increase was attributable to cost savings as expenditures for purchased services decreased.

General Fund

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 42,900,552</u>	<u>\$ 43,775,416</u>	<u>\$ 874,864</u>	<u>2.0%</u>
Expenditures	<u>\$ 44,453,090</u>	<u>\$ 44,929,594</u>	<u>\$ 476,504</u>	<u>1.1%</u>

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

The District amended the budget during the year to adjust for updated enrollment projections, updated special education estimates, known staffing changes, and updated federal funding allocations and budgets.

Table 5 summarizes the operating results of the General Fund:

	2018 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue	\$ 43,440,239	\$ (335,177)	(0.8%)	\$ 540,303	1.3%
Expenditures	43,393,737	\$ (1,535,857)	(3.4%)	\$ 122,148	0.3%
Other financing sources	—	\$ —	—	\$ (197,450)	(100.0%)
Net change in fund balances	<u>\$ 46,502</u>				

General Fund revenues increased \$540,303 from the prior year, mainly due to improved state general education funding. Revenues were \$335,177 under the final budget for fiscal year 2018, mainly due to a smaller increase than expected in the number of students served.

General Fund expenditures increased \$122,148, but were \$1,535,857 under budget, mainly in salaries and benefits, due to conservative budgeting for severance.

Debt Service Fund

The Debt Service Fund is used to record principal and interest expenditures for the District's outstanding bonded indebtedness and the revenue sources that are used to finance them, whether for building construction, OPEB, or for initial or refunding bonds. The year-end fund balance of \$1,282,748 is restricted for debt service.

Internal Service Fund

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds. One fund is used to account for the payment and financing of its severance and pension benefit liabilities, and the other is used to account for the payment and financing of its OPEB liabilities, including the administration of assets held in a revocable OPEB trust to finance these liabilities.

Total net position increased \$180,003 in fiscal 2018, excluding the change in accounting principle related to the implementation of GASB Statement No. 75. The District reported a \$5,751,098 change in accounting principle for the implementation of the new OPEB accounting standard that reduced net position restricted for employee benefits when compared to the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 651,721	\$ 421,200	\$ 230,521
Buildings and improvements	92,387,352	92,387,352	-
Furniture and equipment	4,471,703	3,927,956	543,747
Less accumulated depreciation	<u>(29,876,777)</u>	<u>(27,675,079)</u>	<u>(2,201,698)</u>
Total	<u><u>\$ 67,633,999</u></u>	<u><u>\$ 69,061,429</u></u>	<u><u>\$ (1,427,430)</u></u>
Depreciation expense	<u><u>\$ 2,201,698</u></u>	<u><u>\$ 2,172,540</u></u>	<u><u>\$ 29,158</u></u>

The District's capital asset purchases remained relatively minimal in the current year.

Long-Term Liabilities

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
General obligation bonds payable	\$ 57,565,000	\$ 60,495,000	\$ (2,930,000)
Premiums	2,702,178	3,035,127	(332,949)
Discounts	(24,779)	(26,911)	2,132
Special assessments payable	31,250	43,750	(12,500)
Capital leases payable	1,948,109	2,292,497	(344,388)
Severance payable	1,079,902	1,173,307	(93,405)
Total OPEB liability	7,215,133	713,614	6,501,519
Net/total pension liabilities	<u>78,446,243</u>	<u>97,219,425</u>	<u>(18,773,182)</u>
Total	<u><u>\$ 148,963,036</u></u>	<u><u>\$ 164,945,809</u></u>	<u><u>\$ (15,982,773)</u></u>

The decreases in general obligation bonds payable, capital leases payable, and special assessments payable are mainly due to scheduled principal payments made during the year.

The decrease in the pension liability for the District is due to the change in the District’s proportionate share of the state-wide PERA and TRA pension plan liabilities. The decrease in the District’s proportionate share of the state-wide pension liability was caused by several changes in actuarial assumptions used to determine the pension liability, including a change in the assumed discount rate for the TRA pension plan, which increased from 4.66 percent to 5.12 percent in the most recent actuarial valuation.

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

District’s market value	\$ 2,945,747,808
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 441,862,171</u>

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

FACTORS BEARING ON THE DISTRICT’S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

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. For the 2019 fiscal year, the Legislature added \$124, or 2 percent, per pupil to the basic general education funding formula.

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Net Position
as of June 30, 2018

(With Partial Comparative Information as of June 30, 2017)

	Governmental Activities	
	2018	2017
Assets		
Cash and temporary investments	\$ 23,469,343	\$ 22,099,720
Receivables		
Current taxes	7,626,255	7,065,761
Delinquent taxes	78,240	118,917
Accounts and interest	139,076	112,451
Due from other governmental units	3,531,921	3,903,806
Due from Employee Benefits Trust Fund	12,156	–
Inventory	70,229	119,389
Prepaid items	231,528	178,750
Restricted assets – temporarily restricted		
Cash and investments for other post-employment benefits	10,924,090	10,809,592
Capital assets		
Not depreciated	651,721	421,200
Depreciated, net of accumulated depreciation	66,982,278	68,640,229
Total capital assets, net of accumulated depreciation	<u>67,633,999</u>	<u>69,061,429</u>
Total assets	<u>113,716,837</u>	<u>113,469,815</u>
Deferred outflows of resources		
Pension plan deferments	43,536,149	59,063,300
OPEB plan deferments	437,682	–
Deferred charges on refunding	1,045,417	1,152,183
Total deferred outflows of resources	<u>45,019,248</u>	<u>60,215,483</u>
Total assets and deferred outflows of resources	<u>\$ 158,736,085</u>	<u>\$ 173,685,298</u>
Liabilities		
Salaries payable	\$ 3,116,397	\$ 2,945,287
Accounts and contracts payable	1,436,553	1,333,782
Accrued interest payable	969,261	1,028,585
Due to other governmental units	321,494	521,424
Unearned revenue	41,500	37,725
Long-term liabilities		
Due within one year	3,052,049	3,336,406
Due in more than one year	145,910,987	161,609,403
Total long-term liabilities	<u>148,963,036</u>	<u>164,945,809</u>
Total liabilities	<u>154,848,241</u>	<u>170,812,612</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	13,206,886	11,808,170
Pension plan deferments	15,143,492	1,310,052
Total deferred inflows of resources	<u>28,350,378</u>	<u>13,118,222</u>
Net position		
Net investment in capital assets	14,801,902	13,119,656
Restricted for		
Capital asset acquisition	1,612,029	1,606,292
Food service	1,281,693	1,459,298
Community service	559,066	529,352
Debt service	343,801	232,774
Other post-employment benefits	–	798,444
Other purposes (state funding restrictions)	778,030	719,892
Unrestricted	(43,839,055)	(28,711,244)
Total net position	<u>(24,462,534)</u>	<u>(10,245,536)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 158,736,085</u>	<u>\$ 173,685,298</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Activities
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

Functions/Programs	2018			2017	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 2,266,737	\$ -	\$ -	\$ (2,266,737)	\$ (2,213,704)
District support services	2,672,841	-	-	(2,672,841)	(2,670,755)
Elementary and secondary regular instruction	25,739,432	290,199	612,046	(24,837,187)	(25,687,253)
Vocational education instruction	319,225	-	2,286	(316,939)	(335,447)
Special education instruction	9,715,185	236,388	4,640,914	(4,837,883)	(5,346,459)
Instructional support services	3,147,923	-	430,082	(2,717,841)	(2,869,667)
Pupil support services	4,677,260	539	76,519	(4,600,202)	(4,387,963)
Sites and buildings	4,735,153	-	254,906	(4,480,247)	(5,118,362)
Fiscal and other fixed cost programs	133,569	-	-	(133,569)	(129,517)
Food service	2,094,804	689,887	1,193,683	(211,234)	(97,233)
Community service	2,234,523	1,293,312	354,953	(586,258)	(458,457)
Depreciation not allocated directly to programs	2,060,251	-	-	(2,060,251)	(1,989,650)
Interest on long-term debt	2,170,509	-	-	(2,170,509)	(2,277,837)
Total governmental activities	<u>\$ 61,967,412</u>	<u>\$ 2,510,325</u>	<u>\$ 7,565,389</u>	(51,891,698)	(53,582,304)
General revenues					
Taxes					
Property taxes levied for general purposes				7,392,288	7,430,517
Property taxes levied for community service				455,172	469,744
Property taxes levied for debt service				5,153,601	5,245,377
General grants and aids				28,813,615	29,739,668
Other general revenues				667,540	583,264
Investment earnings				943,582	1,070,899
Total general revenues				<u>43,425,798</u>	<u>44,539,469</u>
Change in net position				(8,465,900)	(9,042,835)
Net position – beginning, as previously reported				(10,245,536)	(1,202,701)
Change in accounting principle				<u>(5,751,098)</u>	-
Net position – beginning, as restated				<u>(15,996,634)</u>	<u>(1,202,701)</u>
Net position – ending				<u>\$ (24,462,534)</u>	<u>\$ (10,245,536)</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Balance Sheet
Governmental Funds
as of June 30, 2018

(With Partial Comparative Information as of June 30, 2017)

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	\$ 16,149,221	\$ 3,532,217	\$ 1,929,925
Receivables			
Current taxes	4,773,002	2,618,230	235,023
Delinquent taxes	44,962	30,314	2,964
Accounts and interest	86,032	-	53,044
Due from other governmental units	3,281,333	48,349	202,239
Due from other funds	449,838	-	-
Inventory	-	-	70,229
Prepaid items	231,528	-	-
	<u>\$ 25,015,916</u>	<u>\$ 6,229,110</u>	<u>\$ 2,493,424</u>
Liabilities			
Salaries payable	\$ 3,025,594	\$ -	\$ 90,803
Accounts and contracts payable	1,397,792	-	38,761
Due to other governmental units	281,178	-	40,316
Unearned revenue	-	-	41,500
Total liabilities	<u>4,704,564</u>	<u>-</u>	<u>211,380</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	7,849,553	4,916,048	441,285
Unavailable revenue – delinquent taxes	44,962	30,314	2,964
Total deferred inflows of resources	<u>7,894,515</u>	<u>4,946,362</u>	<u>444,249</u>
Fund balances			
Nonspendable	231,528	-	70,229
Restricted	2,390,059	1,282,748	1,767,566
Assigned	6,276,671	-	-
Unassigned	3,518,579	-	-
Total fund balances	<u>12,416,837</u>	<u>1,282,748</u>	<u>1,837,795</u>
	<u>\$ 25,015,916</u>	<u>\$ 6,229,110</u>	<u>\$ 2,493,424</u>
Total liabilities, deferred inflows of resources, and fund balances			

Total Governmental Funds

2018	2017
\$ 21,611,363 7,626,255 78,240 139,076 3,531,921 449,838 70,229 231,528 <hr/> \$ 33,738,450 <hr/> <hr/>	\$ 20,283,237 7,065,761 118,917 112,451 3,903,806 552,027 119,389 178,750 <hr/> \$ 32,334,338 <hr/> <hr/>
\$ 3,116,397 1,436,553 321,494 41,500 <hr/> 4,915,944 13,206,886 78,240 <hr/> 13,285,126	\$ 2,945,287 1,333,782 521,424 37,725 <hr/> 4,838,218 11,808,170 118,917 <hr/> 11,927,087
301,757 5,440,373 6,276,671 3,518,579 <hr/> 15,537,380 <hr/> <hr/>	298,139 5,408,805 6,422,538 3,439,551 <hr/> 15,569,033 <hr/> <hr/>
\$ 33,738,450 <hr/> <hr/>	\$ 32,334,338 <hr/> <hr/>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Total fund balances – governmental funds	\$ 15,537,380	\$ 15,569,033
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	97,510,776	96,736,508
Accumulated depreciation	(29,876,777)	(27,675,079)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(57,565,000)	(60,495,000)
Special assessments payable	(31,250)	(43,750)
Capital leases	(1,948,109)	(2,292,497)
(Premiums) discounts on bonds	(2,677,399)	(3,008,216)
Net pension liability – PERA and TRA pension plans	(76,630,175)	(95,162,913)
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.		
	2,892,243	8,463,338
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(969,261)	(1,028,585)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	43,304,367	58,730,577
Deferred outflows – deferred charges on refunding	1,045,417	1,152,183
Deferred inflows – PERA and TRA pension plans	(15,132,986)	(1,310,052)
Deferred inflows – delinquent property taxes	78,240	118,917
Total net position – governmental activities	<u>\$ (24,462,534)</u>	<u>\$ (10,245,536)</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	\$ 7,414,932	\$ 5,170,261	\$ 456,545
Investment earnings	107,130	79,674	48,756
Other	1,194,667	-	1,983,199
State sources	33,231,098	117,866	456,905
Federal sources	1,492,412	-	1,091,731
Total revenue	<u>43,440,239</u>	<u>5,367,801</u>	<u>4,037,136</u>
Expenditures			
Current			
Administration	1,794,497	-	-
District support services	2,576,555	-	-
Elementary and secondary regular instruction	18,872,549	-	-
Vocational education instruction	226,070	-	-
Special education instruction	7,459,954	-	-
Instructional support services	2,516,287	-	-
Pupil support services	4,174,220	-	-
Sites and buildings	5,198,702	-	-
Fiscal and other fixed cost programs	133,569	-	-
Food service	-	-	2,055,665
Community service	-	-	2,071,156
Capital outlay	-	-	56,833
Debt service			
Principal	356,888	2,930,000	-
Interest and fiscal charges	84,446	2,369,438	-
Total expenditures	<u>43,393,737</u>	<u>5,299,438</u>	<u>4,183,654</u>
Excess (deficiency) of revenue over expenditures	46,502	68,363	(146,518)
Other financing sources (uses)			
Refunding bonds issued	-	-	-
Premium on debt issued	-	-	-
Capital leases	-	-	-
Bond refunding payments	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	46,502	68,363	(146,518)
Fund balances			
Beginning of year	<u>12,370,335</u>	<u>1,214,385</u>	<u>1,984,313</u>
End of year	<u>\$ 12,416,837</u>	<u>\$ 1,282,748</u>	<u>\$ 1,837,795</u>

