



Comprehensive Annual Financial Report

2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

INDEPENDENT SCHOOL DISTRICT NO. 272
EDEN PRAIRIE, MINNESOTA

8100 School Road
Eden Prairie, MN 55344

Prepared by
Finance Department

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SECTION I – INTRODUCTORY SECTION

November 14, 2016

To the Citizens of the School District, Board of Education, and Employees of the School District

PREFACE

The comprehensive annual financial report (CAFR) of Independent School District No. 272, Eden Prairie Public Schools (the District) is submitted for the fiscal year ended June 30, 2016. The District's administration accepts total responsibility for the accuracy, completeness, and fairness in presentation of the enclosed financial reports. An independent firm of certified public accountants audits this report.

Independent School District No. 272, also known as Eden Prairie Schools, is an instrumentality of the state of Minnesota established to function as an educational institution. The elected School Board is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the School Board and is responsible for administrative control of the District. There are no other entities for which the District is considered financially accountable.

These financial statements incorporate the requirements of Statement No. 34 of the Governmental Accounting Standards Board (GASB) entitled *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This standard, issued in June 1999, creates a reporting model of financial information and disclosure, which is comprehensive and attempts to closely reflect the reporting model required for private industry. The reader will notice that two government-wide basic financial statements created by this standard, the Statement of Net Position and the Statement of Activities, do not contain numerous columns for various funds that have been seen in past governmental financial statements. These two statements consolidate much of the information contained in fund-based financial statements of the past into statements which tend to answer the question: "Is the District better or worse off financially than it was in the previous year?" A comparison of net position should help the reader in answering that question.

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

The CAFR is presented in three primary sections as follows:

- Introductory Section
- Financial Section
- Statistical Section

The **Introductory Section** includes this transmittal letter, a list of principal officials, an organizational chart, and copies of the Certificates of Excellence in Financial Reporting awarded by the Association of School Business Officials (ASBO) International and the Government Finance Officers Association (GFOA) for the fiscal year ended June 30, 2015. The **Financial Section** begins with the Report of the Independent Certified Public Accountants. This section also includes, within the RSI, the MD&A. Following this are the Basic Financial Statements and Notes to Basic Financial Statements. These notes are provided to enhance the reader's understanding of the District's accounting policies and procedures. This section also includes RSI related to pensions and other post-employment benefits, and combining and individual fund statements and schedules presented as supplemental information. The **Statistical Section** incorporates GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. GASB Statement No. 44 offers a wealth of descriptive and illustrative material designed to minimize the possibility of misinterpretation. The GASB incorporated into the Statistical Section certain data as a result of the implementation of GASB Statement No. 34. The GASB established five broad objectives which are used to organize the Statistical Section:

1. Financial trends
2. Revenue capacity
3. Debt capacity
4. Demographic and economic information
5. Operating indicators

The District is required to undergo an annual audit of its Federal Financial Assistance (Single Audit) in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Uniform Grant Guidance. Information related to the Single Audit is issued separately and is not included in this report.

DISTRICT GOALS

School District Mission: Inspire each student to learn continuously so they are empowered to reach personal fulfillment and contribute purposefully to our ever-changing world.

The School Board governs under a Policy Governance model, which provides a clear differentiation between governance and management responsibilities in organizations. Within this governance structure, the School Board has set parameters in the areas of Board Management Delegation, Executive Limitations (EL), and Ends Policies. The School Board has overall control of the organization. Through its policies, the Superintendent is the School Board's link to operational achievement and conduct, so that all authority and accountability of staff, as far as the School Board is concerned, is considered the authority and accountability of the Superintendent. The School Board's EL defines the parameters within which the Superintendent works, outlining the expectations and limitations of the organization.

Executive Limitations

The Superintendent shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, unethical, imprudent, or in violation of commonly accepted business and professional practices.

1. Emergency Superintendent Succession
2. Treatment of Students
3. Treatment of Parents
4. Treatment of Staff
5. Financial Management and Operations
6. Financial Condition and Activities
7. Asset Protection
8. Compensation and Benefits
9. Communication and Support to the School Board

Ends Policies

Eden Prairie public schools exist so that each student obtains an outstanding education that prepares them for their next stage of life in a manner that justifies the resources expended.

1. Each student graduates and is academically prepared to progress to multiple opportunities after high school.
2. Each student has the 21st century skills needed to succeed in the global economy.
3. Each student has the knowledge that citizens and residents of the United States need to contribute positively to society.

DISTRICT FISCAL FRAMEWORK

The District has been functioning under financial constraints over the past several years as a result of:

- Flat to slightly declining enrollment
- Insufficient increases in state funding
- Inflationary pressures on key expenditure areas

The District has been proactively planning for conditions affecting school funding considering:

- State economic and political conditions
- Enrollment projections and trends
- Necessary budget adjustments and expenditure reductions

Strong community partnerships have enhanced the success of the District. The Citizen's Financial Advisory Committee continues to function as a key committee guiding the District's financial planning and long-term outlook on investment decisions. This committee's purpose is to assist the District in financial analysis and long-range financial planning. Specifically, the purposes of the committee are as follows:

- To inform members on school district finances
- Engage in discussion of financial goals
- Empower members as ambassadors
- Advise administration on the financial direction to support the mission of Eden Prairie Schools

LOCAL ECONOMIC CONDITION

Eden Prairie is a relatively stable suburban area southwest of the twin cities of Minneapolis and St. Paul that covers 36 square miles with an estimated population of 62,600. Eden Prairie residents enjoy amenities including transportation, employment opportunities, housing, educational institutions, and a quality school district.

Learners in the District attend eight district sites. The District operates six kindergarten through sixth grade elementary schools with five boundary schools and a Spanish Immersion School. The Eagle Heights Spanish Immersion School is housed in the same building as the Oak Point Elementary School. Eden Prairie's seventh and eighth graders attend Central Middle School, while Eden Prairie High School is home to students in Grades 9 through 12. The District also has a thriving Education Center which houses the Family Center, Early Childhood Special Education, TASSEL Transition Program, and Community Education programs for learners of all ages. In total, district-owned instruction and administrative buildings account for 1,851,588 square feet of space with an average age of 29 years.

As one of the largest employers in the city with over 1,440 staff members, the District plays a dual role in economic development. The highly skilled staff remains focused on the mission: "Inspire each student to learn continuously so they are empowered to reach personal fulfillment and contribute purposefully to our ever-changing world." The District's commitment to quality and service is among the reasons it operates its own student transportation system and food service program. Buildings and grounds staff members are responsible for maintaining the facilities to ensure a healthy and safe learning environment. A dedicated auxiliary staff, including a wide variety of positions such as lunchroom/playground supervisors, computer assistants, network managers, special education inclusion assistants, secretarial/clerical staff, and health assistants, collaborate in advancing our goals.

The District has a long reputation for fiscal soundness and efficiency. District expenditures per pupil are consistently among the lowest in Hennepin County, while maintaining high achievement standards in both academic and extracurricular activities. A Citizen's Financial Advisory Committee meets bimonthly to review and provide advice on fiscal and budget processes.

DISTRICT OUTLOOK

The referendum that was passed in 2014 includes an inflation escalation clause that gives financial stability to protect the District against inflation. The District has built up a strong unassigned fund balance by increasing revenues with the referendum passage, as well as limiting expenditures by finding efficiencies in normal school operations.

In the spring of 2016, the District started a process called "Designing Pathways," which is designed to support the strategic plan by moving through a process of academic and facilities planning for the next decade to reach each student. This planning process could have a financial impact based on the final recommendation that will be made by the Superintendent to the School Board in May of 2017.

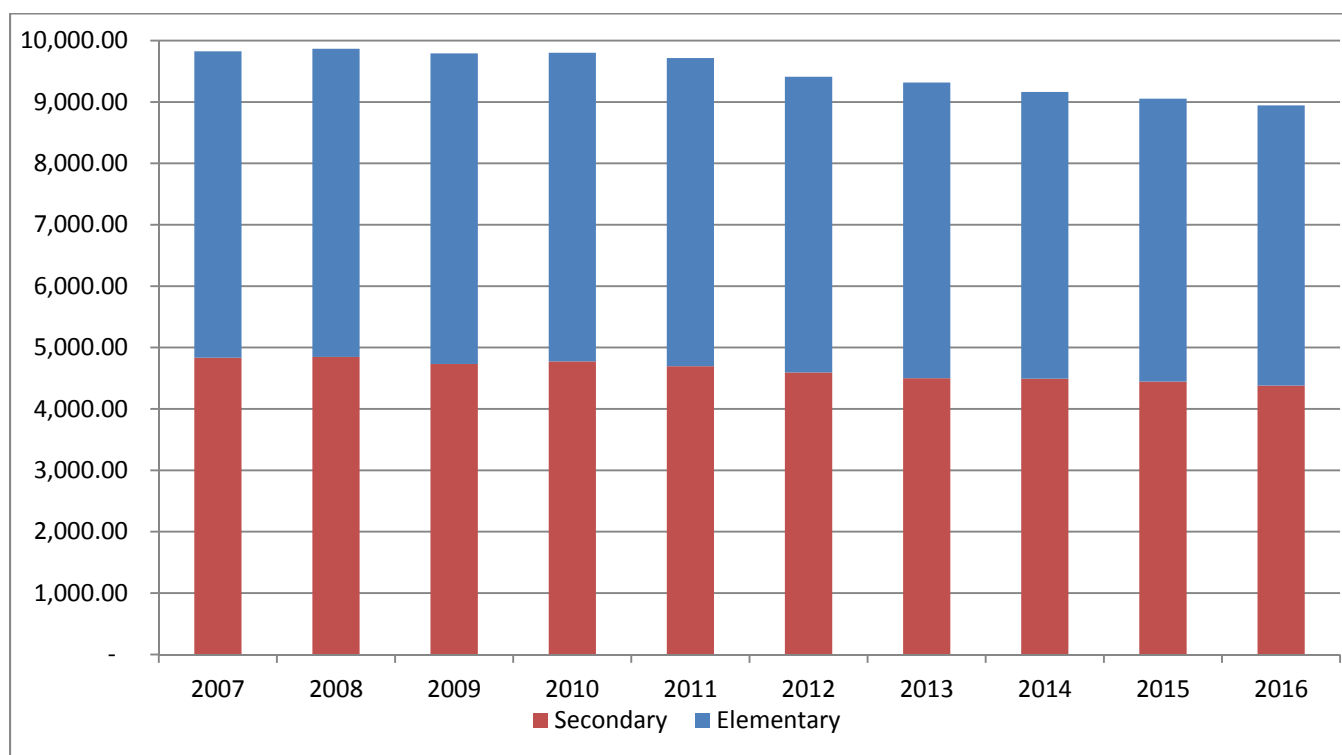
ENROLLMENT

Enrollment is a critical factor in determining funding levels. Approximately 72 percent of the General Fund revenue is enrollment driven. During fiscal year 2016, enrollment declined by 111 average daily memberships to 8,942. The decline can be attributed to the variance between the incoming kindergarten class and the graduating senior class.

Student Enrollment (Average Daily Membership)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Pre-K and HCP-K	84.15	84.98	83.90	86.12	85.34	89.25	106.10	104.31	123.38	119.63
Reg K	662.78	656.48	638.42	661.80	663.98	578.66	629.48	560.27	595.08	561.95
Elementary	4,243.88	4,277.11	4,336.57	4,279.36	4,270.65	4,150.02	4,080.75	4,006.32	3,889.68	3,880.87
Secondary	4,833.41	4,846.91	4,731.13	4,774.44	4,694.38	4,593.11	4,500.90	4,492.37	4,445.20	4,379.90
Total Students for Aid	9,824.22	9,865.48	9,790.02	9,801.72	9,714.35	9,411.04	9,317.23	9,163.27	9,053.34	8,942.35
Percent Change	-1.39%	0.42%	-0.77%	0.12%	-0.90%	-3.22%	-1.01%	-1.68%	-1.21%	-1.22%

Student Enrollment (Average Daily Membership)



The continued graduation of comparably large student cohorts coupled with smaller incoming kindergarten cohorts in the last three years led to a 4.0 percent decline in enrollment from fiscal year 2013. The District projects a 0.75 percent year-over-year decline over the next five years, followed by a leveling off at approximately 8,600 students. The enrollment and demographic changes presented above offer both financial and strategic challenges and opportunities for the District.

INTERNAL CONTROL STRUCTURE AND BUDGETARY CONTROL

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools. The UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report must be provided to the Minnesota Department of Education by December 31, subsequent to year-end on June 30.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse or losses. Reasonable assurance means the cost of controls is weighed against the benefits received. The District utilizes an integrated payroll/finance system for all financial recordkeeping. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. To accurately track and report financial activities with a focus on site-based accounting, approximately 20,000 accounts have been defined within the District's chart of accounts. Each site and department administrator has access to the finance system to extract reports and review detailed budget activity specific to their area of responsibility. The district administration receives and reviews monthly financial reports. These reports are also presented to the School Board and are publicly available as part of the School Board's meeting materials.

The District's budgeting process begins with a review and estimation of the projected student enrollment. Student enrollment is the main driver of the allocation of the unrestricted revenue resources. A majority of the budgeting decisions are made centrally, including staffing, capital expenditures, and infrastructure improvements. Budget managers receive an allocation for site or department-specific needs. The District adopts an annual budget for all governmental funds that is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level.

INDEPENDENT AUDIT AND CERTIFICATE OF EXCELLENCE

State statutes require an annual audit by independent certified public accountants. The accounting firm of Malloy, Montague, Karnowski, Radosovich & Co., P.A. was selected by the District's School Board to conduct the annual audit.

This report has been prepared following the guidelines provided by the ASBO International and the GFOA for their Certificates of Excellence in Financial Reporting Programs. Achieving recognition by these programs provides a clear indication of the District's high standards for financial reporting. The District intends to submit this CAFR to the ASBO and GFOA Certificate Programs for consideration. The District has received the ASBO Certificate of Excellence in Financial Reporting for the CAFR for the last 16 financial years. The District's fiscal year 2014 and 2015 CAFRs also earned the GFOA Certificate of Achievement for Excellence in Financial Reporting.

ACKNOWLEDGMENTS

We acknowledge the efforts of the entire Business Office staff in providing complete and accurate data for this CAFR.

Sincerely,



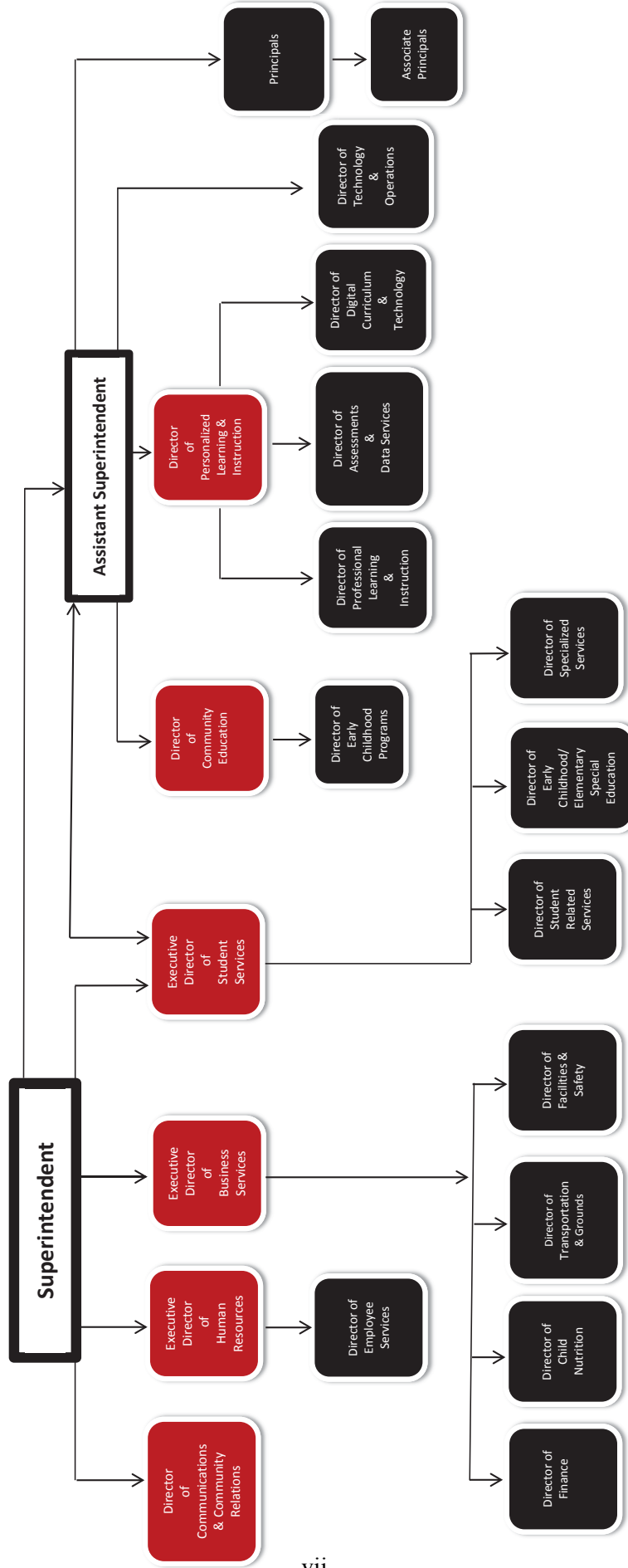
Dr. Curt Tryggestad
Superintendent



Jason Mutzenberger
Executive Director of Business Services



Ron Meyer
Director of Finance



INDEPENDENT SCHOOL DISTRICT NO. 272

School Board and Administration
Year Ended June 30, 2016

SCHOOL BOARD

	<u>Board Position</u>
Elaine Larabee	Chairperson
David Espe	Vice Chairperson
Holly Link	Treasurer
Ranee Jacobus	Clerk
John Kohner	Director
Greg Lehman	Director
Adam Seidel	Director

ADMINISTRATION

Dr. Curt Tryggestad	Superintendent
Dr. Joshua Swanson	Assistant Superintendent
Jason Mutzenberger	Executive Director of Business Services
Thomas May	Executive Director of Human Resources
Patricia Clair	Executive Director of Student Services
Jaclyn Swords	Director of Communications and Community Relations
Dr. Shawn Hoffman-Bram	Director of Community Education
Randi Anderson	Director of Personalized Learning and Instruction



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Eden Prairie Independent School District #272

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

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



Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Eden Prairie Independent
School District #272, Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

SECTION II – FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 272
Eden Prairie, 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. 272 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 17, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 14, 2016

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INDEPENDENT SCHOOL DISTRICT NO. 272

Management's Discussion and Analysis Year Ended June 30, 2016

This section of Independent School District No. 272's (the District) comprehensive annual financial report (CAFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2016 by \$8,935,898 (net position deficit). The District's total net position increased by \$2,005,365 during the fiscal year ended June 30, 2016.
- Government-wide revenues totaled \$135,010,469 for the year ended June 30, 2016, and were \$2,005,365 more than expenses of \$133,005,104.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$2,511,828 from the prior year, compared to a \$1,331,547 increase planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or major funds, rather than the District as a whole.

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

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The Internal Service Fund is used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for the self-insurance activities of the district employees' dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2016 and 2015		
	2016	2015
Assets		
Current and other assets	\$ 90,805,864	\$ 94,518,001
Capital assets, net of depreciation	99,194,586	98,997,227
Total assets	\$ 190,000,450	\$ 193,515,228
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	\$ 15,349,006	\$ 11,935,407
Liabilities		
Current and other liabilities	\$ 12,227,825	\$ 12,539,796
Long-term liabilities, including due within one year	150,706,650	144,385,187
Total liabilities	\$ 162,934,475	\$ 156,924,983
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 38,728,689	\$ 38,374,412
Pension plan deferments – PERA and TRA	12,622,190	21,092,503
Total deferred inflows of resources	\$ 51,350,879	\$ 59,466,915
Net position		
Net investment in capital assets	\$ 46,495,778	\$ 49,968,770
Restricted	4,148,442	4,820,097
Unrestricted	(59,580,118)	(65,730,130)
Total net position	\$ (8,935,898)	\$ (10,941,263)

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

Total net position increased by \$2,005,365 from current year operating results. As presented in the table above, the net investment in capital assets and restricted net position decreased from the prior year, while unrestricted net position increased primarily due to the positive operating results for the year.

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

Table 2 Summary Statement of Activities for the Years Ended June 30, 2016 and 2015		
	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Charges for services	\$ 8,161,763	\$ 7,192,492
Operating grants and contributions	19,955,518	17,531,443
Capital grants and contributions	869,776	886,495
General revenues		
Property taxes	41,969,607	39,454,402
General grants and aids	61,289,944	60,176,831
Other	2,763,861	2,785,201
Total revenues	<u>135,010,469</u>	<u>128,026,864</u>
Expenses		
Administration	3,827,612	3,318,266
District support services	5,337,689	6,168,708
Elementary and secondary regular instruction	59,627,119	53,765,254
Vocational education instruction	1,929,401	1,845,940
Special education instruction	19,886,753	18,620,390
Instructional support services	7,722,877	7,201,154
Pupil support services	8,897,020	9,119,888
Sites and buildings	13,696,744	11,811,681
Fiscal and other fixed cost programs	252,593	329,667
Food service	4,893,018	4,919,568
Community service	4,492,095	4,156,097
Interest and fiscal charges on debt	2,442,183	2,034,145
Total expenses	<u>133,005,104</u>	<u>123,290,758</u>
Change in net position	2,005,365	4,736,106
Net position – beginning	<u>(10,941,263)</u>	<u>(15,677,369)</u>
Net position – ending	<u><u>\$ (8,935,898)</u></u>	<u><u>\$ (10,941,263)</u></u>

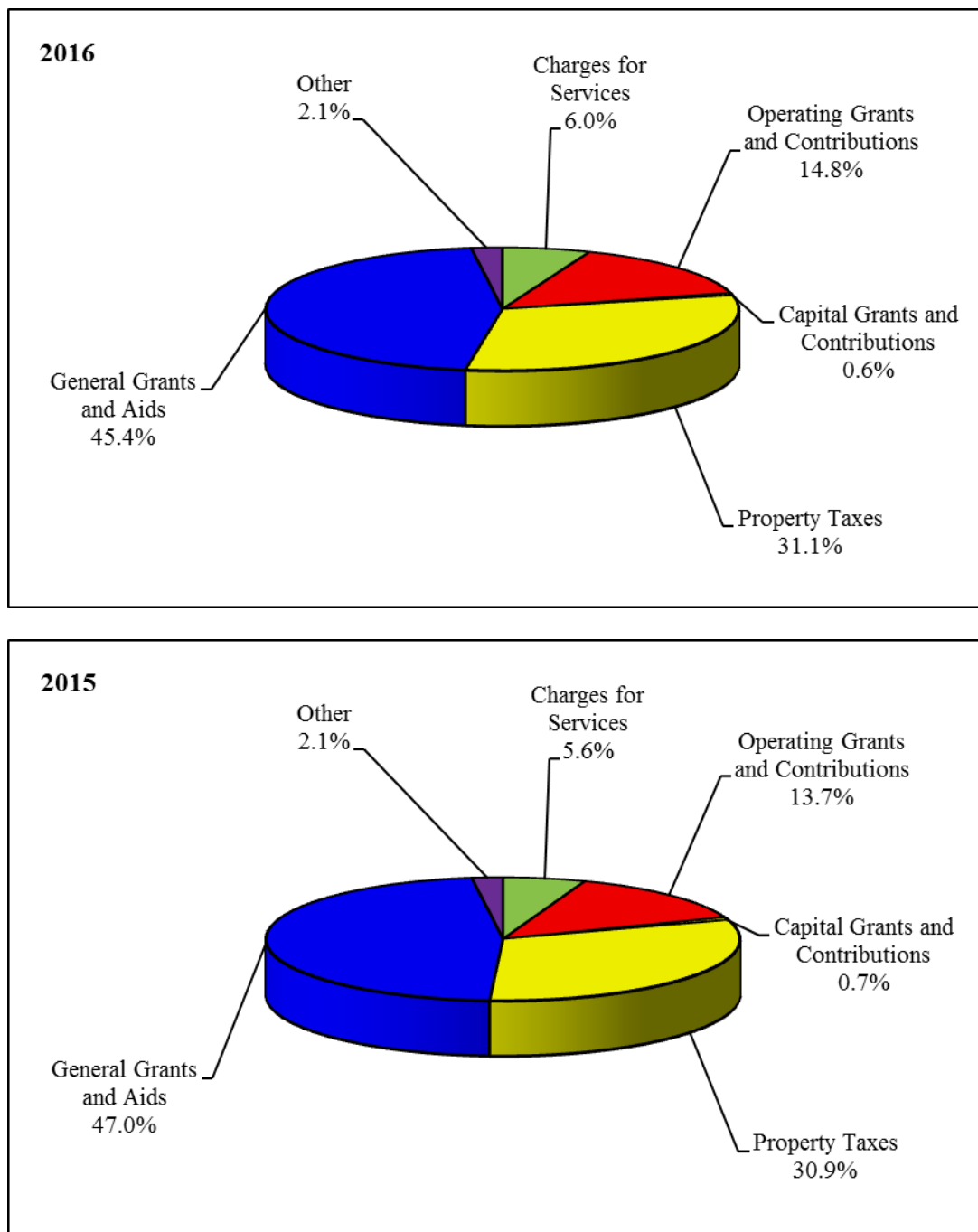
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Governmental activities revenues increased \$6,983,605 (5.5 percent) from the previous year, primarily attributable to improvements in the general education funding formula and the approval of an operating referendum renewal and increase in November 2014.

Governmental activity expenses increased \$9,714,346 (7.9 percent) from last year, mainly due to planned increases in the staffing per classroom ratio as well as contracted salary and related benefit increases.

Figure A shows further analysis of these revenue sources.

Figure A – Sources of Revenues for Fiscal Years 2016 and 2015

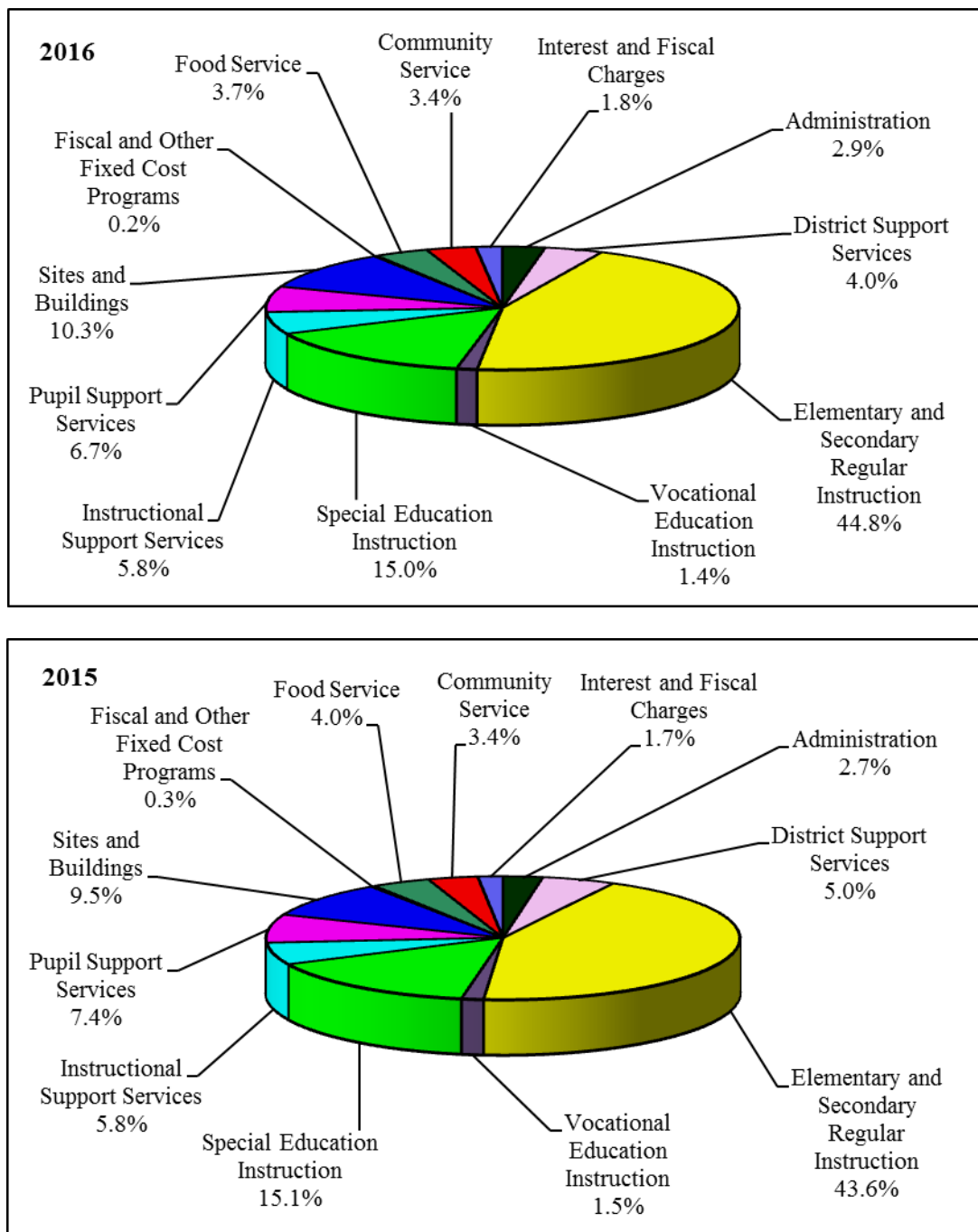


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding increases in 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 shows further analysis of these expense functions.

Figure B – Expenses for Fiscal Years 2016 and 2015



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:

Table 3 Governmental Fund Balances as of June 30, 2016 and 2015			
	2016	2015	Increase (Decrease)
Major funds			
General	\$ 17,508,839	\$ 14,997,011	\$ 2,511,828
Food Service	794,950	961,763	(166,813)
Community Service	1,291,373	1,218,558	72,815
Capital Projects – Building			
Construction	5,558,128	11,136,244	(5,578,116)
Debt Service	1,475,305	1,718,842	(243,537)
Total governmental funds	<u>\$ 26,628,595</u>	<u>\$ 30,032,418</u>	<u>\$ (3,403,823)</u>

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

At June 30, 2016, the District's governmental funds reported combined fund balances of \$26,628,595, a decrease of \$3,403,823 in comparison with the prior year. Approximately 48.0 percent of this amount (\$12,789,447) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$662,101), 2) restricted for particular purposes (\$10,449,159), or 3) assigned for particular purposes (\$2,727,888).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues and other financing sources	<u>\$ 113,956,668</u>	<u>\$ 113,868,667</u>	<u>\$ (88,001)</u>	<u>(0.1%)</u>
Expenditures and other financing uses	<u>\$ 112,514,276</u>	<u>\$ 112,537,120</u>	<u>\$ 22,844</u>	<u>–</u>

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

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2016 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	\$ 121,489,533	\$ 7,620,866	6.7%	\$ 9,641,235	8.6%
Expenditures and other financing uses	<u>118,977,705</u>	<u>6,440,585</u>	5.7%	<u>6,703,375</u>	6.0%
Net change in fund balances	<u>\$ 2,511,828</u>	<u>\$ 1,180,281</u>		<u>\$ 2,937,860</u>	

The fund balance of the General Fund increased \$2,511,828 compared to a planned increase of \$1,331,547 approved in the final budget.

General Fund revenues and other financing sources for 2016 increased \$9,641,235 (8.6 percent) compared to the prior year. This was \$7,620,866 (6.7 percent) more than budget. The largest revenue variance occurred in other local sources, which were \$2,516,488 more than projected in the budget due to fundraising for activity accounts not being included in the budget. State sources were \$1,705,470 more than projected due to the significant increase in the amount the state of Minnesota is contributing on behalf of the districts that participate in the Teachers Retirement Association (TRA) plan as a result of the merger of the Duluth Teachers Retirement Fund Association pension plan into the state-wide TRA pension plan. The District is required to recognize this on-behalf contribution, which increased actual revenue and expenditures by \$1,349,189. The District also received other financing sources (capital lease proceeds) of \$3,321,304, which were not anticipated in the budget.

The increase from the prior year was mainly due to improvements in the general education funding formula, the approval of an operating referendum renewal and increase, and the on-behalf contribution of state funding for pensions, as noted above.

Total General Fund expenditures and other financing uses for 2016 increased \$6,703,375 (6.0 percent) over the prior year. Current year expenditures and other financing uses of \$118,977,705 were \$6,440,585 (5.7 percent) over budget. The expenditure variance was spread across several programs and object categories of the General Fund with the largest variances due to the activity accounts, capital lease, and on-behalf contribution for the TRA pension plan not being included in the budget, as noted above.

The increase from the previous year was mainly due to increased construction activity, contracted salary and benefit increases, and the on-behalf contribution for the TRA pension plan.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER MAJOR FUNDS

Food Service Fund

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues, reducing total fund balance by \$166,813, mainly due to the planned use of fund balance for capital improvements as reflected in the budgeted fund balance reduction of \$185,180.

Community Service Fund

The Community Service Special Revenue Fund ended the year with revenues and other financing sources exceeding expenditures, increasing total fund balance by \$72,815, compared to a budgeted fund balance increase of \$246,742. This variance was due to program revenues coming in under projections and personnel costs exceeding budget.

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. Fund balance declined by \$5,578,116, as the District spent down proceeds from alternative facilities bonds issued in the previous year. At June 30, 2016, the District had a fund balance of \$5,558,128, all of which is restricted for the alternative facilities program.

Debt Service Fund

The Debt Service Fund expenditures exceeded revenues and other financing sources by \$243,537 in the current year, which was in line with the budgeted fund balance reduction of \$226,653. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The remaining fund balance of \$1,475,305 at June 30, 2016 is restricted for meeting future debt service obligations.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2016 and 2015:

Table 6			
Capital Assets			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$ 6,798,693	\$ 6,798,693	\$ –
Construction in progress	1,134,126	1,903,550	(769,424)
Land improvements	8,497,348	8,049,463	447,885
Buildings and improvements	197,753,283	192,335,227	5,418,056
Equipment	19,771,324	24,350,531	(4,579,207)
Capital leased equipment	9,257,554	6,215,058	3,042,496
Less accumulated depreciation	<u>(144,017,742)</u>	<u>(140,655,295)</u>	<u>(3,362,447)</u>
Total	<u>\$ 99,194,586</u>	<u>\$ 98,997,227</u>	<u>\$ 197,359</u>
Depreciation expense	<u>\$ 9,480,536</u>	<u>\$ 8,409,589</u>	<u>\$ 1,070,947</u>

By the end of 2016, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2016, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

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

Additional details about capital assets can be found in Note 3 in the notes to basic financial statements.