Total Governmental Funds

2018	2017
\$ 13,041,738	\$ 13,118,151
235,560	96,526
3,177,866	3,239,078
33,805,869	33,441,369
2,584,143	2,617,382
<u>52,845,176</u>	<u>52,512,506</u>
1,794,497	1,632,682
2,576,555	2,510,943
18,872,549	18,228,129
226,070	224,984
7,459,954	7,697,527
2,516,287	2,547,795
4,174,220	4,099,493
5,198,702	5,653,104
133,569	129,517
2,055,665	1,907,529
2,071,156	2,017,794
56,833	1,614,221
3,286,888	3,154,192
2,453,884	2,738,162
<u>52,876,829</u>	<u>54,156,072</u>
(31,653)	(1,643,566)
—	9,725,000
—	34,835
—	197,450
—	(9,642,809)
<u>—</u>	<u>314,476</u>
(31,653)	(1,329,090)
<u>15,569,033</u>	<u>16,898,123</u>
<u>\$ 15,537,380</u>	<u>\$ 15,569,033</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2018

(With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Total net change in fund balances – governmental funds	\$ (31,653)	\$ (1,329,090)
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	774,268	2,518,244
Depreciation expense	(2,201,698)	(2,172,540)
The amount of debt issued is reported as a source of financing in the governmental funds. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds	–	(9,725,000)
Capital leases	–	(197,450)
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.		
	180,003	373,072
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	2,930,000	11,070,000
Special assessments payable	12,500	12,500
Capital leases payable	344,388	486,692
Net pension liability – PERA and TRA	18,532,738	(67,260,970)
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.		
	59,324	187,667
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.		
	330,817	313,449
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	(15,426,210)	53,471,133
Deferred outflows – deferred charges on refunding	(106,766)	1,152,183
Deferred inflows – PERA and TRA pension plans	(13,822,934)	2,029,788
Deferred inflows – delinquent property taxes	(40,677)	27,487
Change in net position – governmental activities	<u>\$ (8,465,900)</u>	<u>\$ (9,042,835)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 6,626,156	\$ 6,767,588	\$ 7,414,932	\$ 647,344
Investment earnings	12,500	80,000	107,130	27,130
Other	814,650	872,693	1,194,667	321,974
State sources	33,953,043	34,560,932	33,231,098	(1,329,834)
Federal sources	1,494,203	1,494,203	1,492,412	(1,791)
Total revenue	<u>42,900,552</u>	<u>43,775,416</u>	<u>43,440,239</u>	<u>(335,177)</u>
Expenditures				
Current				
Administration	1,761,377	1,785,297	1,794,497	9,200
District support services	2,646,659	2,731,594	2,576,555	(155,039)
Elementary and secondary regular instruction	18,687,317	20,277,006	18,872,549	(1,404,457)
Vocational education instruction	225,150	228,818	226,070	(2,748)
Special education instruction	8,406,557	7,529,545	7,459,954	(69,591)
Instructional support services	2,851,625	2,571,943	2,516,287	(55,656)
Pupil support services	4,034,996	4,180,984	4,174,220	(6,764)
Sites and buildings	5,127,216	5,018,529	5,198,702	180,173
Fiscal and other fixed cost programs	131,000	134,000	133,569	(431)
Debt service				
Principal	486,672	382,789	356,888	(25,901)
Interest and fiscal charges	94,521	89,089	84,446	(4,643)
Total expenditures	<u>44,453,090</u>	<u>44,929,594</u>	<u>43,393,737</u>	<u>(1,535,857)</u>
Net change in fund balances	<u>\$ (1,552,538)</u>	<u>\$ (1,154,178)</u>	46,502	<u>\$ 1,200,680</u>
Fund balances				
Beginning of year			<u>12,370,335</u>	
End of year			<u>\$ 12,416,837</u>	

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Net Position
 Internal Service Funds
 as of June 30, 2018
 (With Partial Comparative Information as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,857,980	\$ 1,816,483
Noncurrent assets		
Restricted assets – temporarily restricted		
Cash and cash equivalents	4,857,001	5,005,448
Investments	6,067,089	5,804,144
Total restricted assets – temporarily restricted	<u>10,924,090</u>	<u>10,809,592</u>
Total assets	<u>12,782,070</u>	<u>12,626,075</u>
Deferred outflows of resources		
OPEB plan deferments	437,682	–
Pension plan deferments	231,782	332,723
Total deferred outflows of resources	<u>669,464</u>	<u>332,723</u>
Liabilities		
Current liabilities		
Severance benefits payable	55,016	49,518
Due to other funds	437,682	552,027
Total current liabilities	<u>492,698</u>	<u>601,545</u>
Long-term liabilities		
Severance benefits payable	1,024,886	1,123,789
Total OPEB liability	7,215,133	713,614
Total pension liability	1,816,068	2,056,512
Total long-term liabilities	<u>10,056,087</u>	<u>3,893,915</u>
Total liabilities	<u>10,548,785</u>	<u>4,495,460</u>
Deferred inflows of resources		
Pension plan deferments	<u>10,506</u>	–
Net position		
Restricted for other post-employment benefit liabilities	3,708,957	9,543,951
Unrestricted	<u>(816,714)</u>	<u>(1,080,613)</u>
Total net position	<u>\$ 2,892,243</u>	<u>\$ 8,463,338</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Revenue, Expenses, and Changes in Net Position
 Internal Service Funds
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Operating revenue		
Contributions from governmental funds	\$ 354,140	\$ 466,752
Operating expenses		
Severance benefits	28,953	157,021
Pension benefits	102,785	117,762
Other post-employment benefits	750,421	793,270
Total operating expenses	<u>882,159</u>	<u>1,068,053</u>
Operating income (loss)	(528,019)	(601,301)
Nonoperating revenues		
Investment earnings	<u>708,022</u>	<u>974,373</u>
Change in net position	180,003	373,072
Net position		
Beginning, as previously reported	8,463,338	8,090,266
Change in accounting principle	<u>(5,751,098)</u>	<u>—</u>
Beginning, as restated	<u>2,712,240</u>	<u>8,090,266</u>
End of year	<u>\$ 2,892,243</u>	<u>\$ 8,463,338</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2018

(With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Receipts from assessments made to governmental funds	\$ 465,587	\$ 773,598
Benefit payments	(1,017,614)	(1,011,933)
Net cash flows from operating activities	<u>(552,027)</u>	<u>(238,335)</u>
Cash flows from investing activities		
Purchase of investments	(3,142,525)	(2,990,773)
Sales and maturities of investments	2,879,580	2,464,637
Interest and dividends on investments	708,022	974,373
Net cash flows from investing activities	<u>445,077</u>	<u>448,237</u>
Net change in cash and cash equivalents	(106,950)	209,902
Cash and cash equivalents		
Beginning of year	<u>6,821,931</u>	<u>6,612,029</u>
End of year	<u>\$ 6,714,981</u>	<u>\$ 6,821,931</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (528,019)	\$ (601,301)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows of resources		
OPEB plan deferments	114,345	-
Pension plan deferments	111,447	(6,846)
Due to other funds	(114,345)	313,692
Total pension liability	(240,444)	(208,115)
Total OPEB liability	198,394	241,243
Severance benefits payable	(93,405)	22,992
Net cash flows from operating activities	<u>\$ (552,027)</u>	<u>\$ (238,335)</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Fiduciary Net Position
 Fiduciary Funds
 as of June 30, 2018

	<u>Employee Benefits Trust Fund</u>
Assets	
Prepaid items	\$ 15,699
Liabilities	
Due to other funds	<u>12,156</u>
Net position	
Held in trust for flexible benefits and other purposes	<u><u>\$ 3,543</u></u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2018

	<u>Employee Benefits Trust Fund</u>
Additions	
Plan member contributions	\$ 202,896
Deductions	
Flexible benefits to plan members	<u>216,909</u>
Change in net position	(14,013)
Net position	
Beginning of year	<u>17,556</u>
End of year	<u><u>\$ 3,543</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Basic Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Reporting Entity

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

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

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the fiscal year ended June 30, 2018, the District paid TIES \$343,335 for services provided.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

For capital assets that can be specifically identified with, or allocated to, functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “depreciation not allocated directly to programs.” Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Trust funds are presented in the fiduciary fund financial statements. 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 funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds 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.

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

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

E. Budgetary Information

The School Board adopts annual budgets for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. All appropriations lapse at year-end. Actual expenditures for the year ended June 30, 2018 exceeded budgeted appropriations by \$99,982 in the Community Service Special Revenue Fund. The additional expenditures were approved by the School Board as required by Minnesota Statutes, and were financed by revenues in excess of budget, along with 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. Earnings from the investments of all trust funds are allocated directly to those funds.

Certain cash and investments are held in segregated accounts established for specific purposes. In the OPEB Internal Service Fund, restricted assets are reported for assets held in a revocable trust established to finance the District’s liability for post-employment insurance benefits. These cash and investment balances are reported as restricted assets in the government-wide financial statements. Earnings from these investments are allocated directly to the applicable funds.

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

See Note 2 for the District’s recurring fair value measurements at year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

At June 30, 2018, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 3,215,408
Due from other Minnesota school districts	206,991
Due from Dakota County and other	<u>109,522</u>
Total due from other governmental units	<u>\$ 3,531,921</u>

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,112,344 of the property tax levy collectible in 2018 as revenue to the District in fiscal year 2017–2018. The remaining portion of the taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

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

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements, and 5 to 20 years for furniture and equipment. Land is not depreciated.

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

L. Interfund Balances

The current portions of interfund balances representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/due from other funds. At June 30, 2018, the General Fund reported receivables of \$437,682 due from the OPEB Internal Service Fund to reimburse OPEB costs initially paid by the General Fund, and \$12,156 due from the Employee Benefits Trust Fund to eliminate a temporary cash deficit. Interfund balances are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

M. Long-Term Obligations

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

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

N. Compensated Absences

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Severance Benefits

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

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

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

P. State-Wide Pension Plans

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

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

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

Q. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows results from differences between expected and actual experience, changes of assumptions, changes in proportion, differences between projected and actual earnings on pension and OPEB plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports a deferred outflow of resources related deferred charges on refunding in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are 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.

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.

R. Risk Management

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

S. Use of Estimates

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

T. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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 School Board resolution, the District’s director of business services is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

V. Prior Period Comparative Financial Information/Reclassification

The 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, 2017, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Change in Accounting Principle

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This statement establishes standards for employer recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB. Certain amounts necessary to fully restate fiscal year 2017 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this statement resulted in the following restatement of government-wide net position as of June 30, 2017. The details of the restatement are as follows:

	<u>Governmental Activities</u>	<u>Internal Service Funds</u>
Net position – beginning, as previously reported	\$ (10,245,536)	\$ 8,463,338
Change in accounting principle		
Other post-employment benefit obligation, previous reporting standards	713,614	713,614
Total other post-employment benefit liability, current reporting standards	(7,016,739)	(7,016,739)
Deferred outflows of resources, under current reporting standards	<u>552,027</u>	<u>552,027</u>
Total change in accounting principle	<u>(5,751,098)</u>	<u>(5,751,098)</u>
Net position – beginning, as restated	<u><u>\$ (15,996,634)</u></u>	<u><u>\$ 2,712,240</u></u>

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 6,164,135
Investments	28,219,835
Petty cash	<u>9,463</u>
Total	<u>\$ 34,393,433</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 23,469,343
Temporarily restricted – cash and investments for OPEB	<u>10,924,090</u>
Total	<u>\$ 34,393,433</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 nonnegotiable certificates of deposit.