Long-Term Liabilities

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

Table 7 Outstanding Long-Term Liabilities			
	2016	2015	Change
General obligation bonds payable	\$ 60,970,000	\$ 66,315,000	\$ (5,345,000)
Unamortized premiums	1,341,892	1,611,290	(269,398)
Capital improvement loans payable	243,044	475,351	(232,307)
Capital lease payable	6,047,000	4,573,346	1,473,654
Compensated absences payable	1,622,839	1,727,660	(104,821)
Net pension liability – PERA	18,263,198	18,442,381	(179,183)
Net pension liability – TRA	62,218,677	51,240,159	10,978,518
Total	<u>\$ 150,706,650</u>	<u>\$ 144,385,187</u>	<u>\$ 6,321,463</u>

The decreases in general obligation bonds and capital improvement loans in the table above are primarily due to the planned repayment schedules reflecting principal payments during fiscal year 2016.

The change in capital lease payable is due to the planned repayment schedule reflecting principal payments offset by four new capital leases issued in the current year.

The differences in the Public Employees Retirement Association and the TRA net pension liabilities reflect the change in the District's proportionate share of these state-wide pension obligations.

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

Table 8 Limitations on Debt	
District's market value	\$ 9,030,708,050
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,354,606,208</u>

Additional details of the District's long-term debt activity can be found in Note 4 in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. For the 2016 fiscal year, the legislature added \$117, or 2.0 percent, per pupil to the basic general education funding formula and an additional \$119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department, Independent School District No. 272, 8100 School Road, Eden Prairie, Minnesota 55344.

BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	\$ 46,198,539	\$ 50,099,996
Receivables		
Current taxes	21,195,855	20,739,473
Delinquent taxes	334,254	408,316
Accounts and interest	63,439	217,878
Due from other governmental units	7,662,361	7,425,564
Due from post-employment benefit trust	989,951	991,661
Inventory	149,597	105,110
Prepaid items	512,504	472,624
Net pension asset	369,344	405,697
Net other post-employment benefit asset	13,330,020	13,651,682
Capital assets		
Not depreciated	7,932,819	8,702,243
Depreciated, net of accumulated depreciation	91,261,767	90,294,984
Total capital assets, net of accumulated depreciation	<u>99,194,586</u>	<u>98,997,227</u>
Total assets	190,000,450	193,515,228
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	<u>15,349,006</u>	<u>11,935,407</u>
Total assets and deferred outflows of resources	<u>\$ 205,349,456</u>	<u>\$ 205,450,635</u>
Liabilities		
Salaries payable	\$ 4,878,724	\$ 4,731,248
Accounts and contracts payable	5,301,808	5,724,402
Accrued interest payable	1,038,224	1,086,811
Due to other governmental units	253,982	332,119
Claims payable	23,164	32,660
Unearned revenue	731,923	632,556
Long-term liabilities		
Due within one year	8,812,380	7,776,726
Due in more than one year	141,894,270	136,608,461
Total long-term liabilities	<u>150,706,650</u>	<u>144,385,187</u>
Total liabilities	162,934,475	156,924,983
Deferred inflows of resources		
Property taxes levied for subsequent year	38,728,689	38,374,412
Pension plan deferments – PERA and TRA	12,622,190	21,092,503
Total deferred inflows of resources	<u>51,350,879</u>	<u>59,466,915</u>
Net position		
Net investment in capital assets	46,495,778	49,968,770
Restricted for		
Capital asset acquisition	1,207,446	1,676,631
Food service	794,950	961,763
Community service	1,623,149	1,416,768
Debt service	522,897	764,935
Unrestricted	(59,580,118)	(65,730,130)
Total net position	<u>(8,935,898)</u>	<u>(10,941,263)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 205,349,456</u>	<u>\$ 205,450,635</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

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

		2016		
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Administration	\$ 3,827,612	\$ —	\$ —	\$ —
District support services	5,337,689	—	—	—
Elementary and secondary regular instruction	59,627,119	1,455,096	5,401,460	—
Vocational education instruction	1,929,401	—	47,869	—
Special education instruction	19,886,753	883,511	11,001,583	—
Instructional support services	7,722,877	—	—	—
Pupil support services	8,897,020	128,862	1,004,495	—
Sites and buildings	13,696,744	83,193	—	869,776
Fiscal and other fixed cost programs	252,593	—	—	—
Food service	4,893,018	3,183,516	1,587,797	—
Community service	4,492,095	2,427,585	912,314	—
Interest and fiscal charges	2,442,183	—	—	—
Total governmental activities	<u>\$ 133,005,104</u>	<u>\$ 8,161,763</u>	<u>\$ 19,955,518</u>	<u>\$ 869,776</u>
		General revenue		
		Taxes		
		Property taxes, levied for general purposes		
		Property taxes, levied for community service		
		Property taxes, levied for debt service		
		General grants and aids		
		Other general revenues		
		Investment earnings		
		Total general revenues		
		Change in net position		
		Net position – beginning		
		Net position – ending		

See notes to basic financial statements

	2015
<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>	<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
\$ (3,827,612)	\$ (3,314,183)
(5,337,689)	(6,167,501)
(52,770,563)	(48,491,922)
(1,881,532)	(1,683,312)
(8,001,659)	(7,812,137)
(7,722,877)	(7,192,099)
(7,763,663)	(7,995,765)
(12,743,775)	(10,886,361)
(252,593)	(329,667)
(121,705)	(430,113)
(1,152,196)	(1,343,123)
(2,442,183)	(2,034,145)
(104,018,047)	(97,680,328)
33,216,511	25,962,472
1,006,495	1,171,597
7,746,601	12,320,333
61,289,944	60,176,831
2,665,055	2,749,324
98,806	35,877
<u>106,023,412</u>	<u>102,416,434</u>
2,005,365	4,736,106
(10,941,263)	(15,677,369)
<u>\$ (8,935,898)</u>	<u>\$ (10,941,263)</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	General Fund	Food Service Fund	Community Service Fund
Assets			
Cash and temporary investments	\$ 31,759,833	\$ 772,335	\$ 2,114,976
Receivables			
Current taxes	16,703,664	—	512,530
Delinquent taxes	238,525	—	9,913
Accounts and interest	43,827	1,402	4,809
Due from other governmental units	7,545,294	46,228	70,829
Due from other funds	989,951	—	—
Inventory	—	149,597	—
Prepaid items	462,195	1,950	48,359
Total assets	<u>\$ 57,743,289</u>	<u>\$ 971,512</u>	<u>\$ 2,761,416</u>
Liabilities			
Salaries payable	\$ 4,813,107	\$ 21,366	\$ 44,251
Accounts and contracts payable	4,947,623	10,311	80,640
Due to other governmental units	253,982	—	—
Unearned revenue	282,011	144,885	305,027
Total liabilities	<u>10,296,723</u>	<u>176,562</u>	<u>429,918</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	29,699,202	—	1,030,212
Unavailable revenue – delinquent taxes	238,525	—	9,913
Total deferred inflows of resources	<u>29,937,727</u>	<u>—</u>	<u>1,040,125</u>
Fund balances (deficit)			
Nonspendable	462,195	151,547	48,359
Restricted	1,207,446	643,403	1,564,877
Assigned	2,727,888	—	—
Unassigned	13,111,310	—	(321,863)
Total fund balances	<u>17,508,839</u>	<u>794,950</u>	<u>1,291,373</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 57,743,289</u>	<u>\$ 971,512</u>	<u>\$ 2,761,416</u>

See notes to basic financial statements

Capital Projects – Building Construction Fund	Debt Service Fund	Total Governmental Funds	
		2016	2015
\$ 5,813,960	\$ 5,488,910	\$ 45,950,014	\$ 49,874,845
–	3,979,661	21,195,855	20,739,473
–	85,816	334,254	408,316
7,402	5,999	63,439	217,878
–	10	7,662,361	7,425,564
–	–	989,951	991,661
–	–	149,597	105,110
–	–	512,504	472,624
<u>\$ 5,821,362</u>	<u>\$ 9,560,396</u>	<u>\$ 76,857,975</u>	<u>\$ 80,235,471</u>
\$ –	\$ –	\$ 4,878,724	\$ 4,731,248
263,234	–	5,301,808	5,724,402
–	–	253,982	332,119
–	–	731,923	632,556
<u>263,234</u>	<u>–</u>	<u>11,166,437</u>	<u>11,420,325</u>
–	7,999,275	38,728,689	38,374,412
–	85,816	334,254	408,316
<u>–</u>	<u>8,085,091</u>	<u>39,062,943</u>	<u>38,782,728</u>
–	–	662,101	577,734
5,558,128	1,475,305	10,449,159	16,321,907
–	–	2,727,888	3,036,146
–	–	12,789,447	10,096,631
<u>5,558,128</u>	<u>1,475,305</u>	<u>26,628,595</u>	<u>30,032,418</u>
<u>\$ 5,821,362</u>	<u>\$ 9,560,396</u>	<u>\$ 76,857,975</u>	<u>\$ 80,235,471</u>

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INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2016	2015
Total fund balances – governmental funds	\$ 26,628,595	\$ 30,032,418
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	243,212,328	239,652,522
Accumulated depreciation	(144,017,742)	(140,655,295)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(60,970,000)	(66,315,000)
Unamortized premiums	(1,341,892)	(1,611,290)
Capital improvement loans payable	(243,044)	(475,351)
Capital lease payable	(6,047,000)	(4,573,346)
Compensated absences payable	(1,622,839)	(1,727,660)
Net pension liability – PERA	(18,263,198)	(18,442,381)
Net pension liability – TRA	(62,218,677)	(51,240,159)
Net pension obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	369,344	405,697
Net other post-employment benefit obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	13,330,020	13,651,682
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.	225,361	192,491
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(1,038,224)	(1,086,811)
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	15,349,006	11,935,407
Deferred inflows – PERA and TRA pension plans	(12,622,190)	(21,092,503)
Deferred inflows – delinquent property taxes	334,254	408,316
Total net position – governmental activities	<u>\$ (8,935,898)</u>	<u>\$ (10,941,263)</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	General Fund	Food Service Fund	Community Service Fund
Revenue			
Local sources			
Property taxes	\$ 33,239,697	\$ —	\$ 1,010,283
Investment earnings	63,712	2,340	4,728
Other	5,206,764	3,183,516	2,772,501
State sources	76,939,434	160,684	567,398
Federal sources	2,648,071	1,427,113	—
Total revenue	118,097,678	4,773,653	4,354,910
Expenditures			
Current			
Administration	3,584,683	—	—
District support services	5,494,082	—	—
Elementary and secondary regular instruction	57,391,706	—	—
Vocational education instruction	1,946,168	—	—
Special education instruction	19,999,874	—	—
Instructional support services	7,755,337	—	—
Pupil support services	9,002,606	—	—
Sites and buildings	11,225,225	—	—
Fiscal and other fixed cost programs	252,593	—	—
Food service	—	4,834,354	—
Community service	—	—	4,469,778
Capital outlay	—	106,112	—
Debt service			
Principal	2,079,957	—	—
Interest and fiscal charges	57,791	—	—
Total expenditures	118,790,022	4,940,466	4,469,778
Excess (deficiency) of revenue over expenditures	(692,344)	(166,813)	(114,868)
Other financing sources (uses)			
Debt issued	—	—	—
Premium on debt issued	—	—	—
Capital lease issued	3,321,304	—	—
Sale of capital assets	70,551	—	—
Transfers in	—	—	187,683
Transfers (out)	(187,683)	—	—
Total other financing sources (uses)	3,204,172	—	187,683
Net change in fund balances	2,511,828	(166,813)	72,815
Fund balances			
Beginning of year	14,997,011	961,763	1,218,558
End of year	\$ 17,508,839	\$ 794,950	\$ 1,291,373

See notes to basic financial statements

Capital Projects – Building Construction Fund	Debt Service Fund	Total Governmental Funds	
		2016	2015
\$ –	\$ 7,793,689	\$ 42,043,669	\$ 39,380,714
17,711	10,053	98,544	35,818
36,477	–	11,199,258	10,254,894
–	98	77,667,614	74,137,366
–	–	4,075,184	3,987,082
<u>54,188</u>	<u>7,803,840</u>	<u>135,084,269</u>	<u>127,795,874</u>
–	–	3,584,683	3,339,290
–	–	5,494,082	6,252,752
–	–	57,391,706	52,144,459
–	–	1,946,168	1,868,424
–	–	19,999,874	18,874,537
–	–	7,755,337	7,278,407
–	–	9,002,606	9,048,612
–	–	11,225,225	8,953,223
–	–	252,593	329,667
–	–	4,834,354	4,806,685
–	–	4,469,778	4,052,806
5,632,304	–	5,738,416	6,069,185
–	5,345,000	7,424,957	13,544,547
–	2,702,377	2,760,168	2,915,695
<u>5,632,304</u>	<u>8,047,377</u>	<u>141,879,947</u>	<u>139,478,289</u>
(5,578,116)	(243,537)	(6,795,678)	(11,682,415)
–	–	–	10,310,000
–	–	–	263,301
–	–	3,321,304	2,925,198
–	–	70,551	1,935,052
–	–	187,683	213,684
–	–	(187,683)	(213,684)
<u>–</u>	<u>–</u>	<u>3,391,855</u>	<u>15,433,551</u>
(5,578,116)	(243,537)	(3,403,823)	3,751,136
<u>11,136,244</u>	<u>1,718,842</u>	<u>30,032,418</u>	<u>26,281,282</u>
<u>\$ 5,558,128</u>	<u>\$ 1,475,305</u>	<u>\$ 26,628,595</u>	<u>\$ 30,032,418</u>

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INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2016	2015
Total net change in fund balances – governmental funds	\$ (3,403,823)	\$ 3,751,136
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as 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	10,232,449	9,127,831
Depreciation expense	(9,480,536)	(8,409,589)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(554,554)	(2,107,347)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	–	(10,310,000)
Capital lease payable	(3,321,304)	(2,925,198)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	5,345,000	9,605,000
Capital lease payable	1,847,650	3,717,503
Capital improvement loans payable	232,307	222,044
Deferred gain on refunding	–	179,713
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.	48,587	125,963
Debt issuance premiums 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.	269,398	312,573
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	179,183	2,931,054
Net pension liability – TRA	(10,978,518)	12,522,417
Compensated absences payable	104,821	334,805
Net pension obligation	(36,353)	(39,407)
Net OPEB obligation	(321,662)	(172,048)
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.	32,870	488
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	3,413,599	6,887,983
Deferred inflows – PERA and TRA pension plans	8,470,313	(21,092,503)
Deferred inflows – delinquent property taxes	(74,062)	73,688
Change in net assets – governmental activities	<u>\$ 2,005,365</u>	<u>\$ 4,736,106</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 33,336,356	\$ 33,256,356	\$ 33,239,697	\$ (16,659)
Investment earnings	30,000	30,000	63,712	33,712
Other	2,686,200	2,690,276	5,206,764	2,516,488
State sources	74,987,112	75,233,964	76,939,434	1,705,470
Federal sources	2,907,000	2,648,071	2,648,071	—
Total revenue	113,946,668	113,858,667	118,097,678	4,239,011
Expenditures				
Current				
Administration	3,614,053	3,620,033	3,584,683	(35,350)
District support services	6,567,563	6,453,716	5,494,082	(959,634)
Elementary and secondary regular instruction	51,622,437	51,721,736	57,391,706	5,669,970
Vocational education instruction	1,825,297	1,698,300	1,946,168	247,868
Special education instruction	20,286,045	20,369,989	19,999,874	(370,115)
Instructional support services	9,125,076	6,972,112	7,755,337	783,225
Pupil support services	9,087,645	9,160,714	9,002,606	(158,108)
Sites and buildings	9,980,623	10,201,595	11,225,225	1,023,630
Fiscal and other fixed cost programs	(167,378)	(21,161)	252,593	273,754
Debt service				
Principal	232,386	2,080,036	2,079,957	(79)
Interest and fiscal charges	19,114	57,806	57,791	(15)
Total expenditures	112,192,861	112,314,876	118,790,022	6,475,146
Excess (deficiency) of revenue over expenditures	1,753,807	1,543,791	(692,344)	(2,236,135)
Other financing sources (uses)				
Capital lease issued	—	—	3,321,304	3,321,304
Sale of capital assets	10,000	10,000	70,551	60,551
Transfers (out)	(321,415)	(222,244)	(187,683)	34,561
Total other financing sources (uses)	(311,415)	(212,244)	3,204,172	3,416,416
Net change in fund balances	\$ 1,442,392	\$ 1,331,547	2,511,828	\$ 1,180,281
Fund balances				
Beginning of year			14,997,011	
End of year			\$ 17,508,839	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Food Service Fund
Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Investment earnings	\$ —	\$ —	\$ 2,340	\$ 2,340
Other – primarily meal sales	3,302,700	3,315,000	3,183,516	(131,484)
State sources	125,000	160,000	160,684	684
Federal sources	1,410,000	1,325,000	1,427,113	102,113
Total revenue	4,837,700	4,800,000	4,773,653	(26,347)
Expenditures				
Current				
Salaries	1,949,350	1,967,490	2,004,040	36,550
Employee benefits	725,976	759,690	748,398	(11,292)
Purchased services	239,750	233,000	171,254	(61,746)
Supplies and materials	1,980,000	1,915,000	1,906,618	(8,382)
Other expenditures	10,500	10,000	4,044	(5,956)
Capital outlay	100,000	100,000	106,112	6,112
Total expenditures	5,005,576	4,985,180	4,940,466	(44,714)
Net change in fund balances	\$ (167,876)	\$ (185,180)	(166,813)	\$ 18,367
Fund balances				
Beginning of year			961,763	
End of year			\$ 794,950	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Community Service Fund
Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 1,011,784	\$ 1,011,784	\$ 1,010,283	\$ (1,501)
Investment earnings	900	1,475	4,728	3,253
Other – primarily tuition and fees	2,606,322	2,852,243	2,772,501	(79,742)
State sources	433,546	545,476	567,398	21,922
Total revenue	4,052,552	4,410,978	4,354,910	(56,068)
Expenditures				
Current				
Salaries	2,587,967	2,531,070	2,612,502	81,432
Employee benefits	755,944	761,630	788,671	27,041
Purchased services	894,492	952,802	928,893	(23,909)
Supplies and materials	115,385	112,900	137,857	24,957
Other expenditures	2,000	2,600	1,855	(745)
Capital outlay	–	1,000	–	(1,000)
Total expenditures	4,355,788	4,362,002	4,469,778	107,776
Excess (deficiency) of revenue over expenditures	(303,236)	48,976	(114,868)	(163,844)
Other financing sources				
Transfers in	221,415	197,766	187,683	(10,083)
Net change in fund balances	\$ (81,821)	\$ 246,742	72,815	\$ (173,927)
Fund balances				
Beginning of year			1,218,558	
End of year			\$ 1,291,373	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and temporary investments	\$ 248,525	\$ 225,151
Liabilities		
Current liabilities		
Claims payable	<u>23,164</u>	<u>32,660</u>
Net position		
Unrestricted	<u>\$ 225,361</u>	<u>\$ 192,491</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2016</u>	<u>2015</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 1,204,920	\$ 1,135,337
Operating expenses		
Dental benefit claims	<u>1,172,312</u>	<u>1,134,908</u>
Operating income	32,608	429
Nonoperating revenue		
Investment earnings	<u>262</u>	<u>59</u>
Change in net position	32,870	488
Net position		
Beginning of year	<u>192,491</u>	<u>192,003</u>
End of year	<u><u>\$ 225,361</u></u>	<u><u>\$ 192,491</u></u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 1,204,920	\$ 1,135,337
Payment for dental claims	<u>(1,181,808)</u>	<u>(1,127,803)</u>
Net cash flows from operating activities	23,112	7,534
Cash flows from investing activities		
Investment income received	<u>262</u>	<u>160</u>
Net change in cash and cash equivalents	23,374	7,694
Cash and cash equivalents		
Beginning of year	<u>225,151</u>	<u>217,457</u>
End of year	<u><u>\$ 248,525</u></u>	<u><u>\$ 225,151</u></u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 32,608	\$ 429
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Claims payable	<u>(9,496)</u>	<u>7,105</u>
Net cash flows from operating activities	<u><u>\$ 23,112</u></u>	<u><u>\$ 7,534</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Fiduciary Net Position
as of June 30, 2016

	Private-Purpose Trust Fund	Employee Benefits Trust Fund	Post-Employment Benefits Trust Fund
Assets			
Cash and temporary investments	\$ 46,681	\$ 2,067,196	\$ —
Receivables			
Accounts and interest	63	2,451	28,507
Investments, at fair value			
Agency securities	—	—	203,078
Mortgage-backed securities	—	—	251,689
Corporate obligations	—	—	3,294,465
Equities	—	—	3,889,172
Real estate investment trusts	—	—	48,662
Mutual funds	—	—	8,539,481
Total assets	<u>46,744</u>	<u>2,069,647</u>	<u>16,255,054</u>
Liabilities			
Accounts and contracts payable	—	571,802	—
Due to governmental funds	—	—	989,951
Total liabilities	<u>—</u>	<u>571,802</u>	<u>989,951</u>
Net position			
Held in trust for scholarships	46,744	—	—
Held in trust for employee benefits	—	1,497,845	—
Held in trust for OPEB	—	—	15,265,103
Total net position	<u>\$ 46,744</u>	<u>\$ 1,497,845</u>	<u>\$ 15,265,103</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Private-Purpose Trust Fund	Employee Benefits Trust Fund	Post-Employment Benefits Trust Fund
Additions			
Contributions			
Plan participants	\$ —	\$ 678,183	\$ —
Gifts and donations	11,500	—	—
Investment earnings			
Total investment earnings	113	4,115	(173,692)
Less investment expense	—	—	126,254
Net investment earnings	113	4,115	(299,946)
Total additions	11,613	682,298	(299,946)
Deductions			
Scholarships	8,000	—	—
Employee benefits	—	1,289,836	—
Other post-employment benefits	—	—	989,951
Total deductions	8,000	1,289,836	989,951
Change in net position	3,613	(607,538)	(1,289,897)
Net position			
Beginning of year	43,131	2,105,383	16,555,000
End of year	\$ 46,744	\$ 1,497,845	\$ 15,265,103

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 272

Notes to Basic Financial Statements June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 272 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. A School Board elected by the voters of the District governs the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

C. Government-Wide Financial Statement Presentation

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Food service sales, community education tuition, and other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental activities column when presented 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 are charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust and private-purpose trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Description of Funds

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

Major Governmental Funds

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

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is primarily used to account for the District's child nutrition program, which is financed through revenue from meal sales, state aids, and federal grants.

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. These activities are financed by program fees and tuition, property tax levies, and state aids.

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the 2009 taxable OPEB bond issue.

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund is used to account for dental insurance benefits offered by the District to its employees as a self-insured plan.

Fiduciary Funds

Trust Funds – Trust funds are used to administer resources received and held by the District as a custodian or trustee for others. The District maintains a Private-Purpose Trust Fund to account for resources held to award scholarships to former students; an Employee Benefits Trust Fund to account for resources held for employee cafeteria plan benefits; and a Post-Employment Benefits Trust Fund to account for resources held in an irrevocable trust to fund post-employment insurance benefits for eligible employees and retirees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. For the year ended June 30, 2016, actual expenditures exceeded budgeted appropriations in the following funds:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General	\$ 112,314,876	\$ 118,790,022	\$ 6,475,146
Community Service Special Revenue	\$ 4,362,002	\$ 4,469,778	\$ 107,776
Debt Service	\$ 8,046,927	\$ 8,047,377	\$ 450

The excess expenditures were approved by the School Board as required by Minnesota Statutes, and were financed with revenues in excess of budget, other financing sources (bond or capital lease proceeds), or available fund balances.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund or held in the trust funds are not pooled, and earnings on those investments are allocated directly to the respective 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 equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; 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 as of June 30, 2016.

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 delinquent property taxes receivable.

At June 30, 2016, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 7,442,785
Due from other Minnesota school districts	40,750
Due from Hennepin County	176,398
Due from other governmental units	<u>2,428</u>
Total due from other governmental units	<u>\$ 7,662,361</u>

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,875,683 of the property tax levy collectible in 2016 as revenue to the District in fiscal year 2015–2016. The remaining portion of the taxes collectible in 2016 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost or estimated historical cost. 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 \$3,000 or more for assets acquired through June 30, 2015 and \$5,000 or more for assets acquired thereafter, 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. The District does not possess material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Capital assets are reported in the government-wide financial statements, but not in the governmental 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 purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Land and construction in progress are not depreciated.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

M. Employee Benefits

- 1. Compensated Absences** – Under the terms of certain collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates. Vacation and sick pay are accrued in the governmental funds to the extent they have been used or otherwise matured prior to year-end. Because teachers are not eligible for vacation pay and amounts accrued to other employees are forfeited if not taken by January 1 of the following year, no long-term vacation liabilities are recorded in the financial statements. Some employee bargaining groups are eligible to be compensated for unused sick leave upon termination subject to certain conditions. Convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.
- 2. Early Retirement Incentive** – The District provides early retirement incentive benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. No individual can receive benefits in excess of one year's salary. Benefits are accrued in the governmental funds as they become due and payable. See the Pension Benefits Plan note for further information.
- 3. Post-Employment Healthcare Benefits** – The District provides post-employment health insurance benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. For eligible retirees, the District pays health insurance premiums until the retiree reaches age 65 in an amount equal to active employee health insurance premiums. See the Other Post-Employment Benefits (OPEB) Plan note for further information.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. **State-Wide Pension Plans** – District employees participate in cost-sharing, multi-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA), to which the District contributes. See the Defined Benefit Pension Plans – State-Wide note for further information.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the PERA and TRA and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association (DTRFA) in 2015.

N. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; employee health insurance; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no reductions in the District's insurance coverage in fiscal year 2016.
2. **Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for an employee dental insurance plan. Under this plan, the Internal Service Fund provides coverage to participating employees and their dependents for various dental costs as described in the plan.

The District makes premium payments to the Internal Service Fund on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus stop-loss dental insurance premium costs and administrative service charges. Any excess of the premiums above claims remaining is used to establish a reserve for future claims. At June 30, 2016, there is a reserve of \$225,361.

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

Year Ended June 30,	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2015	\$ 25,555	\$ 1,134,908	\$ 1,127,803	\$ 32,660
2016	\$ 32,660	\$ 1,172,312	\$ 1,181,808	\$ 23,164

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Outflows/Inflows of Resources

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

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

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

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

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

P. Net Position

In the government-wide and Internal Service 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 Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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 Superintendent and Executive Director of Business Services are 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, and then use unrestricted resources as 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.

R. Use of Estimates

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

S. 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, 2015, 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 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 18,663,840
Investments	45,868,460
Cash on hand	<u>6,663</u>
Total	<u><u>\$ 64,538,963</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 46,198,539
Statement of Fiduciary Net Position	
Cash and temporary investments	
Private-Purpose Trust Fund	46,681
Employee Benefit Trust Fund	2,067,196
Investments	
Post-Employment Benefits Trust Fund	<u>16,226,547</u>
Total	<u><u>\$ 64,538,963</u></u>

B. Deposits

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

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

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

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

At year-end, the carrying amount and bank balance of the District’s deposits were both \$18,663,840. At June 30, 2016, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements	No Maturity	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency	Using	Date	Less Than 1	1 to 5	6 to 10	
District investments								
Negotiable certificates of deposit	Not rated		Level 1	\$ –	\$ 995,000	\$ 248,000	\$ –	\$ 1,243,000
MNTrust Investment Shares Portfolio	AAA	S&P	Level 1	\$ 16,425,713	\$ –	\$ –	\$ –	16,425,713
MNTrust Term Series	AAA	S&P	Level 1	\$ –	\$ 10,814,580	\$ –	\$ –	10,814,580
MSDLAF	AAA	S&P	NAV	\$ 1,158,620	\$ –	\$ –	\$ –	1,158,620
OPEB trust investments								
U.S. agency securities	AA	S&P	Level 1	\$ –	\$ 100,328	\$ 102,750	\$ –	203,078
Mortgage backed securities	AAA	S&P	Level 1	\$ –	\$ –	\$ 200,128	\$ 51,561	251,689
Corporate obligations	AA	S&P	Level 1	\$ –	\$ –	\$ 408,249	\$ –	408,249
Corporate obligations	A	S&P	Level 1	\$ –	\$ 452,994	\$ 1,257,205	\$ –	1,710,199
Corporate obligations	BBB	S&P	Level 1	\$ –	\$ –	\$ 485,999	\$ –	485,999
Corporate obligations	A	Moody's	Level 1	\$ –	\$ 175,450	\$ 414,338	\$ –	589,788
Corporate obligations	BAA	Moody's	Level 1	\$ –	\$ 100,230	\$ –	\$ –	100,230
Equities	Not rated		Level 1	\$ 3,889,172	\$ –	\$ –	\$ –	3,889,172
Real estate investment trusts	Not rated		Level 1	\$ 48,662	\$ –	\$ –	\$ –	48,662
Investment pools/mutual funds	Not rated		Level 1	\$ 6,738,653	\$ –	\$ –	\$ –	6,738,653
Real asset mutual funds	Not rated		Level 2	\$ 1,800,828	\$ –	\$ –	\$ –	1,800,828
Total investments								\$ 45,868,460

NAV – Investments measured at the net asset value

The Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Term Series, and Minnesota School District Liquid Asset Fund (MSDLAF) are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission (SEC). The District's investment in the MSDLAF is measured at the net asset value (NAV) per share provided by the pool, which is based on an amortized cost method that approximates fair value. For MSDLAF investments valued at NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

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

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

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 6,798,693	\$ –	\$ –	\$ –	\$ 6,798,693
Construction in progress	1,903,550	3,842,984	(113,791)	(4,498,617)	1,134,126
Total capital assets, not depreciated	8,702,243	3,842,984	(113,791)	(4,498,617)	7,932,819
Capital assets, depreciated					
Land improvements	8,049,463	506,576	(58,691)	–	8,497,348
Buildings and improvements	192,335,227	1,398,672	(479,233)	4,498,617	197,753,283
Equipment	24,350,531	1,162,913	(5,742,120)	–	19,771,324
Capital leased equipment	6,215,058	3,321,304	(278,808)	–	9,257,554
Total capital assets, depreciated	230,950,279	6,389,465	(6,558,852)	4,498,617	235,279,509
Less accumulated depreciation for					
Land improvements	(4,707,470)	(313,758)	34,801	–	(4,986,427)
Buildings and improvements	(113,106,415)	(5,024,553)	294,375	–	(117,836,593)
Equipment	(19,642,126)	(1,085,482)	5,572,063	–	(15,155,545)
Capital leased equipment	(3,199,284)	(3,056,743)	216,850	–	(6,039,177)
Total accumulated depreciation	(140,655,295)	(9,480,536)	6,118,089	–	(144,017,742)
Net capital assets, depreciated	90,294,984	(3,091,071)	(440,763)	4,498,617	91,261,767
Total capital assets, net	\$ 98,997,227	\$ 751,913	\$ (554,554)	\$ –	\$ 99,194,586

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Administration	\$ 20,353
District support services	55,052
Elementary and secondary regular instruction	6,013,122
Special education instruction	4,852
Instructional support services	1,103
Pupil support services	712,986
Sites and buildings	2,553,228
Food service	67,280
Community service	<u>52,560</u>
Total depreciation expense	<u>\$ 9,480,536</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
Alternative facilities bonds	01/14/2009	4.00–5.00%	\$ 10,985,000	02/01/2022	\$ 10,325,000
Taxable OPEB bonds	01/14/2009	5.25–5.75%	15,000,000	02/01/2019	10,345,000
Alternative facilities bonds	01/25/2011	4.00–4.375%	11,000,000	02/01/2027	10,800,000
Capital facilities bond	01/25/2011	2.00–4.00%	1,070,000	02/01/2021	525,000
School building refunding bonds	09/27/2011	3.00–5.00%	11,520,000	02/01/2020	7,815,000
Alternative facilities bonds	02/27/2013	2.00–2.25%	11,000,000	02/01/2024	10,850,000
Alternative facilities bonds	04/07/2015	3.00%	10,310,000	02/01/2028	<u>10,310,000</u>
Total general obligation bonds payable					<u>\$ 60,970,000</u>

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. 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 equal 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Capital Improvement Loans Payable

On February 27, 2007, the District entered into a lease purchase agreement for the installation of artificial turf. Repayment of principal is made in 20 equal semiannual payments beginning on February 27, 2007, at 4.57 percent from the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Capital Leases Payable

On September 17, 2012, the District entered a master lease purchase agreement with Apple, Inc. for iPads and MacBooks. The District acquires equipment from time to time under this master agreement as needed. Each lease “schedule” added under this master lease agreement adds equipment to the lease and carries its own lease term and payment schedule. Upon payment in full of all scheduled lease payments, the lessor’s (Apple, Inc.) interest in the equipment is transferred to the District, free and clear of any right or interest of Apple, Inc. The General Fund will be used to liquidate this liability.