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

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

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

At year-end, the carrying amount and bank balance of the District’s deposits were both \$6,164,135. At June 30, 2018, all of the District’s deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Deposits/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency		Less Than 1	1 to 5	6 to 10	
U.S. treasury securities	AAA	Moody's	Level 1	\$ 154,924	\$ 490,446	\$ –	\$ 645,370
U.S. treasury securities	AA	S&P	Level 2	\$ 1,491,562	\$ –	\$ –	1,491,562
U.S. agency securities	AA	S&P	Level 1	\$ 99,443	\$ –	\$ –	99,443
U.S. agency securities	AA	S&P	Level 2	\$ –	\$ 1,476,305	\$ –	1,476,305
Corporate obligations	AA	S&P	Level 1	\$ 274,030	\$ 220,879	\$ –	494,909
Corporate obligations	A	S&P	Level 1	\$ 194,116	\$ 811,974	\$ –	1,006,090
Corporate obligations	A	Moody's	Level 1	\$ –	\$ 399,951	\$ –	399,951
Corporate obligations	BBB	S&P	Level 1	\$ 176,172	\$ 148,246	\$ –	324,418
Corporate obligations	Baa	Moody's	Level 1	\$ –	\$ 122,309	\$ –	122,309
Equities	N/R	N/A	Level 1	N/A	N/A	N/A	2,925,433
Real asset mutual funds	N/R	N/A	Level 2	N/A	N/A	N/A	1,055,114
Real estate investment trusts	N/R	N/A	Level 1	N/A	N/A	N/A	37,035
Negotiable certificate of deposit	N/R	N/A	Level 2	\$ 245,695	\$ –	\$ –	245,695
Mutual funds	N/R	N/A	Level 1	N/A	N/A	N/A	3,764,851
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	N/A	9,082,183
MNTrust Term Series	AAA	S&P	N/A	\$ 5,000,000	\$ –	\$ –	5,000,000
Mortgage-backed securities	AAA	S&P	Level 1	\$ –	\$ 49,167	\$ –	49,167
Total investments							<u>\$ 28,219,835</u>

N/A – Not Applicable
N/R – Not Rated

The MNTrust Investment Shares Portfolio and MNTrust Term Series are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. For these investment pools, there are no unfunded commitments and redemption frequency is daily. There is a redemption notice period of 7 days for the MNTrust Term Series, and no redemption notice required for the MNTrust Investment Shares Portfolio.

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 with parties meeting minimum stator requirements; 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

For assets held in the District’s revocable OPEB trust accounted for in its OPEB Internal Service Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

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

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk. At June 30, 2018, the District’s investment portfolio includes government agency securities with Freddie Mac at 5 percent of the total portfolio.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is as follows:

	Balance – 6/30/2017	Additions	Deletions	Balance – 6/30/2018
Capital assets, not depreciated				
Land	\$ 421,200	\$ 230,521	\$ –	\$ 651,721
Capital assets, depreciated				
Buildings and improvements	92,387,352	–	–	92,387,352
Furniture and equipment	3,927,956	543,747	–	4,471,703
Total capital assets, depreciated	96,315,308	543,747	–	96,859,055
Less accumulated depreciation for				
Buildings and improvements	(25,244,592)	(1,484,232)	–	(26,728,824)
Furniture and equipment	(2,430,487)	(717,466)	–	(3,147,953)
Total accumulated depreciation	(27,675,079)	(2,201,698)	–	(29,876,777)
Net capital assets, depreciated	68,640,229	(1,657,951)	–	66,982,278
Total capital assets, net	\$ 69,061,429	\$ (1,427,430)	\$ –	\$ 67,633,999

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

Elementary and secondary regular instruction	\$ 7,151
Instructional support services	424
Pupil support services	111,197
Sites and buildings	20,402
Food service	2,273
Depreciation not allocated directly to programs	2,060,251
Total depreciation expense	\$ 2,201,698

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Remaining Maturities	Principal Outstanding
2009A Taxable OPEB Bonds	01/06/2009	6.00–6.75%	\$ 9,220,000	02/01/2018–02/01/2019	\$ 200,000
2011A Alternative Facilities Bonds	02/16/2011	0.50–4.00%	\$ 6,690,000	02/01/2018–02/01/2026	3,850,000
2014A Building Bonds	02/06/2014	3.00–5.00%	\$ 24,750,000	02/01/2027–02/01/2033	24,315,000
2014B Refunding Bonds	07/17/2014	4.00–5.00%	\$ 24,320,000	02/01/2018–02/01/2026	20,040,000
2016A Taxable OPEB Refunding Bonds	10/19/2016	2.00–2.50%	\$ 9,725,000	02/01/2018–02/01/2028	9,160,000
Total general obligation bonds payable					<u>\$ 57,565,000</u>

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

In October 2016, the District issued \$9,725,000 of General Obligation Taxable OPEB Refunding Bonds, Series 2016A. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2020 through 2028 maturities of the District's 2009A General Obligation Taxable OPEB Bonds. The proceeds of the 2016A issue have been placed in an escrow account from which all future principal and interest payments related to the 2020 through 2028 maturities of the 2009A bonds will be paid, and on February 1, 2019, the escrow account will be used to call the remaining principal of the 2009A issue. This advance refunding has met the requirements of an in-substance defeasance and, therefore, the escrow cash and related debt to be paid from the escrow have been removed from these financial statements. At June 30, 2018, the District has \$8,415,000 in defeased bonds outstanding from the 2009A Taxable OPEB Bond issue. The advance refunding will reduce the District's total future debt service payments by \$2,323,339, and will result in present value savings of \$1,990,132.

B. Special Assessments Payable

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

C. Capital Leases Payable

The District entered into a capital lease agreement to finance a building addition at Hilltop Elementary School. The lease bears an interest rate of 3.95 percent, and requires equal semiannual payments through January 15, 2029. The addition has been capitalized in buildings and improvements at a value of \$2,458,600. Accumulated depreciation on this asset as of June 30, 2018 was \$196,688. The lease is being paid through the General Fund.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: severance, pension benefits, and OPEB, the details of which are discussed elsewhere in these notes. The District has established two internal service funds to account for the financing of these benefits.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

District employees participate in several pension plans described later in these notes, including two state-wide, cost-sharing, multiple-employer defined benefit plans administered by the PERA and the TRA, and one single-employer defined benefit plan administered by the District.

The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2018:

Defined Benefit Pension Plans	Net/Total Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 6,683,979	\$ 1,903,396	\$ 1,709,570	\$ 763,789
State-wide, multiple-employer – TRA	69,946,196	41,400,971	13,423,416	12,061,298
Single-employer – District	1,816,068	231,782	10,506	102,785
Total	\$ 78,446,243	\$ 43,536,149	\$ 15,143,492	\$ 12,927,872

E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Special Assessments		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 2,840,000	\$ 2,239,313	\$ 12,500	\$ 1,719	\$ 144,533	\$ 75,536
2020	2,965,000	2,108,223	12,500	1,031	150,298	69,772
2021	3,095,000	1,978,083	6,250	344	156,294	63,776
2022	3,240,000	1,840,668	–	–	162,528	57,542
2023	3,380,000	1,695,448	–	–	169,011	51,058
2024–2028	18,765,000	6,360,910	–	–	951,728	148,622
2029–2033	23,280,000	2,788,775	–	–	213,717	6,353
	\$ 57,565,000	\$ 19,011,420	\$ 31,250	\$ 3,094	\$ 1,948,109	\$ 472,659

F. Changes in Long-Term Liabilities

	June 30, 2017			June 30, 2018	Due Within One Year
	Restated *	Additions	Retirements		
General obligation bonds payable	\$ 60,495,000	\$ –	\$ 2,930,000	\$ 57,565,000	\$ 2,840,000
Premiums	3,035,127	–	332,949	2,702,178	–
Discounts	(26,911)	–	(2,132)	(24,779)	–
Special assessments payable	43,750	–	12,500	31,250	12,500
Capital leases payable	2,292,497	–	344,388	1,948,109	144,533
Severance payable	1,173,307	122,358	215,763	1,079,902	55,016
Total OPEB obligation	7,016,739	750,421	552,027	7,215,133	–
Net/total pension liabilities	97,219,425	1,104,311	19,877,493	78,446,243	–
	\$ 171,248,934	\$ 1,977,090	\$ 24,262,988	\$ 148,963,036	\$ 3,052,049

* The amounts in this column reflect only a portion of the change in accounting principle described in Note 1.

NOTE 5 – FUND BALANCES

A. Classifications

The following is a breakdown of the equity components of governmental funds 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 these financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included here, since the District has specific authority to future resources for such deficits. At June 30, 2018, a summary of the District’s governmental fund balance classifications is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable				
Inventory	\$ –	\$ –	\$ 70,229	\$ 70,229
Prepaid items	231,528	–	–	231,528
Total nonspendable	<u>231,528</u>	<u>–</u>	<u>70,229</u>	<u>301,757</u>
Restricted				
Operating capital	392,279	–	–	392,279
Teacher development and evaluation	49,584	–	–	49,584
Basic skills programs	214,205	–	–	214,205
Long-term facilities maintenance	1,219,750	–	–	1,219,750
Medical Assistance	514,241	–	–	514,241
General debt service	–	1,102,699	–	1,102,699
OPEB bonds debt service	–	180,049	–	180,049
Food service	–	–	1,211,464	1,211,464
Community education	–	–	424,339	424,339
Early childhood family education	–	–	97,575	97,575
School readiness	–	–	34,188	34,188
Total restricted	<u>2,390,059</u>	<u>1,282,748</u>	<u>1,767,566</u>	<u>5,440,373</u>
Assigned				
Next year’s budget	176,671	–	–	176,671
Separation and severance	1,650,000	–	–	1,650,000
Curriculum adoption	800,000	–	–	800,000
Program carryover	250,000	–	–	250,000
Other capital projects	3,400,000	–	–	3,400,000
Total assigned	<u>6,276,671</u>	<u>–</u>	<u>–</u>	<u>6,276,671</u>
Unassigned	<u>3,518,579</u>	<u>–</u>	<u>–</u>	<u>3,518,579</u>
Total	<u>\$ 12,416,837</u>	<u>\$ 1,282,748</u>	<u>\$ 1,837,795</u>	<u>\$ 15,537,380</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance (excluding any restricted account deficits) of 8 percent of the annual projected expenditures. At June 30, 2018, the unassigned fund balance of the General Fund was 8 percent of General Fund expenditures budgeted for the current year.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

All full-time and certain part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually through 2018, and 1.0 percent thereafter.

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

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

1. GERF Benefits

Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA’s Coordinated 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 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 1.7 percent of average salary for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2018; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2018, were \$528,509. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,			
	2017		2018	
	Employee	Employer	Employee	Employer
Basic Plan	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated Plan	7.5 %	7.5 %	7.5 %	7.5 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2018, were \$1,447,806. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

	<i>in thousands</i>
Employer contributions reported in the TRA’s CAFR Statement of Changes in Fiduciary Net Position	\$ 367,791
Add employer contributions not related to future contribution efforts	810
Deduct the TRA’s contributions not included in allocation	<u>(456)</u>
Total employer contributions	368,145
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 403,733</u>

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2018, the District reported a liability of \$6,683,979 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.1047 percent at the end of the measurement period and 0.1083 percent for the beginning of the period.

The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$6 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the net pension liability	\$ 6,683,979
State’s proportionate share of the net pension liability associated with the District	\$ 84,084

For the year ended June 30, 2018, the District recognized pension expense of \$761,362 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$2,427 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$6 million to the GERF.

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

At June 30, 2018, the District reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 220,284	\$ 448,440
Changes in actuarial assumptions	1,147,840	670,070
Difference between projected and actual investment earnings	–	263,000
Changes in proportion	6,763	328,060
District’s contributions to the GERF subsequent to the measurement date	<u>528,509</u>	<u>–</u>
Total	<u>\$ 1,903,396</u>	<u>\$ 1,709,570</u>

A total of \$528,509 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ (155,034)
2020	\$ 293,165
2021	\$ (189,092)
2022	\$ (283,722)

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of \$69,946,196 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 0.3504 percent at the end of the measurement period and 0.3621 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 69,946,196
State’s proportionate share of the net pension liability associated with the District	\$ 6,761,966

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

For the year ended June 30, 2018, the District recognized pension expense of \$11,931,609. It also recognized \$129,689 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, the District reported its proportionate share of the TRA’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 571,601	\$ 491,236
Changes in actuarial assumptions	39,162,992	9,798,358
Difference between projected and actual investment earnings	–	528,814
Changes in proportion	218,572	2,605,008
District’s contributions to the TRA subsequent to the measurement date	1,447,806	–
Total	\$ 41,400,971	\$ 13,423,416

A total of \$1,447,806 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ 7,107,078
2020	\$ 8,431,663
2021	\$ 7,343,508
2022	\$ 6,170,153
2023	\$ (2,522,653)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25% per year	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	5.12%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0 percent per year for the GERF through 2044, and then 2.5 percent thereafter, and 2.0 percent per year for all future years for the TRA.

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

Actuarial assumptions used in the June 30, 2017 valuation for the GERF were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

1. GERF

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2. TRA

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 5.12 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30 %
Bonds	20	0.75 %
Alternative assets	20	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the GERF net pension liability	\$ 10,367,348	\$ 6,683,979	\$ 3,668,472
TRA discount rate	4.12%	5.12%	6.12%
District’s proportionate share of the TRA net pension liability	\$ 92,315,501	\$ 69,946,196	\$ 51,086,151

H. Pension Plan Fiduciary Net Position

Pension Benefit Reforms – The 2018 pension bill included a number of reforms to the various defined benefit pension plans across the state, including the plans administered by the PERA and the TRA. The reforms include several changes, including modifications in future COLA and contribution rates.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

Plan benefits are summarized as follows:

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

Director of Community Education Pension Benefits – The former Director of Community Education is eligible to receive an additional retirement incentive benefit after completing 10 years of service. The benefit is based on the Director’s daily rate of pay accumulated to a limit of 90 days, reduced by any matching contributions by the District to the 403(b) plan, and is paid out in one payment due in June of the calendar year in which the eligible employee retires.

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits. These benefits are accrued in the Severance and Pension Benefits Internal Service Fund as they vest.

C. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	9
Active plan members	<u>45</u>
Total members	<u><u>54</u></u>

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation date as of July 1, 2016 and measurement date as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The retirement and withdrawal assumptions used were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

E. Discount Rate

The discount rate used to measure the total pension liability was 3.40 percent. The District discount rate used in the prior measurement date was 2.90 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2017	\$ 2,056,512
Changes for the year	
Service cost	51,690
Interest	56,348
Assumption changes	(15,759)
Benefit payments	<u>(332,723)</u>
Total net changes	<u>(240,444)</u>
Ending balance – June 30, 2018	<u><u>\$ 1,816,068</u></u>

Assumption changes since the prior measurement date include a discount rate that was changed from 2.90 percent to 3.40 percent.

G. Total Pension Liability Sensitivity to Discount Rate Changes

The following presents the total pension liability of the District, as well as what the District’s total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	2.40%	3.40%	4.40%
Total pension liability	\$ 1,858,508	\$ 1,816,068	\$ 1,771,866

H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

The District recognized pension expense of \$102,785 for the current year, and reported deferred outflows and inflows of resources related to this pension plan at year-end from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ –	\$ 10,506
District’s contributions subsequent to the measurement date	<u>231,782</u>	<u>–</u>
Total	<u><u>\$ 231,782</u></u>	<u><u>\$ 10,506</u></u>

A total of \$231,782 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2019	\$ (5,253)
2020	\$ (5,253)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description and Benefits Provided

The District provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

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

B. Contributions

The required contributions are based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's required contributions to finance the benefits described in the previous section, on a pay-as-you-go basis for the current year, totaled \$437,682.

C. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	32
Active plan members	<u>426</u>
Total members	<u><u>458</u></u>

D. Total OPEB Liability of the District

The District's total OPEB liability of \$7,215,133 at year-end was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation date as of July 1, 2016 and measurement date as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.50%, grading to 5.00% over 6 years

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield of 3.40 percent. The discount rate used in the previous valuation was 5.00 percent.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The retirement and withdrawal assumptions used were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB Statement No. 75.

F. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 7,016,739
Changes for the year	
Service cost	504,021
Interest	246,400
Benefit payments	<u>(552,027)</u>
Total net changes	<u>198,394</u>
Ending balance	<u><u>\$ 7,215,133</u></u>

G. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.40%	3.40%	4.40%
Total OPEB liability	\$ 7,676,433	\$ 7,215,133	\$ 6,775,960

NOTE 8 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Medical Trend Rate</u>	<u>Medical Trend Rate</u>	<u>1% Increase in Medical Trend Rate</u>
OPEB medical trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Total OPEB liability	\$ 6,707,748	\$ 7,215,133	\$ 7,821,585

H. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of \$750,421. As of year-end, the District reported deferred outflows of resources of \$437,682 related to this pension plan representing District contributions subsequent to the measurement date that will be recognized as a reduction of net pension liability in the year ending June 30, 2019.

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the FBP year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the FBP during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the medical reimbursement portion of the FBP, whether or not such contributions have been made.

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

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

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

NOTE 10 – DEFICIT FUND EQUITY

At June 30, 2018, the District reported a deficit net position of \$816,714 in its Severance and Pension Benefits Internal Service Fund. This deficit will be eliminated through future contributions from the District's governmental funds.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Operating Lease

In June 2016, the District entered into an agreement with the City of Inver Grove Heights for the use of specified facilities located within the Veterans Memorial Community Center and Grove Aquatic and Fitness Center, as well as the National Guard Armory. The agreement replaces two previous agreements to rent space at these two facilities, and covers a 10-year period from January 1, 2017 through December 31, 2026. The agreement calls for base rent payable in two semiannual installments as follows:

<u>Calendar Year</u>	<u>Amount</u>
2018	\$ 250,000
2019	\$ 250,000
2020	\$ 262,500
2021	\$ 275,000

The District will also be responsible for applicable hourly use charges specified in the agreement. Base rent and usage rates for the 2022–2026 calendar years will be determined by mutual agreement in 2019. The agreement will terminate if the two parties are unable to reach an agreement on rates. The District paid rent of \$250,000 under this agreement during the year ended June 30, 2018.

B. 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.

C. Legal Claims

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

NOTE 12 – SUBSEQUENT EVENTS

In July 2018, the District entered into a lease-purchase agreement for technology equipment valued at \$300,755. The lease calls for annual payments through August 1, 2020, and bears an interest rate of 3.7 percent.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 199

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2018

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1120%	\$ 5,261,199	\$ -	\$ 5,261,199	\$ 5,890,917	89.31%	78.70%
06/30/2016	06/30/2015	0.1125%	\$ 5,830,334	\$ -	\$ 5,830,334	\$ 6,594,924	88.41%	78.20%
06/30/2017	06/30/2016	0.1083%	\$ 8,793,423	\$ 114,830	\$ 8,908,253	\$ 6,711,800	131.01%	68.90%
06/30/2018	06/30/2017	0.1047%	\$ 6,683,979	\$ 84,084	\$ 6,768,063	\$ 6,715,171	99.54%	75.90%

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2018

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2009	\$ 344,900	\$ 344,900	\$ -	\$ 5,204,322	6.63%
06/30/2010	\$ 363,625	\$ 363,625	\$ -	\$ 5,286,160	6.88%
06/30/2011	\$ 376,891	\$ 376,891	\$ -	\$ 5,286,160	7.13%
06/30/2012	\$ 385,453	\$ 385,453	\$ -	\$ 5,316,581	7.25%
06/30/2013	\$ 409,864	\$ 409,864	\$ -	\$ 5,652,639	7.25%
06/30/2014	\$ 427,149	\$ 427,149	\$ -	\$ 5,890,917	7.25%
06/30/2015	\$ 486,524	\$ 486,524	\$ -	\$ 6,594,924	7.38%
06/30/2016	\$ 503,385	\$ 503,385	\$ -	\$ 6,711,800	7.50%
06/30/2017	\$ 503,544	\$ 503,544	\$ -	\$ 6,715,171	7.50%
06/30/2018	\$ 528,509	\$ 528,509	\$ -	\$ 7,044,736	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 199

Teachers Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2018

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3819%	\$ 17,597,677	\$ 1,238,076	\$ 18,835,753	\$ 17,432,274	100.95%	81.50%
06/30/2016	06/30/2015	0.3568%	\$ 22,071,609	\$ 2,707,530	\$ 24,779,139	\$ 17,930,286	123.10%	76.80%
06/30/2017	06/30/2016	0.3621%	\$ 86,369,490	\$ 8,668,256	\$ 95,037,746	\$ 18,839,547	458.45%	44.88%
06/30/2018	06/30/2017	0.3504%	\$ 69,946,196	\$ 6,761,966	\$ 76,708,162	\$ 18,880,939	370.46%	51.57%

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2018

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2009	\$ 934,510	\$ 934,510	\$ -	\$ 16,991,061	5.50%
06/30/2010	\$ 933,867	\$ 933,867	\$ -	\$ 16,979,331	5.50%
06/30/2011	\$ 921,699	\$ 921,699	\$ -	\$ 16,758,090	5.50%
06/30/2012	\$ 1,018,124	\$ 1,018,124	\$ -	\$ 16,964,296	6.00%
06/30/2013	\$ 1,118,923	\$ 1,118,923	\$ -	\$ 17,255,343	6.48%
06/30/2014	\$ 1,220,263	\$ 1,220,263	\$ -	\$ 17,467,417	6.99%
06/30/2015	\$ 1,340,261	\$ 1,340,261	\$ -	\$ 17,930,286	7.47%
06/30/2016	\$ 1,412,855	\$ 1,412,855	\$ -	\$ 18,839,547	7.50%
06/30/2017	\$ 1,414,678	\$ 1,414,678	\$ -	\$ 18,880,939	7.49%
06/30/2018	\$ 1,447,806	\$ 1,447,806	\$ -	\$ 19,309,883	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 199

Pension Benefits Plan
 Schedule of Changes in the District's Total
 Pension Liability and Related Ratios
 Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 51,690	\$ 55,179
Interest	56,348	62,583
Assumption changes	(15,759)	-
Benefit payments	<u>(332,723)</u>	<u>(325,877)</u>
Net change in total pension liability	(240,444)	(208,115)
Total pension liability – beginning of year	<u>2,056,512</u>	<u>2,264,627</u>
Total pension liability – end of year	<u>\$ 1,816,068</u>	<u>\$ 2,056,512</u>
Covered-employee payroll	<u>\$ 3,767,852</u>	<u>\$ 3,658,109</u>
Total pension liability as a percentage of covered-employee payroll	<u>48.20%</u>	<u>56.22%</u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 73 related benefits.

Note 2: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 199

Other Post-Employment Benefits Plan
 Schedule of Changes in the District's Total
 OPEB Liability and Related Ratios
 Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 504,021
Interest	246,400
Benefit payments	<u>(552,027)</u>
Net change in total OPEB liability	198,394
Total OPEB liability – beginning of year	<u>7,016,739</u>
Total OPEB liability – end of year	<u><u>\$ 7,215,133</u></u>
Covered-employee payroll	<u><u>\$ 23,680,811</u></u>
Total OPEB liability as a percentage of covered-employee payroll	<u><u>30.47%</u></u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: The District implemented GASB Statement No. 75 for the year ended June 30, 2018. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Required Supplementary Information
June 30, 2018

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Required Supplementary Information (continued)
June 30, 2018

TRA

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS:

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Required Supplementary Information (continued)
June 30, 2018

PENSION BENEFITS PLAN

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The discount rate was changed from 2.90 percent to 3.40 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and the retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 4.00 percent to 2.90 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The discount rate was changed from 5.00 percent to 3.40 percent.

2017 CHANGES IN ACTUARIAL METHODS:

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 199

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2018

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 1,151,750	\$ 778,175	\$ 1,929,925
Receivables			
Current taxes	–	235,023	235,023
Delinquent taxes	–	2,964	2,964
Accounts and interest	–	53,044	53,044
Due from other governmental units	135,183	67,056	202,239
Inventory	70,229	–	70,229
Total assets	<u>\$ 1,357,162</u>	<u>\$ 1,136,262</u>	<u>\$ 2,493,424</u>
Liabilities			
Salaries payable	\$ 18,942	\$ 71,861	\$ 90,803
Accounts and contracts payable	15,027	23,734	38,761
Due to other governmental units	–	40,316	40,316
Unearned revenue	41,500	–	41,500
Total liabilities	<u>75,469</u>	<u>135,911</u>	<u>211,380</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	–	441,285	441,285
Unavailable revenue – delinquent taxes	–	2,964	2,964
Total deferred inflows of resources	<u>–</u>	<u>444,249</u>	<u>444,249</u>
Fund balances			
Nonspendable	70,229	–	70,229
Restricted	1,211,464	556,102	1,767,566
Total fund balances	<u>1,281,693</u>	<u>556,102</u>	<u>1,837,795</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,357,162</u>	<u>\$ 1,136,262</u>	<u>\$ 2,493,424</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2018

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 456,545	\$ 456,545
Investment earnings	28,721	20,035	48,756
Other	689,887	1,293,312	1,983,199
State sources	101,952	354,953	456,905
Federal sources	1,091,731	-	1,091,731
Total revenue	<u>1,912,291</u>	<u>2,124,845</u>	<u>4,037,136</u>
Expenditures			
Current			
Food service	2,055,665	-	2,055,665
Community service	-	2,071,156	2,071,156
Capital outlay	34,231	22,602	56,833
Total expenditures	<u>2,089,896</u>	<u>2,093,758</u>	<u>4,183,654</u>
Net change in fund balances	(177,605)	31,087	(146,518)
Fund balances			
Beginning of year	<u>1,459,298</u>	<u>525,015</u>	<u>1,984,313</u>
End of year	<u>\$ 1,281,693</u>	<u>\$ 556,102</u>	<u>\$ 1,837,795</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

General Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 16,149,221	\$ 14,387,557
Receivables		
Current taxes	4,773,002	3,996,988
Delinquent taxes	44,962	67,606
Accounts and interest	86,032	40,778
Due from other governmental units	3,281,333	3,791,713
Due from other funds	449,838	552,027
Prepaid items	<u>231,528</u>	<u>178,750</u>
Total assets	<u>\$ 25,015,916</u>	<u>\$ 23,015,419</u>
Liabilities		
Salaries payable	\$ 3,025,594	\$ 2,864,309
Accounts and contracts payable	1,397,792	1,266,439
Due to other governmental units	<u>281,178</u>	<u>239,749</u>
Total liabilities	4,704,564	4,370,497
Deferred inflows of resources		
Property taxes levied for subsequent year	7,849,553	6,206,981
Unavailable revenue – delinquent taxes	<u>44,962</u>	<u>67,606</u>
Total deferred inflows of resources	7,894,515	6,274,587
Fund balances		
Nonspendable for prepaid items	231,528	178,750
Restricted for operating capital	392,279	654,662
Restricted for teacher development and evaluation	49,584	49,585
Restricted for basic skills programs	214,205	212,742
Restricted for long-term facilities maintenance	1,219,750	951,630
Restricted for Medical Assistance	514,241	457,565
Assigned for next year's budget	176,671	1,552,538
Assigned for separation and severance	1,650,000	1,650,000
Assigned for curriculum adoption	800,000	800,000
Assigned for program carryover	250,000	110,000
Assigned for other capital projects	3,400,000	2,310,000
Unassigned	<u>3,518,579</u>	<u>3,442,863</u>
Total fund balances	<u>12,416,837</u>	<u>12,370,335</u>
 Total liabilities, deferred inflows resources, and fund balances	 <u>\$ 25,015,916</u>	 <u>\$ 23,015,419</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		2017	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 6,767,588	\$ 7,414,932	\$ 647,344	\$ 7,415,936
Investment earnings	80,000	107,130	27,130	44,305
Other	872,693	1,194,667	321,974	1,116,708
State sources	34,560,932	33,231,098	(1,329,834)	32,834,427
Federal sources	1,494,203	1,492,412	(1,791)	1,488,560
Total revenue	43,775,416	43,440,239	(335,177)	42,899,936
Expenditures				
Current				
Administration				
Salaries	1,245,770	1,269,724	23,954	1,166,288
Employee benefits	392,027	385,378	(6,649)	348,414
Purchased services	81,950	84,463	2,513	49,764
Supplies and materials	29,000	18,804	(10,196)	19,245
Other expenditures	36,550	36,128	(422)	48,971
Total administration	1,785,297	1,794,497	9,200	1,632,682
District support services				
Salaries	867,161	883,447	16,286	932,228
Employee benefits	340,437	289,484	(50,953)	283,068
Purchased services	739,680	694,184	(45,496)	831,468
Supplies and materials	672,735	650,219	(22,516)	344,331
Capital expenditures	107,181	56,829	(50,352)	106,379
Other expenditures	4,400	2,392	(2,008)	13,469
Total district support services	2,731,594	2,576,555	(155,039)	2,510,943
Elementary and secondary regular instruction				
Salaries	13,960,156	12,511,287	(1,448,869)	12,199,552
Employee benefits	4,144,881	4,155,510	10,629	4,145,714
Purchased services	1,385,362	1,585,859	200,497	1,144,532
Supplies and materials	694,681	447,986	(246,695)	539,603
Capital expenditures	81,426	75,696	(5,730)	97,414
Other expenditures	10,500	96,211	85,711	101,314
Total elementary and secondary regular instruction	20,277,006	18,872,549	(1,404,457)	18,228,129

INDEPENDENT SCHOOL DISTRICT NO. 199

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	168,236	169,565	1,329	164,228
Employee benefits	50,582	48,887	(1,695)	49,538
Purchased services	—	1,223	1,223	3,562
Supplies and materials	10,000	2,741	(7,259)	1,917
Capital expenditures	—	2,304	2,304	4,380
Other expenditures	—	1,350	1,350	1,359
Total vocational education instruction	228,818	226,070	(2,748)	224,984
Special education instruction				
Salaries	5,075,039	5,034,371	(40,668)	5,215,456
Employee benefits	1,711,270	1,685,080	(26,190)	1,638,015
Purchased services	594,959	622,139	27,180	708,588
Supplies and materials	137,277	77,847	(59,430)	73,754
Capital expenditures	6,000	8,462	2,462	24,697
Other expenditures	5,000	32,055	27,055	37,017
Total special education instruction	7,529,545	7,459,954	(69,591)	7,697,527
Instructional support services				
Salaries	1,886,061	1,952,114	66,053	1,968,859
Employee benefits	477,611	467,313	(10,298)	478,137
Purchased services	184,102	79,174	(104,928)	84,661
Supplies and materials	24,169	9,232	(14,937)	7,761
Other expenditures	—	8,454	8,454	8,377
Total instructional support services	2,571,943	2,516,287	(55,656)	2,547,795
Pupil support services				
Salaries	1,710,140	1,674,704	(35,436)	1,624,654
Employee benefits	548,544	518,380	(30,164)	484,852
Purchased services	1,611,607	1,779,273	167,666	1,619,996
Supplies and materials	160,543	128,537	(32,006)	133,436
Capital expenditures	150,000	66,230	(83,770)	231,192
Other expenditures	150	7,096	6,946	5,363
Total pupil support services	4,180,984	4,174,220	(6,764)	4,099,493

INDEPENDENT SCHOOL DISTRICT NO. 199

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		2017	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,490,466	1,541,579	51,113	1,511,450
Employee benefits	504,374	502,653	(1,721)	474,983
Purchased services	2,112,595	1,924,413	(188,182)	1,677,830
Supplies and materials	715,500	700,428	(15,072)	625,058
Capital expenditures	154,000	492,364	338,364	1,335,185
Other expenditures	41,594	37,265	(4,329)	28,598
Total sites and buildings	5,018,529	5,198,702	180,173	5,653,104
Fiscal and other fixed cost programs				
Purchased services	134,000	133,569	(431)	129,517
Debt service				
Principal	382,789	356,888	(25,901)	499,192
Interest and fiscal charges	89,089	84,446	(4,643)	48,223
Total debt service	471,878	441,334	(30,544)	547,415
Total expenditures	44,929,594	43,393,737	(1,535,857)	43,271,589
Excess (deficiency) of revenue over expenditures	(1,154,178)	46,502	1,200,680	(371,653)
Other financing sources				
Capital leases	—	—	—	197,450
Net change in fund balances	<u>\$ (1,154,178)</u>	46,502	<u>\$ 1,200,680</u>	(174,203)
Fund balances				
Beginning of year		12,370,335		12,544,538
End of year		<u>\$ 12,416,837</u>		<u>\$ 12,370,335</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 1,151,750	\$ 1,392,716
Receivables		
Due from other governmental units	135,183	22,803
Inventory	<u>70,229</u>	<u>119,389</u>
Total assets	<u>\$ 1,357,162</u>	<u>\$ 1,534,908</u>
Liabilities		
Salaries payable	\$ 18,942	\$ 12,865
Accounts and contracts payable	15,027	25,020
Unearned revenue	<u>41,500</u>	<u>37,725</u>
Total liabilities	75,469	75,610
Fund balances		
Nonspendable for inventory	70,229	119,389
Restricted for food service	<u>1,211,464</u>	<u>1,339,909</u>
Total fund balances	<u>1,281,693</u>	<u>1,459,298</u>
Total liabilities and fund balances	<u>\$ 1,357,162</u>	<u>\$ 1,534,908</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 2,000	\$ 28,721	\$ 26,721	\$ 12,078
Other – primarily meal sales	761,840	689,887	(71,953)	690,858
State sources	100,292	101,952	1,660	101,535
Federal sources	1,153,170	1,091,731	(61,439)	1,128,822
Total revenue	<u>2,017,302</u>	<u>1,912,291</u>	<u>(105,011)</u>	<u>1,933,293</u>
Expenditures				
Current				
Salaries	888,936	827,924	(61,012)	752,657
Employee benefits	286,255	294,761	8,506	213,015
Purchased services	89,076	69,450	(19,626)	68,004
Supplies and materials	961,880	860,946	(100,934)	864,015
Other expenditures	4,500	2,584	(1,916)	9,838
Capital outlay	55,000	34,231	(20,769)	28,018
Total expenditures	<u>2,285,647</u>	<u>2,089,896</u>	<u>(195,751)</u>	<u>1,935,547</u>
Net change in fund balances	<u>\$ (268,345)</u>	<u>(177,605)</u>	<u>\$ 90,740</u>	<u>(2,254)</u>
Fund balances				
Beginning of year		<u>1,459,298</u>		<u>1,461,552</u>
End of year		<u>\$ 1,281,693</u>		<u>\$ 1,459,298</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 778,175	\$ 980,135
Receivables		
Current taxes	235,023	248,982
Delinquent taxes	2,964	4,337
Accounts and interest	53,044	71,673
Due from other governmental units	<u>67,056</u>	<u>70,783</u>
Total assets	<u>\$ 1,136,262</u>	<u>\$ 1,375,910</u>
Liabilities		
Salaries payable	\$ 71,861	\$ 68,113
Accounts and contracts payable	23,734	42,323
Due to other governmental units	<u>40,316</u>	<u>281,675</u>
Total liabilities	135,911	392,111
Deferred inflows of resources		
Property taxes levied for subsequent year	441,285	454,447
Unavailable revenue – delinquent taxes	<u>2,964</u>	<u>4,337</u>
Total deferred inflows of resources	444,249	458,784
Fund balances (deficit)		
Restricted for community education programs	424,339	415,447
Restricted for early childhood family education programs	97,575	–
Restricted for school readiness	34,188	112,880
Unassigned – early childhood family education programs account deficit	<u>–</u>	<u>(3,312)</u>
Total fund balances	<u>556,102</u>	<u>525,015</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,136,262</u>	<u>\$ 1,375,910</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 519,728	\$ 456,545	\$ (63,183)	\$ 468,593
Investment earnings	500	20,035	19,535	6,386
Other – primarily tuition and fees	1,190,396	1,293,312	102,916	1,431,512
State sources	355,101	354,953	(148)	368,154
Total revenue	<u>2,065,725</u>	<u>2,124,845</u>	<u>59,120</u>	<u>2,274,645</u>
Expenditures				
Current				
Salaries	1,240,637	1,336,104	95,467	1,119,052
Employee benefits	369,799	386,101	16,302	300,984
Purchased services	299,787	278,638	(21,149)	531,291
Supplies and materials	56,260	66,386	10,126	61,911
Other expenditures	1,863	3,927	2,064	4,556
Capital outlay	25,430	22,602	(2,828)	6,440
Total expenditures	<u>1,993,776</u>	<u>2,093,758</u>	<u>99,982</u>	<u>2,024,234</u>
Net change in fund balances	<u>\$ 71,949</u>	31,087	<u>\$ (40,862)</u>	250,411
Fund balances				
Beginning of year		<u>525,015</u>		<u>274,604</u>
End of year		<u>\$ 556,102</u>		<u>\$ 525,015</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Debt Service Fund
Balance Sheet
as of June 30, 2018

(With Comparative Totals as of June 30, 2017)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2018	2017
Assets				
Cash and temporary investments	\$ 3,115,902	\$ 416,315	\$ 3,532,217	\$ 3,522,829
Receivables				
Current taxes	2,342,825	275,405	2,618,230	2,819,791
Delinquent taxes	25,911	4,403	30,314	46,974
Due from other governmental units	42,914	5,435	48,349	18,507
Total assets	<u>\$ 5,527,552</u>	<u>\$ 701,558</u>	<u>\$ 6,229,110</u>	<u>\$ 6,408,101</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 4,398,942	\$ 517,106	\$ 4,916,048	\$ 5,146,742
Unavailable revenue – delinquent taxes	25,911	4,403	30,314	46,974
Total deferred inflows of resources	<u>4,424,853</u>	<u>521,509</u>	<u>4,946,362</u>	<u>5,193,716</u>
Fund balances				
Restricted for debt service	<u>1,102,699</u>	<u>180,049</u>	<u>1,282,748</u>	<u>1,214,385</u>
Total deferred inflows of resources and fund balances	<u>\$ 5,527,552</u>	<u>\$ 701,558</u>	<u>\$ 6,229,110</u>	<u>\$ 6,408,101</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			Total
	Budget	Regular Debt Service Account	OPEB Debt Service Account	
Revenue				
Local sources				
Property taxes	\$ 5,196,240	\$ 4,405,057	\$ 765,204	\$ 5,170,261
Investment earnings	—	69,338	10,336	79,674
State sources	138,319	117,783	83	117,866
Total revenue	<u>5,334,559</u>	<u>4,592,178</u>	<u>775,623</u>	<u>5,367,801</u>
Expenditures				
Debt service				
Principal	2,595,000	2,425,000	505,000	2,930,000
Interest	2,705,733	2,121,773	245,315	2,367,088
Fiscal charges and other	2,475	1,800	550	2,350
Total expenditures	<u>5,303,208</u>	<u>4,548,573</u>	<u>750,865</u>	<u>5,299,438</u>
Excess of revenue over expenditures	31,351	43,605	24,758	68,363
Other financing sources (uses)				
Refunding bonds issued	—	—	—	—
Premium on debt issued	—	—	—	—
Bond refunding payments	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ 31,351</u>	43,605	24,758	68,363
Fund balances				
Beginning of year		1,059,094	155,291	1,214,385
End of year		<u>\$ 1,102,699</u>	<u>\$ 180,049</u>	<u>\$ 1,282,748</u>

		<u>2017</u>	
	<u>Over (Under)</u>		<u>Actual</u>
	<u>Budget</u>		
\$	(25,979)	\$	5,233,622
	79,674		29,777
	(20,453)		137,253
	<u>33,242</u>		<u>5,400,652</u>
	335,000		2,655,000
	(338,645)		2,574,406
	(125)		115,533
	<u>(3,770)</u>		<u>5,344,939</u>
	37,012		55,713
	—		9,725,000
	—		34,835
	—		(9,642,809)
	<u>—</u>		<u>117,026</u>
<u>\$</u>	<u>37,012</u>		172,739
			<u>1,041,646</u>
		<u>\$</u>	<u>1,214,385</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2018
 (With Comparative Totals as of June 30, 2017)