During fiscal year 2016, the District entered into additional iPad and MacBook lease schedules with total future minimum lease payments of \$3,321,304. At June 30, 2016, the total cost of the leased equipment capitalized through this agreement is \$9,257,554, with accumulated depreciation of \$6,039,177.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

E. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	\$ 66,315,000	\$ –	\$ 5,345,000	\$ 60,970,000	\$ 5,370,000
Unamortized premiums	1,611,290	–	269,398	1,341,892	–
Capital improvement loans payable	475,351	–	232,307	243,044	243,044
Capital lease payable	4,573,346	3,321,304	1,847,650	6,047,000	2,906,891
Compensated absences payable	1,727,660	139,887	244,708	1,622,839	292,445
Net pension liability – PERA	18,442,381	4,470,257	4,649,440	18,263,198	–
Net pension liability – TRA	51,240,159	17,971,962	6,993,444	62,218,677	–
	<u>\$ 144,385,187</u>	<u>\$ 25,903,410</u>	<u>\$ 19,581,947</u>	<u>\$ 150,706,650</u>	<u>\$ 8,812,380</u>

F. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Capital Improvement Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 5,370,000	\$ 2,482,856	\$ 243,044	\$ 8,362	\$ 2,906,891	\$ 31,787
2018	5,895,000	2,202,981	–	–	1,866,992	30,154
2019	6,460,000	1,895,331	–	–	1,185,179	12,449
2020	5,875,000	1,549,219	–	–	87,938	870
2021	6,240,000	1,319,669	–	–	–	–
2022–2026	24,050,000	3,585,331	–	–	–	–
2027–2028	7,080,000	308,544	–	–	–	–
	<u>\$ 60,970,000</u>	<u>\$ 13,343,931</u>	<u>\$ 243,044</u>	<u>\$ 8,362</u>	<u>\$ 6,047,000</u>	<u>\$ 75,260</u>

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. When applicable, certain restrictions which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

At June 30, 2016, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total
Nonspendable						
Inventory	\$ –	\$ 149,597	\$ –	\$ –	\$ –	\$ 149,597
Prepaid items	462,195	1,950	48,359	–	–	512,504
Total nonspendable	462,195	151,547	48,359	–	–	662,101
Restricted						
Health and safety	46,962	–	–	–	–	46,962
Capital projects levy	333,645	–	–	–	–	333,645
Operating capital	826,839	–	–	–	–	826,839
Food service	–	643,403	–	–	–	643,403
Community education programs	–	–	883,725	–	–	883,725
Early childhood family education programs	–	–	681,152	–	–	681,152
Alternative facilities program	–	–	–	5,558,128	–	5,558,128
Debt service	–	–	–	–	1,475,305	1,475,305
Total restricted	1,207,446	643,403	1,564,877	5,558,128	1,475,305	10,449,159
Assigned						
Site carryover	702,581	–	–	–	–	702,581
Medical assistance	1,058,248	–	–	–	–	1,058,248
Activity accounts	725,336	–	–	–	–	725,336
Construction	241,723	–	–	–	–	241,723
Total assigned	2,727,888	–	–	–	–	2,727,888
Unassigned						
School readiness restricted deficit	–	–	(321,863)	–	–	(321,863)
Unassigned	13,111,310	–	–	–	–	13,111,310
Total unassigned	13,111,310	–	(321,863)	–	–	12,789,447
Total	\$ 17,508,839	\$ 794,950	\$ 1,291,373	\$ 5,558,128	\$ 1,475,305	\$ 26,628,595

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 the District will strive to maintain a minimum unassigned General Fund balance of 8.0 percent of annual budgeted expenditures. At June 30, 2016, the unassigned fund balance of the General Fund was 13.5 percent of fiscal 2016 unassigned expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity and administered by a Board of Trustees. The Board 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 (DCR) Plan administered by MnSCU.

B. Benefits Provided

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

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

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

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

1. GERF Benefits

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERS Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.5 percent for the Coordinated Plan.

The District's contributions to the GERS for the year ended June 30, 2016 were \$1,679,027. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2016, were \$4,043,043. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

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

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

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

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

E. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$18,263,198 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the District's proportion was 0.3524 percent, which was a decrease of 0.0402 percent from its proportion measured as of June 30, 2014.

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$1,419,896 for its proportionate share of the GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 169,368	\$ 920,775
Changes in actuarial assumptions	1,137,369	–
Differences between projected and actual investment earnings	–	1,625,762
Changes in proportion	–	1,631,279
District's contributions to the GERF subsequent to the measurement date	1,679,027	–
Total	<u>\$ 2,985,764</u>	<u>\$ 4,177,816</u>

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

A total of \$1,679,027 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the GERS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	\$ (883,311)
2018	\$ (883,311)
2019	\$ (1,536,680)
2020	\$ 432,223

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$62,218,677 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 1.0058 percent at the end of the measurement period and 1.1120 percent for the beginning of the period.

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

District's proportionate share of net pension liability	\$ 62,218,677
State's proportionate share of the net pension liability associated with the District	<u>7,631,910</u>
Total	<u><u>\$ 69,850,587</u></u>

For the year ended June 30, 2016, the District recognized pension expense of \$3,217,829. It also recognized \$1,349,189 as an increase to pension expense for the support provided by direct aid.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,518,463	\$ –
Changes in actuarial assumptions	4,782,961	–
Differences between projected and actual investment earnings	–	5,912,494
Changes in proportion	18,775	2,531,880
District's contributions to the TRA subsequent to the measurement date	4,043,043	–
Total	<u>\$ 12,363,242</u>	<u>\$ 8,444,374</u>

A total of \$4,043,043 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 collective net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	\$ (989,700)
2018	\$ (989,700)
2019	\$ (989,700)
2020	\$ 2,844,925

F. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.00%
Active member payroll growth	3.50% per year	3.50–12.00% based on years of service
Investment rate of return	7.90%	8.00%

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

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

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

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

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.0 percent annually with no increase to 2.5 percent projected. The prior year valuation assumed a 2.5 percent increase commencing July 1, 2034.

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

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

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

G. Discount Rate

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

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

H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 28,716,237	\$ 18,263,198	\$ 9,630,592
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	\$ 94,704,881	\$ 62,218,677	\$ 35,108,002

I. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. As of July 1, 2014, there are 1,224 active participants, 94 retired participants, and 11 spouses. 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.

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches age 65. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined periodically by the District. The District contributes 100 percent of the cost of the negotiated current year premiums for specified coverage levels of eligible retired plan members and their spouses. The District has established the Post-Employment Benefits Trust Fund to finance these obligations. The Post-Employment Benefits Trust Fund reimbursed the General Fund for the actual cost of medical and dental insurance premiums paid for retirees and the implicit rate subsidy for the year ended June 30, 2016.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 487,666
Interest on net OPEB obligation	(750,843)
Adjustment to ARC	914,497
Annual OPEB cost	651,320
Contributions made	329,658
Increase in net OPEB obligation	321,662
Net OPEB (asset) – beginning of year	(13,651,682)
Net OPEB (asset) – end of year	\$ (13,330,020)

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

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)
June 30, 2014	\$ 632,855	\$ 201,186	31.8%	\$ (13,823,730)
June 30, 2015	\$ 457,553	\$ 285,505	62.4%	\$ (13,651,682)
June 30, 2016	\$ 651,320	\$ 329,658	50.6%	\$ (13,330,020)

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 133.6 percent funded. The actuarial accrued liability for benefits was \$12,969,128, and the actuarial value of assets was \$17,330,999, resulting in an overfunded actuarial accrued liability of \$4,361,871. The covered payroll (annual payroll of active employees covered by the plan) was \$61,680,509, and the ratio of the overfunded actuarial accrued liability to the covered payroll was 7.1 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 5.5 percent investment rate of return (net of investment expenses) based on the District's own investments; a 3.0 percent rate of projected salary increases; an annual dental trend rate of 4.0 percent; and an annual medical trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 10 years. All rates include a 2.5 percent inflation assumption. The actuarial accrued liability is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2014 was not to exceed 30 years.

NOTE 8 – PENSION BENEFITS PLAN

A. Plan Description

The District provides benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. The plan is not administered through a trust or similar arrangement and, therefore, is reported in accordance with the requirements of GASB Statement No. 27. As of July 1, 2014, there are 22 active employees eligible to receive benefits under the plan. All pension benefits are based on contractual agreements with employee groups. Eligibility is based on years of service and/or minimum age requirements. The plan does not issue a publicly available financial report.

Plan benefits are summarized as follows:

Administrative Supervisory Technical Employee (AST) Pension Benefits – AST employees hired before July 1, 1998 are eligible to receive an additional retirement incentive benefit. AST employees accumulate four days of credit for each full year of service to the District. The benefit is based on an employee's rate of pay less any cumulative employer tax sheltered annuity contributions, and is paid out in a lump sum of 60 percent to a voluntary employees' beneficiary association account (OPEB) and 40 percent to 403(b) account (pension).

Principal Pension Benefits – Principals are eligible to receive an additional retirement incentive benefit. Principals accumulate four days of credit for each full year of service to the District. The benefit is based on an employee's rate of pay, with a limitation on total benefits to an individual of 50 percent of base annual salary. Benefits are paid out in a lump sum to a 403(b) account.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding all pension benefits. The District makes all contributions.

C. Annual Pension Cost and Net Pension Obligation

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

ARC	\$	49,665
Interest on net pension obligation		(16,228)
Adjustment to ARC		23,006
Annual pension cost		<u>56,443</u>
Contributions made		<u>20,090</u>
Increase in net pension obligation		36,353
Net pension (asset) – beginning of year		<u>(405,697)</u>
Net pension (asset) – end of year	\$	<u><u>(369,344)</u></u>

NOTE 8 – PENSION BENEFITS PLAN (CONTINUED)

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension (Asset)</u>
June 30, 2014	\$ 89,447	\$ 197,162	220.4%	\$ (445,104)
June 30, 2015	\$ 57,757	\$ 18,350	31.8%	\$ (405,697)
June 30, 2016	\$ 56,443	\$ 20,090	35.6%	\$ (369,344)

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) both were \$336,090, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,278,179, and the ratio of the UAAL to the covered payroll was 14.8 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over an open period. The remaining amortization period at July 1, 2014 was not to exceed 30 years.

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

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

All assets of the Plan are held in a separate bank account and are administered by an employee of the District. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated service providers and are accounted for primarily in the District's General Fund. The medical reimbursement and dependent care activity in the financial statements is accounted for in the Employee Benefits Trust Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – INTERFUND BALANCES AND TRANSACTIONS

The General Fund had a receivable of \$989,951 due from the Post-Employment Benefits Trust Fund at June 30, 2016 to reimburse OPEB payments the General Fund made during the year. Because fiduciary fund activity is not included in the government-wide financial statements, this receivable is included as due from post-employment benefit trust in the governmental activities on the Statement of Net Position.

The District transferred \$187,683 from the General Fund to the Community Service Special Revenue Fund to help finance various program costs. Such transfers are eliminated in the government-wide financial statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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 fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Education Center Lease

The District has a lease agreement with the City of Eden Prairie for use of 51,315 square feet of space housing the District's Education Center. This site houses nearly all of the District's programs and administration for the following programs: Community Education, Family Education, and Early Childhood Special Education (ECSE). In June 2014, the District signed an extension of this lease commencing on June 1, 2014 and extending through May 31, 2024. Annual lease payments are due on September 1st of each year. The District may cancel this lease at any time with 12 months' notice if the School Board does not appropriate or budget moneys sufficient to pay the lease payments coming due after the current levy appropriation.

If not cancelled, future minimum lease payments for the initial lease term are as follows:

Year Ending June 30,	Base Rent	Improvement Rent	Total
2017	\$ 359,205	\$ 97,632	\$ 456,837
2018	359,205	97,632	456,837
2019	359,205	97,632	456,837
2020	368,442	–	368,442
2021	377,165	–	377,165
2022–2024	1,189,995	–	1,189,995
	<u>\$ 3,013,217</u>	<u>\$ 292,896</u>	<u>\$ 3,306,113</u>

D. Construction Contracts

At June 30, 2016, the District had commitments totaling approximately \$2,455,910 under various construction contracts for which the work was not yet completed.

NOTE 12 – SUBSEQUENT EVENTS

Effective July 1, 2016, the District will be self-insured for health benefits.

On July 15, 2016, the District entered into a capital lease for technology equipment totaling \$2,620,690 and maturing in July 2019.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 272

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3926%	\$ 18,442,381	\$ 20,638,451	89.36%	78.70%
06/30/2016	06/30/2015	0.3524%	\$ 18,263,198	\$ 20,684,774	88.29%	78.20%

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	06/30/2015	\$ 1,527,411	\$ 1,527,411	\$ —	\$ 20,684,774	7.38%
06/30/2016	06/30/2016	\$ 1,679,027	\$ 1,679,027	\$ —	\$ 22,396,905	7.50%

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

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

INDEPENDENT SCHOOL DISTRICT NO. 272

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.1120%	\$ 51,240,159	\$ 3,604,593	\$ 54,844,752	\$ 50,758,363	100.95%	81.50%
06/30/2016	06/30/2015	1.0058%	\$ 62,218,677	\$ 7,631,910	\$ 69,850,587	\$ 51,428,891	120.98%	76.80%

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	06/30/2015	\$ 3,828,390	\$ 3,828,390	\$ —	\$ 51,428,891	7.44%
06/30/2016	06/30/2016	\$ 4,043,043	\$ 4,043,043	\$ —	\$ 54,216,148	7.46%

Note 1: **Changes of Benefit Terms.** The DTRFA was merged into the TRA on June 30, 2015.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 272

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

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2010	\$ 14,959,685	\$ 15,711,817	\$ (752,132)	105.0 %	\$ 60,014,504	(1.3) %
July 1, 2012	\$ 14,099,982	\$ 16,062,381	\$ (1,962,399)	113.9 %	\$ 60,513,820	(3.2) %
July 1, 2014	\$ 12,969,128	\$ 17,330,999	\$ (4,361,871)	133.6 %	\$ 61,680,509	(7.1) %

Schedule of District Contributions
Other Post-Employment Benefits Plan
Year Ended June 30, 2016

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2011	\$ 512,389	172.2 %	\$ (14,574,484)
2012	\$ 422,025	112.3 %	\$ (14,424,479)
2013	\$ 422,025	109.7 %	\$ (14,255,399)
2014	\$ 402,329	50.0 %	\$ (13,823,730)
2015	\$ 214,916	132.8 %	\$ (13,651,682)
2016	\$ 487,666	67.6 %	\$ (13,330,020)

Schedule of Funding Progress
Pension Benefits Plan
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2010	\$ 738,532	\$ —	\$ 738,532	— %	\$ 4,960,355	14.9 %
July 1, 2012	\$ 751,927	\$ —	\$ 751,927	— %	\$ 4,671,313	16.1 %
July 1, 2014	\$ 336,090	\$ —	\$ 336,090	— %	\$ 2,278,179	14.8 %

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 31,759,833	\$ 29,671,037
Receivables		
Current taxes	16,703,664	16,358,808
Delinquent taxes	238,525	261,711
Accounts and interest	43,827	196,343
Due from other governmental units	7,545,294	7,343,449
Due from other funds	989,951	991,661
Prepaid items	<u>462,195</u>	<u>422,808</u>
Total assets	<u>\$ 57,743,289</u>	<u>\$ 55,245,817</u>
Liabilities		
Salaries payable	\$ 4,813,107	\$ 4,678,658
Accounts and contracts payable	4,947,623	5,268,457
Due to other governmental units	253,982	332,119
Unearned revenue	<u>282,011</u>	<u>256,057</u>
Total liabilities	10,296,723	10,535,291
Deferred inflows of resources		
Property taxes levied for subsequent year	29,699,202	29,451,804
Unavailable revenue – delinquent taxes	<u>238,525</u>	<u>261,711</u>
Total deferred inflows of resources	29,937,727	29,713,515
Fund balances (deficits)		
Nonspendable for prepaid items	462,195	422,808
Restricted for health and safety	46,962	–
Restricted for capital projects levy	333,645	306,703
Restricted for operating capital	826,839	950,214
Assigned for site carryover	702,581	802,413
Assigned for medical assistance	1,058,248	793,796
Assigned for activity accounts	725,336	925,030
Assigned for construction	241,723	514,907
Unassigned – health and safety restricted account deficit	–	(20,853)
Unassigned	<u>13,111,310</u>	<u>10,301,993</u>
Total fund balances	<u>17,508,839</u>	<u>14,997,011</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 57,743,289</u>	<u>\$ 55,245,817</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 33,256,356	\$ 33,239,697	\$ (16,659)	\$ 25,919,031
Investment earnings	30,000	63,712	33,712	27,185
Other	2,690,276	5,206,764	2,516,488	4,763,888
State sources	75,233,964	76,939,434	1,705,470	73,586,395
Federal sources	2,648,071	2,648,071	–	2,691,549
Total revenue	113,858,667	118,097,678	4,239,011	106,988,048
Expenditures				
Current				
Administration				
Salaries	2,645,137	2,666,247	21,110	2,413,366
Employee benefits	833,171	826,119	(7,052)	825,521
Purchased services	71,725	33,200	(38,525)	48,104
Supplies and materials	4,100	3,776	(324)	5,804
Other expenditures	65,900	55,341	(10,559)	46,495
Total administration	3,620,033	3,584,683	(35,350)	3,339,290
District support services				
Salaries	2,746,280	2,225,582	(520,698)	3,099,735
Employee benefits	917,623	794,117	(123,506)	1,042,678
Purchased services	1,630,417	1,499,911	(130,506)	1,310,410
Supplies and materials	626,689	503,468	(123,221)	505,547
Capital expenditures	513,442	421,999	(91,443)	251,337
Other expenditures	19,265	49,005	29,740	43,045
Total district support services	6,453,716	5,494,082	(959,634)	6,252,752
Elementary and secondary regular instruction				
Salaries	38,160,534	38,337,001	176,467	35,868,362
Employee benefits	10,656,042	11,395,271	739,229	9,529,614
Purchased services	1,143,939	2,126,405	982,466	1,670,503
Supplies and materials	1,601,452	1,918,491	317,039	1,947,605
Capital expenditures	109,341	3,540,721	3,431,380	3,088,479
Other expenditures	50,428	73,817	23,389	39,896
Total elementary and secondary regular instruction	51,721,736	57,391,706	5,669,970	52,144,459