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2018	2017
Assets				
Current assets				
Cash and temporary investments	\$ 1,857,980	\$ -	\$ 1,857,980	\$ 1,816,483
Noncurrent assets				
Restricted assets – temporarily restricted				
Cash and cash equivalents	-	4,857,001	4,857,001	5,005,448
Investments	-	6,067,089	6,067,089	5,804,144
Total restricted assets – temporarily restricted	-	10,924,090	10,924,090	10,809,592
Total assets	1,857,980	10,924,090	12,782,070	12,626,075
Deferred outflows of resources				
OPEB plan deferments	-	437,682	437,682	-
Pension plan deferments	231,782	-	231,782	332,723
Total deferred outflows of resources	231,782	437,682	669,464	332,723
Liabilities				
Current liabilities				
Severance benefits payable	55,016	-	55,016	49,518
Due to other funds	-	437,682	437,682	552,027
Total current liabilities	55,016	437,682	492,698	601,545
Long-term liabilities				
Severance benefits payable	1,024,886	-	1,024,886	1,123,789
Total OPEB liability	-	7,215,133	7,215,133	713,614
Total pension liability	1,816,068	-	1,816,068	2,056,512
Total long-term liabilities	2,840,954	7,215,133	10,056,087	3,893,915
Total liabilities	2,895,970	7,652,815	10,548,785	4,495,460
Deferred inflows of resources				
Pension plan deferments	10,506	-	10,506	-
Net position				
Restricted for other post-employment liabilities				
Unrestricted	(816,714)	-	(816,714)	(1,080,613)
Total net position	\$ (816,714)	\$ 3,708,957	\$ 2,892,243	\$ 8,463,338

INDEPENDENT SCHOOL DISTRICT NO. 199

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2018	2017
Operating revenue				
Contributions from governmental funds	\$ 354,140	\$ –	\$ 354,140	\$ 466,752
Operating expenses				
Severance benefits	28,953	–	28,953	157,021
Pension benefits	102,785	–	102,785	117,762
Other post-employment benefits	–	750,421	750,421	793,270
Total operating expenses	<u>131,738</u>	<u>750,421</u>	<u>882,159</u>	<u>1,068,053</u>
Operating income (loss)	222,402	(750,421)	(528,019)	(601,301)
Nonoperating revenues				
Investment earnings	<u>41,497</u>	<u>666,525</u>	<u>708,022</u>	<u>974,373</u>
Change in net position	263,899	(83,896)	180,003	373,072
Net position				
Beginning, as previously reported	(1,080,613)	9,543,951	8,463,338	8,090,266
Change in accounting principle	<u>–</u>	<u>(5,751,098)</u>	<u>(5,751,098)</u>	<u>–</u>
Beginning, as restated	<u>(1,080,613)</u>	<u>3,792,853</u>	<u>2,712,240</u>	<u>8,090,266</u>
End of year	<u>\$ (816,714)</u>	<u>\$ 3,708,957</u>	<u>\$ 2,892,243</u>	<u>\$ 8,463,338</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2018	2017
Cash flows from operating activities				
Receipts from assessments made to governmental funds	\$ 465,587	\$ -	\$ 465,587	\$ 773,598
Benefit payments	(465,587)	(552,027)	(1,017,614)	(1,011,933)
Net cash flows from operating activities	-	(552,027)	(552,027)	(238,335)
Cash flows from investing activities				
Purchases of investments	-	(3,142,525)	(3,142,525)	(2,990,773)
Sales and maturities of investments	-	2,879,580	2,879,580	2,464,637
Interest and dividends on investments	41,497	666,525	708,022	974,373
Net cash flows from investing activities	41,497	403,580	445,077	448,237
Net change in cash and cash equivalents	41,497	(148,447)	(106,950)	209,902
Cash and cash equivalents				
Beginning of year	1,816,483	5,005,448	6,821,931	6,612,029
End of year	\$ 1,857,980	\$ 4,857,001	\$ 6,714,981	\$ 6,821,931
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 222,402	\$ (750,421)	\$ (528,019)	\$ (601,301)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets, liabilities, and deferred outflows/inflows of resources				
OPEB plan deferments	-	114,345	114,345	-
Pension plan deferments	111,447	-	111,447	(6,846)
Due to other funds	-	(114,345)	(114,345)	313,692
Total pension liability	(240,444)	-	(240,444)	(208,115)
Total OPEB liability	-	198,394	198,394	241,243
Severance benefits payable	(93,405)	-	(93,405)	22,992
Net cash flows from operating activities	\$ -	\$ (552,027)	\$ (552,027)	\$ (238,335)

SECTION III

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

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

Contents:

	Page
Financial Trends	81
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	91
These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.	
Debt Capacity	97
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	103
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	107
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides, and the activities it performs.	

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 5,096,314	\$ 5,009,958	\$ 4,944,787	\$ 6,978,207
Restricted	2,367,912	3,382,349	3,574,911	4,082,980
Unrestricted	4,457,391	5,311,127	8,510,376	8,942,609
Total governmental activities net position	<u>\$ 11,921,617</u>	<u>\$ 13,703,434</u>	<u>\$ 17,030,074</u>	<u>\$ 20,003,796</u>

Note 1: The District implemented GASB Statement No. 68 in 2015, which resulted in a \$26,559,876 reduction of beginning net position. Prior year information has not been restated.

Note 2: The District implemented GASB Statement No. 73 in 2017, which resulted in a \$1,610,613 reduction of beginning net position. Prior year information has not been restated.

Note 3: The District implemented GASB Statement No. 75 in 2018, which resulted in a \$5,751,098 reduction of beginning net position. Prior year information has not been restated.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 8,200,160	\$ 8,787,376	\$ 9,936,693	\$ 11,363,890	\$ 13,119,656	\$ 14,801,902
4,477,781	4,815,014	4,466,287	4,078,494	5,346,052	4,574,619
<u>9,418,692</u>	<u>9,711,965</u>	<u>(16,785,417)</u>	<u>(15,034,472)</u>	<u>(28,711,244)</u>	<u>(43,839,055)</u>
<u><u>\$ 22,096,633</u></u>	<u><u>\$ 23,314,355</u></u>	<u><u>\$ (2,382,437)</u></u>	<u><u>\$ 407,912</u></u>	<u><u>\$ (10,245,536)</u></u>	<u><u>\$ (24,462,534)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Expenses				
Administration	\$ 1,568,100	\$ 1,410,292	\$ 1,413,246	\$ 1,571,141
District support services	1,028,899	996,250	951,640	1,063,783
Elementary and secondary regular instruction	16,499,940	16,389,973	16,281,999	16,436,834
Vocational education instruction	392,126	389,560	324,273	174,094
Special education instruction	7,398,059	7,313,624	7,577,765	7,396,600
Instructional support services	2,541,338	2,361,213	2,499,693	2,480,524
Pupil support services	3,189,324	3,293,788	3,420,588	3,302,748
Sites and buildings	5,583,255	4,511,048	4,599,496	4,911,665
Fiscal and other fixed cost programs	80,594	86,525	90,121	78,415
Food service	1,690,081	1,716,313	1,708,253	1,766,823
Community service	2,120,802	2,240,630	2,215,072	1,942,620
Unallocated depreciation	1,137,350	1,130,667	1,128,902	1,137,795
Interest on long-term debt	1,931,424	2,253,696	2,211,874	2,190,369
Total governmental activities expenses	<u>45,161,292</u>	<u>44,093,579</u>	<u>44,422,922</u>	<u>44,453,411</u>
Program revenues				
Charges for services				
Elementary and secondary regular instruction	157,396	144,052	165,337	176,353
Special education instruction	590,234	429,820	312,294	260,796
Pupil support services	164,525	147,858	192,874	153,817
Sites and buildings	175,842	161,396	161,895	168,303
Food service	1,007,980	953,106	868,675	844,226
Community service	1,451,597	1,522,329	1,544,349	1,382,837
Operating grants and contributions	5,642,691	6,286,933	6,416,700	6,591,869
Capital grants and contributions	-	-	-	127,140
Total governmental activities program revenues	<u>9,190,265</u>	<u>9,645,494</u>	<u>9,662,124</u>	<u>9,705,341</u>
Net (expense) revenue	(35,971,027)	(34,448,085)	(34,760,798)	(34,748,070)
General revenues and other changes in net position				
Taxes				
Property taxes levied for general purposes	7,349,291	6,928,603	9,562,072	7,155,582
Property taxes levied for community service	215,590	322,935	534,266	444,587
Property taxes levied for debt service	2,664,904	3,360,096	3,397,061	4,073,847
General grants and aids	24,939,865	24,903,135	22,943,298	25,739,132
Other general revenues	410,537	518,200	375,119	558,391
Investment earnings (loss)	542,895	196,933	1,275,622	(249,747)
Total general revenues and other changes in net position	<u>36,123,082</u>	<u>36,229,902</u>	<u>38,087,438</u>	<u>37,721,792</u>
Change in net position	<u>\$ 152,055</u>	<u>\$ 1,781,817</u>	<u>\$ 3,326,640</u>	<u>\$ 2,973,722</u>

2013	2014	2015	2016	2017	2018
\$ 1,446,535	\$ 1,692,441	\$ 1,642,918	\$ 1,668,525	\$ 2,213,704	\$ 2,266,737
1,303,225	1,367,090	1,436,499	2,237,559	2,670,755	2,672,841
17,460,869	17,186,229	17,492,321	18,123,732	26,134,438	25,739,432
177,379	214,654	184,107	231,331	335,447	319,225
7,562,831	7,214,834	7,496,130	8,107,795	10,706,959	9,715,185
2,481,273	3,100,949	2,981,203	2,820,805	3,330,003	3,147,923
3,445,482	3,776,803	4,025,098	3,904,644	4,470,214	4,677,260
4,878,372	5,366,312	5,232,292	5,553,004	5,118,362	4,735,153
154,018	122,697	124,278	104,350	129,517	133,569
1,648,479	1,789,311	1,854,645	1,996,766	2,018,448	2,094,804
2,052,248	2,192,959	2,170,270	2,141,074	2,258,123	2,234,523
1,266,355	1,257,548	1,686,488	1,771,423	1,989,650	2,060,251
2,329,636	2,632,077	4,040,011	2,301,324	2,277,837	2,170,509
46,206,702	47,913,904	50,366,260	50,962,332	63,653,457	61,967,412
173,884	170,300	244,580	238,815	438,600	290,199
287,407	307,058	172,095	169,392	115,869	236,388
153,669	92,698	108,818	93,553	—	539
129,048	40,292	—	—	—	—
832,278	817,497	787,788	709,730	690,858	689,887
1,476,055	1,379,546	1,494,162	1,556,706	1,431,512	1,293,312
6,180,347	6,933,645	6,990,499	7,537,891	7,394,314	7,565,389
—	—	—	—	—	—
9,232,688	9,741,036	9,797,942	10,306,087	10,071,153	10,075,714
(36,974,014)	(38,172,868)	(40,568,318)	(40,656,245)	(53,582,304)	(51,891,698)
7,191,177	4,675,431	6,666,391	8,065,878	7,430,517	7,392,288
506,407	261,765	438,467	468,718	469,744	455,172
4,303,885	4,230,516	5,530,393	5,365,128	5,245,377	5,153,601
25,919,822	28,483,217	28,045,536	29,060,036	29,739,668	28,813,615
408,392	647,393	557,701	547,489	583,264	667,540
737,168	1,092,268	192,914	(60,655)	1,070,899	943,582
39,066,851	39,390,590	41,431,402	43,446,594	44,539,469	43,425,798
\$ 2,092,837	\$ 1,217,722	\$ 863,084	\$ 2,790,349	\$ (9,042,835)	\$ (8,465,900)

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax			
	General Purpose	Community Service	Debt Service	Total
2009	\$ 7,349,291	\$ 215,590	\$ 2,664,904	\$ 10,229,785
2010	6,928,603	322,935	3,360,096	10,611,634
2011	9,562,072	534,266	3,397,061	13,493,399
2012	7,155,582	444,587	4,073,847	11,674,016
2013	7,191,177	506,407	4,303,885	12,001,469
2014	4,675,431	261,765	4,230,516	9,167,712
2015	6,666,391	438,467	5,530,393	12,635,251
2016	8,065,878	468,718	5,365,128	13,899,724
2017	7,430,517	469,744	5,245,377	13,145,638
2018	7,392,288	455,172	5,153,601	13,001,061

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 1,103,635	\$ 2,145,632	\$ -	\$ -
Unreserved	4,801,090	5,774,808	-	-
Nonspendable	-	-	96,952	132,061
Restricted	-	-	1,694,849	2,732,525
Assigned	-	-	3,477,118	3,587,226
Unassigned	-	-	4,722,067	5,083,385
Total General Fund	<u>\$ 5,904,725</u>	<u>\$ 7,920,440</u>	<u>\$ 9,990,986</u>	<u>\$ 11,535,197</u>
All other governmental funds				
Reserved	\$ 342,687	\$ 117,264	\$ -	\$ -
Unreserved, reported in				
Special revenue funds	783,702	949,039	-	-
Capital projects funds	193,387	166,822	-	-
Debt service funds	590,200	623,086	-	-
Nonspendable	-	-	38,024	38,159
Restricted	-	-	4,272,215	1,949,259
Unassigned, reported in				
Special revenue funds	-	-	(15,201)	-
Total all other governmental funds	<u>\$ 1,909,976</u>	<u>\$ 1,856,211</u>	<u>\$ 4,295,038</u>	<u>\$ 1,987,418</u>