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2016		2015
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Vocational education instruction			
Salaries	1,049,350	1,084,916	35,566
Employee benefits	285,006	317,178	32,172
Purchased services	338,720	477,463	138,743
Supplies and materials	25,224	64,947	39,723
Other expenditures	—	1,664	1,664
Total vocational education instruction	1,698,300	1,946,168	247,868
Special education instruction			
Salaries	14,013,909	13,977,171	(36,738)
Employee benefits	4,320,229	4,462,348	142,119
Purchased services	1,894,089	1,427,656	(466,433)
Supplies and materials	131,503	117,463	(14,040)
Capital expenditures	7,500	2,145	(5,355)
Other expenditures	2,759	13,091	10,332
Total special education instruction	20,369,989	19,999,874	(370,115)
Instructional support services			
Salaries	4,486,405	4,881,849	395,444
Employee benefits	1,221,356	1,398,620	177,264
Purchased services	935,234	961,249	26,015
Supplies and materials	133,751	302,625	168,874
Capital expenditures	169,592	196,607	27,015
Other expenditures	25,774	14,387	(11,387)
Total instructional support services	6,972,112	7,755,337	783,225
Pupil support services			
Salaries	5,142,779	5,137,497	(5,282)
Employee benefits	2,235,389	2,112,735	(122,654)
Purchased services	120,848	169,322	48,474
Supplies and materials	888,288	799,347	(88,941)
Capital expenditures	769,635	778,330	8,695
Other expenditures	3,775	5,375	1,600
Total pupil support services	9,160,714	9,002,606	(158,108)

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2016		2015
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	4,246,035	4,323,747	77,712
Employee benefits	1,357,200	1,371,594	14,394
Purchased services	2,667,359	2,718,658	51,299
Supplies and materials	918,075	858,102	(59,973)
Capital expenditures	999,681	1,936,977	937,296
Other expenditures	13,245	16,147	2,902
Total sites and buildings	10,201,595	11,225,225	1,023,630
Fiscal and other fixed cost programs			
Purchased services	(21,161)	252,593	273,754
Debt service			
Principal	2,080,036	2,079,957	(79)
Interest and fiscal charges	57,806	57,791	(15)
Total debt service	2,137,842	2,137,748	(94)
Total expenditures	112,314,876	118,790,022	6,475,146
Excess (deficiency) of revenue over expenditures	1,543,791	(692,344)	(2,236,135)
Other financing sources (uses)			
Capital lease issued	—	3,321,304	3,321,304
Sale of capital assets	10,000	70,551	60,551
Transfers (out)	(222,244)	(187,683)	34,561
Total other financing sources (uses)	(212,244)	3,204,172	3,416,416
Net change in fund balances	\$ 1,331,547	2,511,828	\$ 1,180,281
Fund balances			
Beginning of year		14,997,011	15,423,043
End of year		\$ 17,508,839	\$ 14,997,011

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 772,335	\$ 979,672
Receivables		
Accounts and interest	1,402	819
Due from other governmental units	46,228	31,898
Inventory	149,597	105,110
Prepaid items	<u>1,950</u>	<u>—</u>
Total assets	<u><u>\$ 971,512</u></u>	<u><u>\$ 1,117,499</u></u>
Liabilities		
Salaries payable	\$ 21,366	\$ 7,006
Accounts and contracts payable	10,311	10,804
Unearned revenue	<u>144,885</u>	<u>137,926</u>
Total liabilities	176,562	155,736
Fund balances		
Nonspendable for inventory	149,597	105,110
Nonspendable for prepaid items	1,950	—
Restricted for food service	<u>643,403</u>	<u>856,653</u>
Total fund balances	<u><u>794,950</u></u>	<u><u>961,763</u></u>
Total liabilities and fund balances	<u><u>\$ 971,512</u></u>	<u><u>\$ 1,117,499</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ —	\$ 2,340	\$ 2,340	\$ 173
Other – primarily meal sales	3,315,000	3,183,516	(131,484)	3,046,821
State sources	160,000	160,684	684	147,100
Federal sources	1,325,000	1,427,113	102,113	1,295,533
Total revenue	4,800,000	4,773,653	(26,347)	4,489,627
Expenditures				
Current				
Salaries	1,967,490	2,004,040	36,550	1,965,525
Employee benefits	759,690	748,398	(11,292)	705,154
Purchased services	233,000	171,254	(61,746)	268,297
Supplies and materials	1,915,000	1,906,618	(8,382)	1,859,959
Other expenditures	10,000	4,044	(5,956)	7,750
Capital outlay	100,000	106,112	6,112	213,611
Total expenditures	4,985,180	4,940,466	(44,714)	5,020,296
Net change in fund balances	\$ (185,180)	(166,813)	\$ 18,367	(530,669)
Fund balances				
Beginning of year		961,763		1,492,432
End of year		\$ 794,950		\$ 961,763

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 2,114,976	\$ 1,983,113
Receivables		
Current taxes	512,530	501,826
Delinquent taxes	9,913	13,701
Accounts and interest	4,809	14,687
Due from other governmental units	70,829	50,199
Prepaid items	<u>48,359</u>	<u>49,816</u>
Total assets	<u><u>\$ 2,761,416</u></u>	<u><u>\$ 2,613,342</u></u>
Liabilities		
Salaries payable	\$ 44,251	\$ 45,584
Accounts and contracts payable	80,640	74,801
Unearned revenue	<u>305,027</u>	<u>238,573</u>
Total liabilities	429,918	358,958
Deferred inflows of resources		
Property taxes levied for subsequent year	1,030,212	1,022,125
Unavailable revenue – delinquent taxes	<u>9,913</u>	<u>13,701</u>
Total deferred inflows of resources	1,040,125	1,035,826
Fund balances (deficits)		
Nonspendable for prepaid items	48,359	49,816
Restricted for community education programs	883,725	990,018
Restricted for early childhood family education programs	681,152	363,233
Unassigned – school readiness restricted account deficit	<u>(321,863)</u>	<u>(184,509)</u>
Total fund balances	<u>1,291,373</u>	<u>1,218,558</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,761,416</u></u>	<u><u>\$ 2,613,342</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,011,784	\$ 1,010,283	\$ (1,501)	\$ 1,168,409
Investment earnings	1,475	4,728	3,253	1,123
Other – primarily tuition and fees	2,852,243	2,772,501	(79,742)	2,404,982
State sources	545,476	567,398	21,922	403,692
Total revenue	4,410,978	4,354,910	(56,068)	3,978,206
Expenditures				
Current				
Salaries	2,531,070	2,612,502	81,432	2,389,413
Employee benefits	761,630	788,671	27,041	634,602
Purchased services	952,802	928,893	(23,909)	886,785
Supplies and materials	112,900	137,857	24,957	140,350
Other expenditures	2,600	1,855	(745)	1,656
Capital outlay	1,000	–	(1,000)	–
Total expenditures	4,362,002	4,469,778	107,776	4,052,806
Excess (deficiency) of revenue over expenditures	48,976	(114,868)	(163,844)	(74,600)
Other financing sources				
Transfers in	197,766	187,683	(10,083)	213,684
Net change in fund balances	\$ 246,742	72,815	\$ (173,927)	139,084
Fund balances				
Beginning of year		1,218,558		1,079,474
End of year		\$ 1,291,373		\$ 1,218,558

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 5,813,960	\$ 11,503,162
Receivables		
Accounts and interest	<u>7,402</u>	<u>3,422</u>
Total assets	<u>\$ 5,821,362</u>	<u>\$ 11,506,584</u>
Liabilities		
Accounts and contracts payable	\$ 263,234	\$ 370,340
Fund balances		
Restricted for alternative facilities program	5,558,128	10,716,530
Restricted for capital projects	<u>—</u>	<u>419,714</u>
Total fund balances	<u>5,558,128</u>	<u>11,136,244</u>
Total liabilities and fund balances	<u>\$ 5,821,362</u>	<u>\$ 11,506,584</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ –	\$ 17,711	\$ 17,711	\$ 5,540
Other	26,251	36,477	10,226	39,203
Total revenue	26,251	54,188	27,937	44,743
Expenditures				
Capital outlay				
Purchased services	5,848,566	5,193,905	(654,661)	5,225,319
Capital expenditures	438,399	438,399	–	630,255
Total expenditures	6,286,965	5,632,304	(654,661)	5,855,574
Excess (deficiency) of revenue over expenditures	(6,260,714)	(5,578,116)	682,598	(5,810,831)
Other financing sources				
Debt issued	–	–	–	10,310,000
Premium on debt issued	–	–	–	210,321
Total other financing sources	–	–	–	10,520,321
Net change in fund balances	<u>\$ (6,260,714)</u>	<u>(5,578,116)</u>	<u>\$ 682,598</u>	4,709,490
Fund balances				
Beginning of year		11,136,244		6,426,754
End of year		<u>\$ 5,558,128</u>		<u>\$ 11,136,244</u>

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INDEPENDENT SCHOOL DISTRICT NO. 272

Debt Service Fund
Balance Sheet by Account
as of June 30, 2016
(With Comparative Totals as of June 30, 2015)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2016	2015
Assets				
Cash and temporary investments	\$ 3,148,155	\$ 2,340,755	\$ 5,488,910	\$ 5,737,861
Receivables				
Current taxes	2,029,432	1,950,229	3,979,661	3,878,839
Delinquent taxes	69,258	16,558	85,816	132,904
Accounts and interest	4,216	1,783	5,999	2,607
Due from other governmental units	5	5	10	18
	<u>5</u>	<u>5</u>	<u>10</u>	<u>18</u>
Total assets	<u>\$ 5,251,066</u>	<u>\$ 4,309,330</u>	<u>\$ 9,560,396</u>	<u>\$ 9,752,229</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 4,079,271	\$ 3,920,004	\$ 7,999,275	\$ 7,900,483
Unavailable revenue – delinquent taxes	69,258	16,558	85,816	132,904
Total deferred inflows of resources	<u>4,148,529</u>	<u>3,936,562</u>	<u>8,085,091</u>	<u>8,033,387</u>
Fund balances				
Restricted for debt service	<u>1,102,537</u>	<u>372,768</u>	<u>1,475,305</u>	<u>1,718,842</u>
Total deferred inflows of resources and fund balances	<u>\$ 5,251,066</u>	<u>\$ 4,309,330</u>	<u>\$ 9,560,396</u>	<u>\$ 9,752,229</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

		2016	
		Actual	
		Regular	OPEB
		Debt Service	Debt Service
	Budget	Account	Account
Revenue			
Local sources			
Property taxes	\$ 7,820,274	\$ 4,006,436	\$ 3,787,253
Investment earnings	—	6,445	3,608
State sources	—	51	47
Total revenue	<u>7,820,274</u>	<u>4,012,932</u>	<u>3,790,908</u>
Expenditures			
Debt service			
Principal	5,345,000	2,460,000	2,885,000
Interest	2,699,227	1,962,189	737,038
Fiscal charges and other	2,700	2,700	450
Total expenditures	<u>8,046,927</u>	<u>4,424,889</u>	<u>3,622,488</u>
Excess (deficiency) of revenue over expenditures	(226,653)	(411,957)	168,420
Other financing sources			
Premium on debt issued	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ (226,653)</u>	(411,957)	168,420
Fund balances			
Beginning of year		<u>1,514,494</u>	<u>204,348</u>
End of year		<u>\$ 1,102,537</u>	<u>\$ 372,768</u>

		2015
Total	Over (Under) Budget	Actual
\$ 7,793,689	\$ (26,585)	\$ 12,293,274
10,053	10,053	1,797
98	98	179
<u>7,803,840</u>	<u>(16,434)</u>	<u>12,295,250</u>
5,345,000	—	9,605,000
2,699,227	—	2,828,832
3,150	450	55,135
<u>8,047,377</u>	<u>450</u>	<u>12,488,967</u>
(243,537)	(16,884)	(193,717)
<u>—</u>	<u>—</u>	<u>52,980</u>
(243,537)	<u><u>\$ (16,884)</u></u>	(140,737)
<u>1,718,842</u>		<u>1,859,579</u>
<u><u>\$ 1,475,305</u></u>		<u><u>\$ 1,718,842</u></u>

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SECTION III – STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 272's (the District) comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 17,054,406	\$ 20,592,824	\$ 24,743,020	\$ 28,961,979
Restricted	2,887,043	1,850,359	3,954,771	4,496,085
Unrestricted	<u>3,952,576</u>	<u>5,721,736</u>	<u>10,864,172</u>	<u>10,950,127</u>
Total governmental activities net position	<u>\$ 23,894,025</u>	<u>\$ 28,164,919</u>	<u>\$ 39,561,963</u>	<u>\$ 44,408,191</u>

Note: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$80.1 million. Prior years were not restated.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 31,238,048	\$ 37,922,925	\$ 41,721,166	\$ 46,150,573	\$ 49,968,770	\$ 46,495,778
4,458,122	3,827,113	4,933,513	5,314,896	4,820,097	4,148,442
<u>14,590,499</u>	<u>14,591,609</u>	<u>13,424,028</u>	<u>12,945,749</u>	<u>(65,730,130)</u>	<u>(59,580,118)</u>
<u>\$ 50,286,669</u>	<u>\$ 56,341,647</u>	<u>\$ 60,078,707</u>	<u>\$ 64,411,218</u>	<u>\$ (10,941,263)</u>	<u>\$ (8,935,898)</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Expenses				
Administration	\$ 3,935,254	\$ 4,023,698	\$ 3,502,692	\$ 4,143,352
District support services	3,255,819	3,367,374	3,126,085	3,894,235
Elementary and secondary regular instruction	44,650,929	50,014,002	46,625,626	52,116,355
Vocational education instruction	1,306,865	2,345,674	2,278,841	2,058,781
Special education instruction	16,280,291	16,709,331	16,816,062	17,379,807
Instructional support services	5,504,715	6,498,513	5,748,701	5,872,358
Pupil support services	7,143,614	7,719,763	7,737,865	8,374,135
Sites and buildings	16,316,905	16,561,563	13,813,150	14,845,097
Fiscal and other fixed cost programs	327,487	307,579	295,504	285,524
Food service	4,175,369	4,302,913	4,669,235	4,279,727
Community service	4,691,601	4,727,121	5,448,067	4,859,368
Interest and fiscal charges	5,392,270	5,057,706	3,827,797	3,836,347
Total governmental activities expenses	112,981,119	121,635,237	113,889,625	121,945,086
Program revenues				
Charges for services				
Elementary and secondary regular instruction	1,286,161	1,242,556	1,304,278	1,204,157
Special education instruction	—	—	—	—
Instructional support services	6,862	4,176	15,618	2,656
Pupil support services	243,953	243,850	224,762	206,265
Sites and buildings	278,604	326,934	49,942	30,683
Food service	3,646,606	3,734,952	3,774,715	3,701,874
Community service	2,029,398	2,085,393	2,148,758	2,346,409
Operating grants and contributions	13,212,160	16,540,894	15,228,119	23,013,592
Capital grants and contributions	2,213,077	2,677,854	841,229	2,375,195
Total governmental activities program revenues	22,916,821	26,856,609	23,587,421	32,880,831
Net (expense) revenue	(90,064,298)	(94,778,628)	(90,302,204)	(89,064,255)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	23,822,506	25,642,122	27,213,756	26,165,030
Property taxes, levied for community service	1,152,997	1,294,102	1,289,673	1,469,042
Property taxes, levied for building construction	—	—	—	—
Property taxes, levied for debt service	10,517,026	11,684,928	11,278,858	13,477,263
General grants and aids	56,363,320	57,374,860	60,465,477	51,934,801
Unrestricted investment earnings	2,553,790	2,048,007	801,558	262,057
Gain on sale of capital assets	6,079	10,819	—	—
Miscellaneous	1,365,295	994,684	649,926	602,290
Total general revenues and other changes in net position	95,781,013	99,049,522	101,699,248	93,910,483
Change in net position	\$ 5,716,715	\$ 4,270,894	\$ 11,397,044	\$ 4,846,228