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

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
156,185	149,699	157,622	159,205	178,750	231,528
2,424,347	2,283,187	2,006,156	1,832,711	2,326,184	2,390,059
4,129,697	4,295,345	4,896,896	6,527,881	6,422,538	6,276,671
4,910,213	4,888,185	4,083,208	4,024,741	3,442,863	3,518,579
<u>\$ 11,620,442</u>	<u>\$ 11,616,416</u>	<u>\$ 11,143,882</u>	<u>\$ 12,544,538</u>	<u>\$ 12,370,335</u>	<u>\$ 12,416,837</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
53,387	50,824	61,214	115,506	119,389	70,229
2,259,419	23,979,080	36,686,027	4,241,345	3,082,621	3,050,314
-	-	-	(3,266)	(3,312)	-
<u>\$ 2,312,806</u>	<u>\$ 24,029,904</u>	<u>\$ 36,747,241</u>	<u>\$ 4,353,585</u>	<u>\$ 3,198,698</u>	<u>\$ 3,120,543</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Local sources				
Taxes	\$ 10,196,250	\$ 10,609,388	\$ 13,453,639	\$ 11,728,856
Investment earnings	162,672	27,024	30,196	9,663
Other	4,229,261	4,247,921	3,905,729	3,894,796
State sources	28,146,841	25,781,668	26,081,228	29,195,998
Federal sources	2,164,565	5,037,240	2,993,584	2,912,070
Total revenues	<u>44,899,589</u>	<u>45,703,241</u>	<u>46,464,376</u>	<u>47,741,383</u>
Expenditures				
Current				
Administration	1,950,035	1,381,411	1,369,667	1,506,391
District support services	1,160,932	982,611	944,729	1,058,242
Elementary and secondary regular instruction	21,084,417	16,383,527	16,057,579	16,202,886
Vocational education instruction	486,383	383,786	320,750	172,127
Special education instruction	9,038,200	7,159,504	7,491,184	7,328,521
Instructional support services	3,135,025	2,331,760	2,474,662	2,456,551
Pupil support services	3,633,832	3,259,511	3,411,187	3,316,172
Sites and buildings	5,440,052	4,468,467	4,569,602	5,850,073
Fiscal and other fixed cost programs	80,594	86,525	90,121	78,415
Food service	1,849,531	1,646,175	1,642,749	1,679,588
Community service	2,440,545	2,164,896	2,177,391	1,923,328
Capital outlay	2,162,373	106,699	4,261,912	2,530,042
Debt service				
Principal	1,172,424	1,222,782	1,548,894	2,331,479
Interest and fiscal charges	1,739,514	2,327,376	2,280,597	2,280,768
Total expenditures	<u>55,373,857</u>	<u>43,905,030</u>	<u>48,641,024</u>	<u>48,714,583</u>
Excess of revenues over (under) expenditures	(10,474,268)	1,798,211	(2,176,648)	(973,200)
Other financing sources (uses)				
Transfers in	-	-	165,890	-
Transfers out	-	-	(165,890)	-
Sale of capital assets	17,600	13,835	4,500	5,500
Bonds issued	9,220,000	-	10,635,000	-
Capital leases	380,000	149,904	-	204,291
Premiums on bonds issued	-	-	172,018	-
Discounts on bonds issued	(92,200)	-	(40,497)	-
Bond refunding payments	-	-	(4,085,000)	-
Total other financing sources (uses)	<u>9,525,400</u>	<u>163,739</u>	<u>6,686,021</u>	<u>209,791</u>
Net change in fund balances	<u>\$ (948,868)</u>	<u>\$ 1,961,950</u>	<u>\$ 4,509,373</u>	<u>\$ (763,409)</u>
Debt service as a percentage of noncapital expenditures	<u>5.4%</u>	<u>8.1%</u>	<u>8.6%</u>	<u>10.2%</u>

2013	2014	2015	2016	2017	2018
\$ 11,972,988	\$ 9,176,288	\$ 12,624,331	\$ 13,973,823	\$ 13,118,151	\$ 13,041,738
19,222	35,373	71,154	58,682	96,526	235,560
3,775,555	3,466,844	3,371,742	3,315,687	3,239,078	3,177,866
29,351,454	33,046,899	32,474,952	33,981,637	33,441,369	33,805,869
2,433,893	2,357,903	2,500,477	2,616,288	2,617,382	2,584,143
47,553,112	48,083,307	51,042,656	53,946,117	52,512,506	52,845,176
1,612,578	1,708,563	1,607,222	1,628,534	1,632,682	1,794,497
1,296,135	1,360,469	1,536,843	2,160,942	2,510,943	2,576,555
17,142,676	17,164,911	17,473,299	18,088,021	18,228,129	18,872,549
175,070	212,314	182,731	229,112	224,984	226,070
7,483,176	7,138,434	7,501,074	8,023,818	7,697,527	7,459,954
2,463,443	3,077,640	2,976,754	2,763,222	2,547,795	2,516,287
3,446,495	3,838,459	4,035,913	3,916,467	4,099,493	4,174,220
5,582,440	7,867,523	6,498,931	5,239,014	5,653,104	5,198,702
154,018	122,697	124,278	104,350	129,517	133,569
1,639,183	1,742,822	1,822,190	1,843,175	1,907,529	2,055,665
2,031,991	2,169,621	2,165,402	2,096,321	2,017,794	2,071,156
5,700	3,280,455	14,103,768	5,983,434	1,614,221	56,833
2,248,698	2,491,798	3,376,359	2,870,310	3,154,192	3,286,888
2,196,515	2,308,781	3,977,113	3,572,397	2,738,162	2,453,884
47,478,118	54,484,487	67,381,877	58,519,117	54,156,072	52,876,829
74,994	(6,401,180)	(16,339,221)	(4,573,000)	(1,643,566)	(31,653)
-	-	-	-	-	-
-	-	-	-	-	-
7,100	4,000	2,000	-	-	-
-	24,750,000	24,320,000	-	9,725,000	-
328,539	2,862,783	769,042	-	197,450	-
-	497,469	3,492,982	-	34,835	-
-	-	-	-	-	-
-	-	-	(26,420,000)	(9,642,809)	-
335,639	28,114,252	28,584,024	(26,420,000)	314,476	-
\$ 410,633	\$ 21,713,072	\$ 12,244,803	\$ (30,993,000)	\$ (1,329,090)	\$ (31,653)
9.5%	9.9%	14.2%	12.2%	11.4%	11.0%

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax			Total
	General Fund	Community Service Special Revenue Fund	Debt Service Fund	
2009	\$ 7,323,012	\$ 215,327	\$ 2,657,911	\$ 10,196,250
2010	6,932,013	323,818	3,353,557	10,609,388
2011	9,535,438	532,823	3,385,378	13,453,639
2012	7,197,208	445,434	4,086,214	11,728,856
2013	7,175,770	504,826	4,292,392	11,972,988
2014	4,682,086	261,704	4,232,498	9,176,288
2015	6,666,863	438,277	5,519,191	12,624,331
2016	8,108,315	471,552	5,393,956	13,973,823
2017	7,415,936	468,593	5,233,622	13,118,151
2018	7,414,932	456,545	5,170,261	13,041,738

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

INDEPENDENT SCHOOL DISTRICT NO. 199

Tax Capacities and Estimated Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacities			
	Agricultural	Nonagricultural	Fiscal Disparities	
			Contribution	Distribution
2009	\$ 103,720	\$ 34,600,216	\$ (3,502,411)	\$ 3,645,662
2010	100,890	32,486,454	(3,760,334)	3,860,888
2011	89,207	30,733,443	(3,813,453)	4,128,921
2012	83,825	28,562,147	(3,714,033)	3,574,158
2013	80,016	27,179,844	(3,666,211)	3,250,870
2014	89,149	27,491,499	(3,620,945)	3,177,462
2015	95,856	29,087,123	(3,708,676)	3,190,379
2016	96,649	30,828,616	(3,735,815)	3,228,581
2017	96,474	31,560,033	(3,917,829)	3,471,670
2018	69,726	34,282,956	(3,959,223)	3,606,975

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

Source: School Tax Report from the Minnesota Department of Education

<u>Tax Increment</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value</u>	<u>Percentage Total Tax Capacity of Estimated Market Value</u>
\$ (2,494,099)	\$ 32,353,088	19.303	\$ 2,910,481,100	1.11 %
(2,380,830)	30,307,068	21.795	2,697,857,700	1.12
(2,112,612)	29,025,506	24.679	2,541,648,200	1.14
(1,969,109)	26,536,988	28.363	2,483,223,500	1.07
(1,872,808)	24,971,711	27.556	2,350,262,850	1.06
(1,631,509)	25,505,656	33.418	2,374,607,550	1.07
(1,923,157)	26,741,525	34.864	2,518,406,576	1.06
(1,824,068)	28,593,963	30.272	2,657,143,330	1.08
(1,855,640)	29,354,708	28.572	2,719,753,074	1.08
(1,635,215)	32,365,219	26.680	2,945,747,808	1.10

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INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

<u>Tax Collection Year</u>	<u>ISD No. 199</u>	<u>City of Inver Grove Heights</u>	<u>Dakota County</u>	<u>Other</u>	<u>Total</u>
2009	19.303	37.878	25.821	4.328	87.330
2010	21.795	41.757	27.269	4.421	95.242
2011	24.679	43.169	29.149	4.644	101.641
2012	28.363	44.883	31.426	5.021	109.693
2013	27.556	46.312	33.421	5.341	112.630
2014	33.418	46.128	31.827	4.993	116.366
2015	34.864	48.131	29.633	4.567	117.195
2016	30.272	49.266	28.570	4.614	112.722
2017	28.572	51.644	28.004	4.458	112.678
2018	26.680	52.078	26.580	3.878	109.216

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

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

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

Source: Dakota County Auditor

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Property	2018		
		Tax Capacity	Rank	Percentage of Total Tax Capacity
Flint Hills Resources LP (aka Great Northern Oil Company)	Industrial	\$ 2,796,577	1	8.64 %
Xcel Energy	Utility	1,343,204	2	4.15
WOP Southview Gables, LLC	Apartments	814,486	3	2.52
Lake Cove Village Apartments	Apartments	522,506	4	1.61
Salem Green Limited Partnership	Apartments	410,905	5	1.27
PHM Inver Grove, Inc.	Apartments	386,406	6	1.19
Pearlwood Estates Limited	Apartments	326,140	7	1.01
Brentwood Hills Limited Partnership	Apartments	321,049	8	0.99
Vansouth Limited Partnership	Distribution center	286,856	9	0.89
Farmers Union Central Exchange	Farm supplies/services	246,378	10	0.76
Koch Refining Company (aka Flint Hills Resources)	Refining	–	–	–
I&G Southview, LLC	Apartments	–	–	–
Total		<u>\$ 7,454,507</u>		<u>23.03 %</u>

Source: Dakota County

2009		
<u>Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity</u>
\$ 1,470,988	1	4.55 %
993,624	2	3.07
—	—	—
359,732	6	1.11
262,501	10	0.81
360,784	5	1.12
275,000	9	0.85
—	—	—
306,694	7	0.95
303,470	8	0.94
827,638	3	2.56
<u>425,000</u>	4	<u>1.31</u>
<u>\$ 5,585,431</u>		<u>17.26 %</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Levies and Collections
Last Ten Fiscal Years

Levy Year Ended December 31,	Total Tax Levy	Collected Within the Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 10,645,460	\$ 10,504,703	98.68 %	\$ 133,719	\$ 10,638,422	99.93 %
2010	11,129,562	10,980,962	98.66	144,151	11,125,113	99.96
2011	11,565,988	11,423,540	98.77	137,557	11,561,097	99.96
2012	12,066,839	11,932,610	98.89	111,459	12,044,069	99.81
2013	11,821,440	11,689,887	98.89	124,013	11,813,900	99.94
2014	12,713,543	12,486,635	98.22	217,969	12,704,604	99.93
2015	13,874,201	13,764,307	99.21	97,663	13,861,970	99.91
2016	13,080,386	12,978,959	99.22	82,186	13,061,145	99.85
2017	12,896,577	12,797,398	99.23	91,660	12,889,058	99.94
2018	(1) 14,319,231	N/A	N/A	N/A	N/A	N/A

N/A – Not Applicable

(1) Only a portion of the calendar year 2018, totaling \$6,692,975, was collected by June 30, 2018.

Source: Dakota County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 199

Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended June 30,	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Special Assessments			
2009	\$ 46,928,887	\$ 380,000	\$ 143,750	\$ 47,452,637	3.41 %	\$ 1,399
2010	45,760,328	469,622	131,250	46,361,200	2.86	1,360
2011	51,048,828	243,228	118,750	51,410,806	3.17	1,517
2012	49,062,169	68,540	106,250	49,236,959	4.21	1,458
2013	47,163,170	215,881	93,750	47,472,801	4.10	1,406
2014	70,100,129	2,834,366	81,250	73,015,745	6.13	2,136
2015	94,666,246	3,104,549	68,750	97,839,545	8.06	2,839
2016	65,161,665	2,581,739	56,250	67,799,654	5.56	1,958
2017	63,503,216	2,292,497	43,750	65,839,463	5.33	1,869
2018	60,242,399	1,948,109	31,250	62,221,758	4.78	1,766

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

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Year Ended June 30,	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Estimated Market Value	Percentage of of Net Debt to Estimated Market Value
2009	\$ 46,928,887	\$ 590,200	\$ 46,338,687	\$ 2,910,481,100	1.59 %
2010	45,760,328	623,086	45,137,242	2,697,857,700	1.67
2011	51,048,828	810,779	50,238,049	2,541,648,200	1.98
2012	49,062,169	900,151	48,162,018	2,483,223,500	1.94
2013	47,163,170	943,048	46,220,122	2,350,262,850	1.97
2014	70,100,129	1,222,332	68,877,797	2,374,607,550	2.90
2015	94,666,246	27,854,083	66,812,163	2,518,406,576	2.65
2016	65,161,665	1,041,646	64,120,019	2,657,143,330	2.41
2017	63,503,216	1,214,385	62,288,831	2,719,753,074	2.29
2018	60,242,399	1,282,748	58,959,651	2,945,747,808	2.00

Sources: Tax capacity information – School Tax Report from the Minnesota Department of Education
Population estimates from the City of Inver Grove Heights' CAFR

<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
33,917	\$ 1,366
34,086	1,324
33,880	1,483
33,774	1,426
33,774	1,369
34,189	2,015
34,458	1,939
34,627	1,852
35,234	1,768
35,236	1,673

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INDEPENDENT SCHOOL DISTRICT NO. 199

Direct and Overlapping Debt
June 30, 2018

Governmental Unit	Governmental Activities Debt Outstanding	Percent Allocable to ISD No. 199	Portion Allocable to ISD No. 199
Independent School District No. 199	\$ 62,221,758	100.00 %	\$ 62,221,758
Overlapping debt			
City of Inver Grove Heights	56,780,000	73.42	41,687,876
City of Rosemount	12,345,000	6.89	850,571
City of St. Paul	24,585,000	0.73	179,471
Metropolitan Council	188,620,614	0.82	1,546,689
Total overlapping debt			<u>44,264,606</u>
Total direct and overlapping debt			<u><u>\$ 106,486,364</u></u>

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

Source: Dakota County

INDEPENDENT SCHOOL DISTRICT NO. 199

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Debt limit	\$ 436,572,165	\$ 404,678,655	\$ 381,247,230	\$ 372,483,525
Total net debt applicable to limit	<u>45,939,800</u>	<u>44,756,914</u>	<u>49,809,221</u>	<u>47,779,849</u>
Legal debt margin	<u>\$ 390,632,365</u>	<u>\$ 359,921,741</u>	<u>\$ 331,438,009</u>	<u>\$ 324,703,676</u>
Total net debt applicable to the limit as a percentage of debt limit	10.52%	11.06%	13.06%	12.83%

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

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

2013	2014	2015	2016	2017	2018
\$ 352,539,428	\$ 356,191,133	\$ 377,760,986	\$ 398,571,500	\$ 407,962,961	\$ 441,862,171
45,681,952	67,917,668	62,740,917	60,798,354	59,280,615	56,282,252
<u>\$ 306,857,476</u>	<u>\$ 288,273,465</u>	<u>\$ 315,020,069</u>	<u>\$ 337,773,146</u>	<u>\$ 348,682,346</u>	<u>\$ 385,579,919</u>
12.96%	19.07%	16.61%	15.25%	14.53%	12.74%

Legal Debt Margin Calculation for Fiscal Year 2018

Market value	\$2,945,747,808
Debt limit (15% of market value)	441,862,171
Debt applicable to limit	
General obligation bonds	57,565,000
Less amount set aside for repayment of general obligation debt	<u>(1,282,748)</u>
Total net debt applicable to limit	<u>56,282,252</u>
Legal debt margin	<u>\$ 385,579,919</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Inver Grove Heights (1)				School Enrollment
	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	
2009	33,917	\$ 1,391,750,178	\$ 41,034	5.0 %	3,812
2010	34,086	1,623,345,750	47,625	7.4	3,867
2011	33,880	1,621,598,440	47,863	7.3	3,770
2012	33,774	1,170,302,874	34,651	6.2	3,770
2013	33,774	1,159,022,358	34,317	5.3	3,795
2014	34,189	1,190,529,358	34,822	4.7	3,855
2015	34,458	1,213,335,096	35,212	3.9	3,816
2016	34,627	1,219,285,924	35,212	3.5	3,811
2017	35,234	1,234,916,466	35,049	3.3	3,618
2018	35,236	1,300,419,816	36,906	3.3	3,641

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

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Employers
Current Year and Nine Years Ago

Employer	2018		
	Employees	Rank	Percentage of Total Employment
Koch Refinery (Flint Hills)	1,200	1	3.44 %
Cenex/CHS Cooperatives	1,014	2	2.91
Inver Hills Community College	484	3	1.39
City of Inver Grove Heights	482	4	1.38
Independent School District No. 199	476	5	1.37
Gertens	470	6	1.35
Travel Tags	350	7	1.00
Total Construction	250	8	0.72
Wal-Mart	210	9	0.60
Cub Foods	160	10	0.46
Evergreen Industries	–	–	–
Allied Waste Services (aka BFI Waste Services)	–	–	–
Southview Chevrolet	–	–	–
Lofton Label, Inc.	–	–	–
Total	5,096		14.62 %

Source: Minnesota Department of Employment and Economic Development

2009

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
-	-	- %
1,000	1	4.88
425	4	2.07
132	10	0.64
458	2	2.23
-	-	-
430	3	2.10
-	-	-
270	6	1.31
-	-	-
300	5	1.46
140	7	0.68
135	8	0.66
133	9	0.65
<u>3,423</u>		<u>16.68 %</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
District directors/superintendent	1	1	1	1	1	1	1	1	1	1
Principals	7	7	7	8	9	9	9	9	9	9
Teachers	248	240	232	228	239	245	248	265	251	258
Coordinators, supervisors, specialists, and technical support	47	46	46	46	44	43	46	49	51	54
Paraprofessionals	84	84	86	88	88	85	78	85	83	77
Food service	24	24	23	23	22	22	23	27	28	22
Custodians	23	23	23	23	24	27	25	30	31	31
Community education leads and assistants	24	24	24	25	20	19	19	27	18	16
Total	458	449	442	442	447	451	449	493	472	468

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

Source: The District's Human Resources Department

INDEPENDENT SCHOOL DISTRICT NO. 199

Operating Indicators
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Standardized tests				
MCA reading (1)				
Grade 3	82 %	72 %	81 %	81 %
Grade 5	81	80	89	79
Grade 7	58	66	75	73
Grade 10	33	76	74	74
MCA math (1)				
Grade 3	81	77	78	81
Grade 5	69	68	68	63
Grade 7	60	69	58	54
Grade 11	50	48	56	42
ACT				
Average composite score	23.1	23.4	22.6	23.6
Graduation data				
District graduation rates	98	97	95	85
State graduation rate	74	75	77	78
Post graduation student survey				
Four-year college/university	50	47	51	55
Two-year college	28	23	27	30
Vocational/technical college	14	11	7	4
Employment	1	3	4	1
Military	3	5	3	4
No response/undecided	4	11	8	6
	100 %	100 %	100 %	100 %

N/A – Not Available

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

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

2013	2014	2015	2016	2017	2018
59 %	61 %	60 %	59 %	45 %	47 %
71	72	70	72	72	66
58	44	57	59	59	60
56	62	53	62	56	58
77	75	73	71	58	55
67	72	61	61	57	50
64	46	51	53	48	48
52	51	48	42	55	41
23.4	23.8	21.0	22.8	21.4	21.4
89	90	91	84	92	88
80	81	82	82	83	N/A
57	51	52	52	59	59
23	33	34	32	26	28
5	4	4	9	5	4
4	5	4	4	3	5
4	3	3	3	2	4
7	4	3	—	5	—
100 %	100 %	100 %	100 %	100 %	100 %

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INDEPENDENT SCHOOL DISTRICT NO. 199

School Facilities
as of June 30, 2018

<u>Facility</u>	<u>Year Constructed</u>	<u>Years of Addition</u>	<u>Grades Housed</u>	<u>Square Footage</u>
Simley High School	1971	1998 2016	9-12	220,728
Inver Grove Heights Middle School	1959	1962 1967 1980 1990 1997 2009	6-8	314,970
Hilltop Elementary School	1964	1968 2007 2014	K-5	92,793
Pine Bend Elementary School	1958	1960 1991 2009	K-5	73,425
Salem Hills Elementary School	1953	1964 1986 1987 1988 2009 2014	K-5	56,206

Source: The District's Buildings and Grounds Department

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2009	2010	2011	2012
Administration	\$ 512	\$ 357	\$ 363	\$ 400
District support services	305	254	251	281
Elementary and secondary regular instruction	5,531	4,237	4,259	4,298
Vocational education instruction	128	99	85	46
Special education instruction	2,371	1,851	1,987	1,944
Instructional support services	822	603	656	652
Pupil support services	953	843	905	880
Sites and buildings	1,427	1,156	1,212	1,552
Fiscal and other fixed cost programs	21	22	24	21
Food service	485	426	436	446
Community service	640	570	578	510
Capital outlay	567	17	1,130	671
Debt service	764	918	1,016	1,223
Total expenditures	<u>\$ 14,526</u>	<u>\$ 11,354</u>	<u>\$ 12,902</u>	<u>\$ 12,922</u>
Average daily membership	<u>3,812</u>	<u>3,867</u>	<u>3,770</u>	<u>3,770</u>

Note: Includes all governmental fund expenditures.

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

2013	2014	2015	2016	2017	2018
\$ 425	\$ 443	\$ 421	\$ 427	\$ 451	\$ 493
342	353	403	567	694	708
4,517	4,453	4,579	4,746	5,038	5,183
46	55	48	60	62	62
1,972	1,852	1,966	2,105	2,128	2,049
649	798	780	725	704	691
908	996	1,058	1,028	1,133	1,146
1,471	2,041	1,703	1,375	1,562	1,428
41	32	33	27	36	158
432	452	478	484	527	565
535	563	567	550	558	569
2	851	3,696	1,570	446	16
1,171	1,245	1,927	1,690	1,629	1,455
<u>\$ 12,511</u>	<u>\$ 14,133</u>	<u>\$ 17,658</u>	<u>\$ 15,355</u>	<u>\$ 14,969</u>	<u>\$ 14,523</u>
<u>3,795</u>	<u>3,855</u>	<u>3,816</u>	<u>3,811</u>	<u>3,618</u>	<u>3,641</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic Statistics – Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2009	61.77	237.74	1,739.35	1,773.42	3,812.28	4,414.52
2010	65.48	259.72	1,805.21	1,737.01	3,867.42	4,454.46
2011	59.66	208.52	1,756.67	1,744.78	3,769.63	4,376.90
2012	78.34	260.90	1,706.14	1,724.71	3,770.09	4,346.02
2013	83.65	252.92	1,745.84	1,712.86	3,795.27	4,373.86
2014	76.42	281.67	1,747.31	1,749.87	3,855.27	4,431.85
2015	67.45	255.62	1,765.45	1,727.34	3,815.86	4,161.27
2016	70.16	221.20	1,751.83	1,767.94	3,811.13	4,164.70
2017	67.85	216.77	1,595.67	1,737.87	3,618.16	3,965.72
2018	92.70	210.35	1,608.47	1,729.18	3,640.70	3,986.53

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Part-Time/All-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2009 through 2014	1.250	1.000	0.612	1.115	1.060	1.300
Fiscal 2015 through 2018	1.000	1.000	0.550/1.000	1.000	1.000	1.200

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Meals Served and Pricing
Last Ten Fiscal Years

Year Ended June 30,	Lunches Served to Students				Lunches Served to Adults
	Regular Priced Lunches	Reduced Price Lunches	Free Lunches	Total	
2009	307,039	31,513	113,241	451,793	10,282
2010	291,276	34,367	140,101	465,744	8,537
2011	275,733	38,955	148,044	462,732	6,540
2012	258,418	32,004	160,118	450,540	4,188
2013	227,401	31,518	164,282	423,201	3,233
2014	229,536	31,177	163,363	424,076	2,417
2015	228,568	37,900	179,216	445,684	1,780
2016	206,888	39,883	185,272	432,043	2,630
2017	195,639	41,315	171,874	408,828	2,735
2018	185,052	44,921	162,082	392,055	2,474

Year Ended June 30,	Student Regular Lunch Prices			
	Regular Priced Lunches		Reduced Price Lunches	Adult Lunches
	Elementary	Secondary		
2009	\$ 1.65	\$ 1.75/1.80	\$ 0.40	\$ 2.85
2010	1.65	1.75/1.80	0.40	3.00
2011	1.65	1.75/1.80	0.40	3.10
2012	1.70	1.80/1.85	0.40	3.15
2013	1.80	1.90/1.95	0.40	3.25
2014	1.80	1.90/1.95	0.40	3.35
2015	1.80	1.90/1.95	- *	3.40
2016	1.80	1.90/1.95	- *	3.50
2017	1.80	1.90/1.95	- *	3.60
2018	1.90	2.00/2.05	- *	3.70

* The state of Minnesota began reimbursing the District for this amount in 2015; therefore, the District did not charge families.

Source: The District's Food Service Department

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