2011	2012	2013	2014	2015	2016
\$ 3,995,200	\$ 4,138,483	\$ 4,453,035	\$ 3,659,478	\$ 3,318,266	\$ 3,827,612
3,054,468	3,237,176	3,223,136	6,767,218	6,168,708	5,337,689
50,112,864	49,895,524	53,349,424	53,878,287	53,765,254	59,627,119
1,832,713	1,869,260	1,746,242	1,698,280	1,845,940	1,929,401
17,219,661	17,253,839	17,062,035	17,107,046	18,620,390	19,886,753
5,308,108	6,096,063	5,583,066	7,971,692	7,201,154	7,722,877
8,436,663	8,905,444	8,630,429	9,376,195	9,119,888	8,897,020
16,928,520	15,980,936	14,734,120	11,067,099	11,811,681	13,696,744
271,816	281,021	290,451	368,206	329,667	252,593
4,284,420	4,511,845	4,633,990	4,908,136	4,919,568	4,893,018
4,868,967	5,042,537	5,439,220	5,811,208	4,156,097	4,492,095
3,562,030	3,164,787	3,211,059	2,743,155	2,034,145	2,442,183
119,875,430	120,376,915	122,356,207	125,356,000	123,290,758	133,005,104
1,262,449	1,469,962	1,359,191	4,084,921	1,385,244	1,455,096
—	—	—	433,841	463,135	883,511
—	—	—	—	—	—
189,926	165,634	173,782	148,748	127,424	128,862
36,313	61,642	80,293	71,671	38,760	83,193
3,394,632	3,166,996	3,118,787	3,090,246	3,046,821	3,183,516
2,277,723	2,788,349	3,324,895	3,462,217	2,131,108	2,427,585
16,624,548	17,088,039	17,795,374	18,304,009	17,531,443	19,955,518
3,176,925	3,446,645	1,040,292	383,805	886,495	869,776
26,962,516	28,187,267	26,892,614	29,979,458	25,610,430	28,987,057
(92,912,914)	(92,189,648)	(95,463,593)	(95,376,542)	(97,680,328)	(104,018,047)
37,366,027	23,222,475	25,272,782	16,665,577	25,962,472	33,216,511
1,838,319	1,203,912	1,332,721	721,453	1,171,597	1,006,495
—	—	499,999	—	—	—
12,004,142	13,271,401	13,328,797	12,206,366	12,320,333	7,746,601
46,802,152	59,604,896	58,089,586	68,326,914	60,176,831	61,289,944
90,399	29,272	40,833	238,990	35,877	98,806
—	—	—	22,966	—	—
690,353	912,670	635,935	1,526,787	2,749,324	2,665,055
98,791,392	98,244,626	99,200,653	99,709,053	102,416,434	106,023,412
\$ 5,878,478	\$ 6,054,978	\$ 3,737,060	\$ 4,332,511	\$ 4,736,106	\$ 2,005,365

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INDEPENDENT SCHOOL DISTRICT NO. 272

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

Fiscal Year	Property Tax				
	General Purposes	Community Service	Capital Projects – Building Construction	Debt Service	Total
2007	\$ 23,822,506	\$ 1,152,997	\$ –	\$ 10,517,026	\$ 35,492,529
2008	25,642,122	1,294,102	–	11,684,928	38,621,152
2009	27,213,756	1,289,673	–	11,278,858	39,782,287
2010	26,165,030	1,469,042	–	13,477,263	41,111,335
2011	37,366,027	1,838,319	–	12,004,142	51,208,488
2012	23,222,475	1,203,912	–	13,271,401	37,697,788
2013	25,272,782	1,332,721	499,999	13,328,797	40,434,299
2014	16,665,577	721,453	–	12,206,366	29,593,396
2015	25,962,472	1,171,597	–	12,320,333	39,454,402
2016	33,216,511	1,006,495	–	7,746,601	41,969,607

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

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 2,993,827	\$ 1,314,383	\$ 2,783,651	\$ —
Unreserved	13,513,570	15,262,051	14,637,947	—
Nonspendable	—	—	—	259,349
Restricted	—	—	—	1,920,583
Assigned	—	—	—	2,509,358
Unassigned	—	—	—	10,672,253
Total General Fund	<u>\$ 16,507,397</u>	<u>\$ 16,576,434</u>	<u>\$ 17,421,598</u>	<u>\$ 15,361,543</u>
All other governmental funds				
Reserved				
Community Service Fund	\$ 220,372	\$ 249,821	\$ 254,720	\$ —
Capital project funds	8,463,810	3,434,322	10,372,666	—
Debt service funds	35,732,251	—	—	—
Unreserved, reported in				—
Special revenue funds	534,831	997,622	1,577,125	—
Debt service funds	1,575,235	2,257,141	2,290,994	—
Nonspendable	—	—	—	104,048
Restricted	—	—	—	9,267,346
Unassigned, reported in				
Special revenue funds	—	—	—	—
Total all other governmental funds	<u>\$ 46,526,499</u>	<u>\$ 6,938,906</u>	<u>\$ 14,495,505</u>	<u>\$ 9,371,394</u>
Total all governmental funds	<u>\$ 63,033,896</u>	<u>\$ 23,515,340</u>	<u>\$ 31,917,103</u>	<u>\$ 24,732,937</u>

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

2011	2012	2013	2014	2015	2016
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
278,350	337,027	244,799	952,663	422,808	462,195
2,514,651	1,880,684	684,054	810,854	1,256,917	1,207,446
2,830,859	804,305	708,318	1,834,953	3,036,146	2,727,888
12,132,508	13,936,928	13,722,291	11,824,573	10,281,140	13,111,310
<u>\$ 17,756,368</u>	<u>\$ 16,958,944</u>	<u>\$ 15,359,462</u>	<u>\$ 15,423,043</u>	<u>\$ 14,997,011</u>	<u>\$ 17,508,839</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	13,545,008	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
118,730	113,711	145,478	111,767	154,926	199,906
15,507,318	8,980,899	15,744,487	10,746,472	15,064,990	9,241,713
—	—	—	—	(184,509)	(321,863)
<u>\$ 15,626,048</u>	<u>\$ 22,639,618</u>	<u>\$ 15,889,965</u>	<u>\$ 10,858,239</u>	<u>\$ 15,035,407</u>	<u>\$ 9,119,756</u>
<u>\$ 33,382,416</u>	<u>\$ 39,598,562</u>	<u>\$ 31,249,427</u>	<u>\$ 26,281,282</u>	<u>\$ 30,032,418</u>	<u>\$ 26,628,595</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Local sources				
Property taxes	\$ 35,305,648	\$ 38,566,529	\$ 39,616,286	\$ 41,031,054
Investment earnings	3,050,932	2,345,415	841,719	405,512
Other	8,365,816	8,345,956	8,127,838	7,950,879
State sources	68,487,121	73,441,184	72,795,282	66,602,464
Federal sources	3,301,436	3,152,424	3,639,608	10,721,124
Total revenues	118,510,953	125,851,508	125,020,733	126,711,033
Expenditures				
Current				
Administration	3,696,835	3,934,031	4,687,670	4,077,932
District support services	3,084,865	3,287,753	3,719,405	3,838,206
Elementary and secondary regular instruction	40,568,935	44,938,359	55,351,574	48,095,266
Vocational education instruction	1,306,865	2,345,674	2,177,905	2,058,781
Special education instruction	16,279,487	16,704,084	19,743,834	17,342,047
Instructional support services	5,687,344	6,379,891	6,330,018	5,998,444
Pupil support services	6,680,548	7,267,831	8,062,132	7,522,119
Sites and buildings	11,894,885	12,888,585	12,877,556	12,233,537
Fiscal and other fixed cost programs	327,487	307,579	295,504	285,524
Food service	4,126,378	4,217,002	4,615,213	4,217,195
Community service	4,637,217	4,672,737	5,393,373	4,806,808
Capital outlay	9,398,447	10,197,967	7,316,264	9,303,142
Debt service				
Principal	6,807,395	7,905,677	8,774,919	9,677,141
Interest and fiscal charges	5,623,059	5,372,894	3,363,063	4,439,057
Total expenditures	120,119,747	130,420,064	142,708,430	133,895,199
Excess of revenues over (under) expenditures	(1,608,794)	(4,568,556)	(17,687,697)	(7,184,166)
Other financing sources (uses)				
Sale of capital assets	—	—	—	—
Insurance recovery proceeds	—	—	—	—
Capital lease issued	—	—	—	—
Debt issued	5,860,000	—	39,094,460	—
Premium on debt issued	72,419	—	—	—
Capital improvement loan issued	2,000,000	—	—	—
Payment to refunded bond escrow agent	(5,950,000)	(34,950,000)	(13,005,000)	—
Transfer in	403,442	343,463	478,811	461,382
Transfer (out)	(403,442)	(343,463)	(478,811)	(461,382)
Total other financing sources (uses)	1,982,419	(34,950,000)	26,089,460	—
Net change in fund balances	\$ 373,625	\$ (39,518,556)	\$ 8,401,763	\$ (7,184,166)
Debt service as a percentage of noncapital expenditures	10.8%	10.7%	8.8%	11.1%

2011	2012	2013	2014	2015	2016
\$ 51,404,212	\$ 40,992,041	\$ 40,508,045	\$ 29,522,943	\$ 39,380,714	\$ 42,043,669
90,399	29,272	40,807	238,771	35,818	98,544
7,851,396	8,799,079	9,315,124	12,469,887	10,254,894	11,199,258
62,158,520	71,410,243	72,240,750	82,458,725	74,137,366	77,667,614
4,445,105	5,313,914	4,062,261	4,032,872	3,987,082	4,075,184
125,949,632	126,544,549	126,166,987	128,723,198	127,795,874	135,084,269
3,968,529	4,126,012	4,544,080	3,721,836	3,339,290	3,584,683
3,366,929	3,203,924	3,221,560	6,578,632	6,252,752	5,494,082
45,677,557	46,664,877	52,948,572	52,490,337	52,144,459	57,391,706
1,832,713	1,869,260	1,746,242	1,855,742	1,868,424	1,946,168
17,024,148	17,263,273	17,046,948	17,512,064	18,874,537	19,999,874
5,713,290	6,116,035	5,575,141	7,803,481	7,278,407	7,755,337
8,089,888	8,244,509	8,322,069	8,983,572	9,048,612	9,002,606
12,576,180	12,692,387	13,580,178	8,831,002	8,953,223	11,225,225
271,816	281,021	290,451	368,206	329,667	252,593
4,237,186	4,448,639	4,695,697	5,080,318	4,806,685	4,834,354
4,816,407	4,989,977	5,386,661	5,758,648	4,052,806	4,469,778
9,001,838	10,217,981	5,459,202	4,945,754	6,069,185	5,738,416
8,850,329	9,813,895	9,632,857	11,313,922	13,544,547	7,424,957
4,042,152	3,993,854	4,391,302	3,291,854	2,915,695	2,760,168
129,468,962	133,925,644	136,840,960	138,535,368	139,478,289	141,879,947
(3,519,330)	(7,381,095)	(10,673,973)	(9,812,170)	(11,682,415)	(6,795,678)
—	—	—	22,966	1,935,052	70,551
—	—	—	871,675	—	—
—	—	3,865,771	3,949,384	2,925,198	3,321,304
12,070,000	11,520,000	25,170,000	—	10,310,000	—
98,809	2,077,241	684,067	—	263,301	—
—	—	—	—	—	—
—	—	(27,695,000)	—	—	—
608,124	509,805	513,349	345,710	213,684	187,683
(608,124)	(509,805)	(513,349)	(345,710)	(213,684)	(187,683)
12,168,809	13,597,241	2,024,838	4,844,025	15,433,551	3,391,855
\$ 8,649,479	\$ 6,216,146	\$ (8,649,135)	\$ (4,968,145)	\$ 3,751,136	\$ (3,403,823)
10.5%	11.0%	11.0%	11.3%	12.6%	7.7%

INDEPENDENT SCHOOL DISTRICT NO. 272

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 Fund	Capital Projects – Building Construction	Debt Service Fund	
2007	\$ 23,697,072	\$ 1,146,926	\$ –	\$ 10,461,650	\$ 35,305,648
2008	25,605,855	1,292,272	–	11,668,402	38,566,529
2009	27,100,200	1,284,292	–	11,231,794	39,616,286
2010	26,113,936	1,466,173	–	13,450,945	41,031,054
2011	37,508,844	1,845,345	–	12,050,023	51,404,212
2012	26,516,728	1,203,912	–	13,271,401	40,992,041
2013	25,323,714	1,334,894	499,999	13,349,438	40,508,045
2014	16,618,372	719,110	–	12,185,461	29,522,943
2015	25,919,031	1,168,409	–	12,293,274	39,380,714
2016	33,239,697	1,010,283	–	7,793,689	42,043,669

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

INDEPENDENT SCHOOL DISTRICT NO. 272

Assessed and Actual Value of Taxable Property
Last Ten Fiscal Years

Payable Year	(1) Residential Property	(2) Commercial Property	Total Assessed Value	Total Direct Tax Rate
2007	\$ 7,234,778,300	\$ 1,580,173,600	\$ 8,814,951,900	23.73 %
2008	7,572,490,000	1,774,750,300	9,347,240,300	23.43
2009	7,918,714,900	2,100,859,900	10,019,574,800	24.69
2010	7,157,914,400	1,840,890,500	8,998,804,900	25.96
2011	6,673,993,300	1,691,119,900	8,365,113,200	28.42
2012	6,207,699,397	1,717,671,300	7,925,370,697	29.29
2013	6,311,618,573	1,860,094,000	8,171,712,573	29.07
2014	6,402,140,621	1,914,628,600	8,316,769,221	27.82
2015	6,585,945,500	2,041,177,200	8,627,122,700	22.03
2016	6,412,304,300	2,666,034,900	9,078,339,200	20.95

(1) Residential includes single family homes, townhomes and condominiums, and all other property including vacant land, farm, utilities, personal property, and railroad property.

(2) Commercial property above includes both commercial and industrial property.

Source: City of Eden Prairie

INDEPENDENT SCHOOL DISTRICT NO. 272

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

Tax Collection Calendar Year	ISD No. 272 Direct Rate (1)				Overlapping Rates	
	General Fund	Community Service	General Obligation Debt Service	Total Direct School Tax Rate	City of Bloomington	City of Chanhassen
2007	10.652%	1.302%	11.773%	23.727%	34.204%	23.788%
2008	11.553%	1.216%	10.656%	23.425%	33.257%	23.713%
2009	10.444%	1.399%	12.848%	24.691%	35.855%	22.993%
2010	12.601%	1.289%	12.069%	25.959%	39.771%	25.185%
2011	12.642%	1.248%	14.530%	28.420%	43.088%	26.604%
2012	13.365%	1.423%	14.504%	29.292%	44.776%	28.532%
2013	12.911%	1.623%	14.533%	29.067%	47.207%	28.429%
2014	12.514%	1.329%	13.974%	27.817%	50.545%	27.817%
2015	12.349%	1.109%	8.572%	22.030%	47.336%	24.634%
2016	11.824%	1.041%	8.083%	20.948%	45.909%	24.253%

(1) Tax capacity rate method.

(2) Special districts includes Metro Mosquito, Metro Council, and Metro Transit.

Sources: Overlapping rate data provided by the District's financial advisor and the School Tax Report from the County Auditor's Office

City of Eden Prairie	City of Edina	Special Districts (2)	Hennepin County	Hennepin Parks	Other	Total Direct and Overlapping Tax Rate
28.050%	21.150%	2.671%	39.110%	3.068%	2.314%	178.082%
27.177%	21.197%	3.460%	38.571%	3.137%	3.137%	177.074%
27.271%	22.447%	2.579%	40.413%	3.334%	3.334%	182.917%
28.742%	22.972%	2.620%	42.056%	3.499%	3.499%	194.303%
31.239%	24.660%	2.949%	45.840%	3.765%	3.765%	210.330%
33.250%	26.247%	3.084%	48.231%	3.943%	2.941%	220.296%
34.617%	27.216%	3.242%	49.461%	4.054%	4.187%	227.480%
34.709%	27.920%	3.335%	49.959%	4.169%	4.547%	230.818%
33.954%	26.605%	3.006%	46.398%	3.789%	2.990%	210.742%
32.327%	27.137%	2.899%	45.356%	3.601%	4.263%	206.693%

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INDEPENDENT SCHOOL DISTRICT NO. 272

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
United Healthcare Service, Inc.	\$ 2,376,870	1	2.13 %	\$ 589,280	6	0.56 %
Eden Prairie Mall	2,170,680	2	1.95	1,976,760	1	1.89
Liberty Property Limited Partnership	1,008,380	3	0.91	1,959,620	2	1.87
AGNL Health	815,130	4	0.73	—	—	—
PRIT Core Realty Holdings, LLC	790,691	5	0.71	—	—	—
CPE Holding 32607 LLC, et al	640,090	6	0.57	—	—	—
Lifetouch, Inc.	610,762	7	0.55	726,480	5	0.69
Gelco Corporation	553,420	8	0.50	518,830	7	0.50
Windsor Plaza, LLC	536,298	9	0.48	—	—	—
Kraus-Anderson, Inc.	505,990	10	0.45	—	—	—
First Industrial LTD Partnership	—	—	—	908,552	3	0.87
Well-Prop (Multi) LLC	—	—	—	498,620	8	0.48
ADC Telecommunications	—	—	—	891,650	4	0.85
Eden Prairie RPF III Limited Partnership	—	—	—	487,438	9	0.47
IRET Properties	—	—	—	447,176	10	0.43
Total	<u>\$ 10,008,311</u>		<u>8.99 %</u>	<u>\$ 9,004,406</u>		<u>8.60 %</u>

Source: City of Eden Prairie

INDEPENDENT SCHOOL DISTRICT NO. 272

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

For Taxes Collectible	Taxes Levied for the Fiscal Year					Collected Within the First Year of Levy	
	General Fund Basic Levy	Community Service Levy	Debt Service Levy	OPEB/Pension Levy (1)	Total Tax Levy	Current Tax Collection	Percentage of Levy
2007	\$ 25,523,892	\$ 1,317,315	\$ 11,914,339	\$ —	\$ 38,755,546	\$ 18,896,093	48.8 %
2008	27,069,403	1,307,026	11,452,886	—	39,829,315	19,579,898	49.2
2009	25,966,291	1,500,420	11,798,430	1,981,324	41,246,465	19,865,349	48.2
2010	28,093,064	1,309,775	11,232,990	1,036,573	41,672,402	20,510,475	49.2
2011	26,602,500	1,168,806	12,814,385	798,972	41,384,663	20,380,373	49.2
2012	25,975,642	1,281,184	12,593,426	472,886	40,323,138	20,152,524	50.0
2013	25,444,223	1,419,490	11,189,819	1,521,684	39,575,216	19,897,572	50.3
2014	25,529,344	1,175,946	11,573,877	1,175,946	39,455,113	19,796,741	50.2
2015	33,319,644	1,022,125	4,092,167	3,808,316	42,242,252	20,739,473	49.1
2016	33,574,885	1,030,212	4,079,271	3,920,004	42,604,372	21,408,517	50.2

(1) Fiscal Year 2009 was the first year that OPEB/Pension Fund Levy was applicable.

Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent
	Total Tax Collection	Percentage of Levy		
\$ 19,875,103	\$ 38,771,196	100.0 %	\$ —	— %
20,249,417	39,829,315	100.0	—	—
21,385,399	41,250,748	100.0	(4,283)	(0.0)
21,009,090	41,519,565	99.6	152,837	0.4
21,086,833	41,467,206	100.2	(82,543)	(0.2)
20,149,526	40,302,050	99.9	21,088	0.1
19,642,923	39,540,495	99.9	34,721	0.1
19,568,408	39,365,149	99.8	89,964	0.2
21,380,309	42,119,782	99.7	122,470	0.3
—	21,408,517	50.2	—	—
			<u>\$ 334,254</u>	

INDEPENDENT SCHOOL DISTRICT NO. 272

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Capital Improvement Loans	Capital Leases	Special Assessments Payable	Total Primary Government		
2007	\$ 117,941,014	\$ 2,284,446	\$ —	\$ 333,592	\$ 120,559,052	— %	\$ 1,860
2008	75,240,200	1,983,769	—	268,182	77,492,151	—	1,248
2009	92,694,897	1,668,850	—	202,772	94,566,519	—	1,525
2010	83,001,078	1,491,709	—	137,362	84,630,149	—	1,352
2011	86,307,559	1,306,380	—	80,547	87,694,486	—	1,442
2012	89,894,608	1,112,485	—	32,325	91,039,418	—	1,477
2013	77,926,451	909,628	2,812,956	4,105	81,653,140	—	1,317
2014	67,533,863	697,395	5,365,651	—	73,596,909	—	1,187
2015	67,926,290	475,351	4,573,346	—	72,974,987	—	1,163
2016	62,311,892	243,044	6,047,000	—	68,601,936	—	1,096

(1) Presented net of issuance premiums and discounts.

(2) Personal income information for residents living within the District is not available.

(3) See Demographics and Economic Statistics table for source of estimated population.

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

INDEPENDENT SCHOOL DISTRICT NO. 272

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

Fiscal Year	Gross Bonded Debt (1)	Less Debt Service Funds on Hand (2)	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population (3)	Net Bonded Debt per Capita
2007	\$ 117,941,014	\$ 37,307,486	\$ 80,633,528	\$8,814,951,900	0.91 %	64,800	\$ 1,244
2008	75,240,200	2,257,141	72,983,059	9,347,240,300	0.78	62,090	1,175
2009	92,694,897	2,290,994	90,403,903	10,019,574,800	0.90	61,993	1,458
2010	83,001,078	2,080,062	80,921,016	8,998,804,900	0.90	62,604	1,293
2011	86,307,559	1,920,513	84,387,046	8,365,113,200	1.01	60,797	1,388
2012	89,894,608	15,477,778	74,416,830	7,925,370,697	0.94	61,657	1,207
2013	77,926,451	1,859,579	76,066,872	8,171,712,573	0.93	62,004	1,227
2014	67,533,863	1,079,474	66,454,389	8,316,769,221	0.80	62,004	1,072
2015	67,926,290	1,718,842	66,207,448	8,627,122,700	0.77	62,729	1,055
2016	62,311,892	1,475,305	60,836,587	9,078,339,200	0.67	62,593	972

(1) Presented net of issuance premiums and discounts.

(2) Includes all restricted fund balances in the Debt Service Fund. We believe this is the most accurate and consistent representation of the resources restricted for debt service as it includes crossover refunding bond proceeds held in escrow when applicable, which are not included in the governmental activities net position restricted for debt service due to the conversion for full accrual accounting.

(3) See Demographics and Economic Statistics table for source of estimated population.

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

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INDEPENDENT SCHOOL DISTRICT NO. 272

Direct and Overlapping Debt as of June 30, 2016

Governmental Unit	Debt Outstanding	Percent Allocable to ISD No. 272	Portion Allocable to ISD No. 272
Independent School District No. 272	\$ 68,601,936	100.00 %	\$ 68,601,936
Overlapping debt			
Hennepin County	720,575,000	6.16	44,373,009
Three Rivers Park District	59,300,000	8.60	5,098,021
City of Bloomington	53,945,000	0.38	204,398
City of Chanhassen	9,365,000	2.10	196,665
City of Eden Prairie	46,055,000	92.00	42,369,679
City of Edina	81,635,000	0.76	622,875
Metropolitan Council	187,745,000	2.84	5,330,081
Total overlapping debt			<u>98,194,727</u>
Total direct and overlapping debt			<u>\$ 166,796,663</u>

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

Source: Taxable value data used to estimate applicable percentages and debt outstanding data provided by the District's financial advisor, Ehlers & Associates

INDEPENDENT SCHOOL DISTRICT NO. 272

Legal Debt Margin Information
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year			
	2007	2008	2009	2010
Debt limit	\$ 1,235,198	\$ 1,356,856	\$ 1,438,263	\$ 1,446,763
Total debt applicable to limit	116,735	74,180	91,465	81,965
Legal debt margin	<u>\$ 1,118,463</u>	<u>\$ 1,282,676</u>	<u>\$ 1,346,798</u>	<u>\$ 1,364,798</u>
Total debt applicable to the limit as a percentage of debt limit	9.45%	5.47%	6.36%	5.67%

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: State of Minnesota School Tax Report

2011	2012	2013	2014	2015	2016
\$ 1,260,243	\$ 1,188,806	\$ 1,174,647	\$ 1,247,515	\$ 1,285,487	\$ 1,354,606
85,370	87,270	75,315	65,610	66,315	60,970
<u>\$ 1,174,873</u>	<u>\$ 1,101,536</u>	<u>\$ 1,099,332</u>	<u>\$ 1,181,905</u>	<u>\$ 1,219,172</u>	<u>\$ 1,293,636</u>
6.77%	7.34%	6.41%	5.26%	5.16%	4.50%

Legal Debt Margin Calculation for Fiscal Year 2016

Market value	\$ 9,030,708
Debt limit (15% of market value)	1,354,606
Debt applicable to limit General obligation bonds	<u>60,970</u>
Legal debt margin	<u>\$ 1,293,636</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City of Eden Prairie		School Enrollment	Unemployment Rate (4)
	Population	Personal Income (1)		
2007	64,800 (2)	\$ —	9,688	3.5 %
2008	62,090	—	9,683	3.9
2009	61,993	—	9,593	4.1
2010	62,604 (3)	—	9,596	5.8
2011	60,797	—	9,487	5.2
2012	61,657	—	9,162	5.2
2013	62,004	—	9,046	4.7
2014	62,004	—	9,011	4.0
2015	62,729	—	8,941	2.4
2016	62,593	—	8,844	2.3

(1) Personal income information for residents living within the District is not available.

(2) The City of Eden Prairie, for 2007, has converted the formula used for population estimation to be the same as the new 2007 Metropolitan Council's formula. This will provide for consistent estimations.

(3) Information for the U.S. Census Bureau.

(4) Official Metropolitan Council estimate.

INDEPENDENT SCHOOL DISTRICT NO. 272

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year					
	2016			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
OptumHealth	6,375	1	32.95 %	—	—	— %
Eden Prairie Mall LLC/Homart Development	2,424	2	12.53	2,424	1	21.52
C.H. Robinson Worldwide, Inc.	1,706	3	8.82	1,253	4	11.12
Starkey Laboratories	1,700	4	8.79	1,300	3	11.54
Rosemount, Inc./Emerson Process Management	1,500	5	7.75	—	—	—
ISD No. 272 (Eden Prairie)	1,440	6	7.44	1,450	2	12.87
Element Fleet Management	1,200	7	6.20	860	6	7.64
Super Valu Stores, Inc.	1,100	8	5.69	1,139	5	10.11
MTS Systems Corporation	1,000	9	5.17	806	7	7.16
CIGNA	900	10	4.65	—	—	—
Kroll Ontrack, Inc.	—	—	—	700	8	6.22
City of Eden Prairie	—	—	—	681	9	6.05
Value Vision Media, Inc. (ShopNBC)	—	—	—	650	10	5.77
Total	<u>19,345</u>		<u>100.00 %</u>	<u>11,263</u>		<u>100.00 %</u>
Total ISD No. 272 population (see the Demographic and Economic Statistics)	<u>62,593</u>			<u>64,800</u>		
Percent of principal employers to total ISD No. 272 population	<u>30.9%</u>			<u>17.4%</u>		

Source: City of Eden Prairie

INDEPENDENT SCHOOL DISTRICT NO. 272

Employees by Classification
Last Ten Fiscal Years

Employees	Fiscal Year			
	2007	2008	2009	2010
Administrative staff	21.0	24.0	25.0	20.0
Support service staff	58.7	57.2	55.0	60.3
Classroom teachers	560.8	558.9	587.4	583.7
Special education teachers	18.5	37.6	28.8	48.2
Total	659.0	677.7	696.2	712.2

Note: Administrative staff increase includes the addition of Elementary Assistant Principals.

Source: This information is derived from the Minnesota Department of Education STARS report (October 1)

2011	2012	2013	2014	2015	2016
19.8	19.8	20.8	23.7	24.5	24.5
56.4	57.7	55.8	56.6	51.0	53.0
561.6	553.7	540.5	548.9	544.9	570.7
40.4	54.0	43.1	21.7	19.0	20.7
678.2	685.2	660.2	650.9	639.4	668.9

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INDEPENDENT SCHOOL DISTRICT NO. 272

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Total Governmental Activities Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio
2007	9,688	\$120,119,747	\$ 12,399	12.4 %	560.8	17.3
2008	9,683	130,420,064	13,469	8.6	558.9	17.3
2009	9,593	142,708,430	14,876	10.4	587.4	16.3
2010	9,596	133,895,199	13,953	(6.2)	583.7	16.4
2011	9,487	129,468,962	13,647	(2.2)	561.6	16.9
2012	9,162	133,925,644	14,618	7.1	553.7	16.5
2013	9,046	136,840,960	15,127	3.5	540.5	16.7
2014	9,011	138,535,368	15,374	1.6	548.9	16.4
2015	8,941	139,478,289	15,600	1.5	544.9	16.4
2016	8,844	141,879,947	16,043	2.8	570.7	15.5

Source: District records

INDEPENDENT SCHOOL DISTRICT NO. 272

School Building Information
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Elementary Schools				
Eden Lake (1987)				
Enrollment (1)	921.66	908.68	908.68	893.45
Square feet	106,500	110,469	110,469	110,469
Forest Hills (1972)				
Enrollment (1)	665.67	635.48	607.20	586.24
Square feet	88,505	93,000	93,000	93,000
Prairie View (1965)				
Enrollment (1)	685.58	675.97	678.05	645.83
Square feet	89,700	95,063	95,063	95,063
Cedar Ridge (1987)				
Enrollment (1)	929.11	916.35	875.29	868.36
Square feet	107,200	115,599	115,599	115,599
Oak Point Facility (1990)				
Square feet	225,000	278,887	278,887	278,887
Oak Point Elementary				
Enrollment (1)	1,452.24	1,452.75	1,438.12	1,378.78
Eagle Heights Spanish Immersion (2)				
Enrollment (1)	306.21	357.59	466.86	565.51
Middle School				
Central Middle School (1960)				
Enrollment (1)	1,568.51	1,539.75	1,473.91	1,456.77
Square feet	222,000	242,699	242,699	242,699
High School				
Eden Prairie High School (1981)				
Enrollment (1)	3,158.53	3,196.51	3,145.38	3,201.26
Square feet	677,000	689,771	689,771	689,771
Total enrollment	9,687.51	9,683.08	9,593.49	9,596.20
Total square feet	1,515,905	1,625,488	1,625,488	1,625,488
Athletics				
Football fields	2	2	2	2
Soccer	5	5	5	5
Running tracks	2	2	2	2
Baseball/softball	2	2	2	2
Swimming pools	1	1	1	1
Playgrounds	6	6	6	6

(1) Enrollment reflects average daily membership (ADM) served by site. Resident students served under tuition agreements are excluded from this enrollment data.

(2) Eagle Heights Spanish Immersion School was housed in the west wing of the Administrative Service Center between 2005 and 2007, partially at the Oak Point facility from 2008 to 2012.

Source: Square footage, capacity, and athletic statistics are derived from district records. Enrollment was obtained from a combination of district records and school ADM reports available on the Minnesota Department of Education website

2011	2012	2013	2014	2015	2016
853.94	812.58	940.20	900.91	881.27	727.95
110,469	110,469	110,469	110,469	110,469	110,469
582.25	548.82	654.51	724.90	752.10	773.48
93,000	93,000	93,000	93,000	93,000	93,000
559.10	542.05	651.84	658.30	657.17	682.87
95,063	95,063	95,063	95,063	95,063	95,063
904.32	707.59	842.69	776.56	750.92	723.29
115,599	115,599	115,599	115,599	115,599	115,599
278,887	278,887	278,887	278,887	278,887	278,887
1,336.08	1,305.10	795.10	782.16	757.16	757.58
692.48	806.28	830.92	814.63	808.76	814.13
1,450.82	1,416.84	1,396.94	1,424.11	1,415.40	1,377.65
242,699	242,699	242,699	242,699	242,699	242,699
3,107.86	3,022.32	2,934.10	2,929.31	3,026.64	2,893.37
689,771	689,771	689,771	689,771	689,771	689,771
9,486.85	9,161.58	9,046.30	9,010.88	9,049.42	8,750.32
1,625,488	1,625,488	1,625,488	1,625,488	1,625,488	1,625,488
2	2	2	2	2	2
5	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
6	6	6	6	6	6

INDEPENDENT SCHOOL DISTRICT NO. 272

Food Service
School Lunch Program Data
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Program Adult Meals</u>	<u>Meals Served Students</u>	<u>Full Price Meals Served</u>	<u>Free Meals Served</u>	<u>Reduced Price Meals Served</u>
2007	20,171	972,626	800,400	148,127	24,099
2008	19,538	968,089	785,193	147,852	35,044
2009	30,126	970,570	763,774	165,686	41,110
2010	26,207	971,678	724,201	205,915	41,562
2011	29,850	959,409	695,428	220,201	43,780
2012	26,234	896,075	643,794	210,399	41,882
2013	23,978	833,667	577,623	218,766	37,278
2014	7,789	797,641	534,096	224,999	38,546
2015	5,633	845,853	578,949	222,388	44,516
2016	3,707	811,294	546,690	219,430	45,174

<u>Year Ended June 30,</u>	<u>Student Regular Lunch Prices</u>		
	<u>Elementary</u>	<u>Middle</u>	<u>High School (1)</u>
2007	\$ 2.20	\$ 2.45	\$ 2.45
2008	2.25	2.50	2.50
2009	2.35	2.60	2.60
2010	2.35	2.60	2.60
2011	2.40	2.65	2.65
2012	2.40	2.65	2.65
2013	2.40	2.65	2.65
2014	2.50	2.75	2.75
2015	2.60	2.85	2.85
2016	2.70	3.05	3.05

(1) Includes new generation and ethnic food options.

INDEPENDENT SCHOOL DISTRICT NO. 272

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2007	84.15	662.78	4,243.88	4,833.41	9,824.22	11,360.03
2008	84.98	656.48	4,277.11	4,846.91	9,865.48	11,453.00
2009	83.90	638.42	4,336.57	4,731.13	9,790.02	11,356.36
2010	86.12	661.80	4,279.36	4,774.44	9,801.72	11,367.79
2011	85.34	663.98	4,270.65	4,694.38	9,714.35	11,251.77
2012	89.25	578.66	4,150.02	4,593.11	9,411.04	10,941.60
2013	106.10	629.48	4,080.75	4,500.90	9,317.23	10,794.31
2014	104.31	560.27	4,006.32	4,492.37	9,163.27	10,662.17
2015	123.38	595.08	3,889.68	4,445.20	9,053.34	9,942.38
2016	119.63	561.95	3,880.87	4,379.90	8,942.35	9,818.32

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

Note 2: Beginning in fiscal 2015, changes in ADM weightings as noted below reduced the calculated pupil units.

Note 3: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2007	1.250	1.000	0.557	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2016	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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