EPS EDEN PRAIRIE SCHOOLS

Comprehensive Annual Financial Report

2018

Eden Prairie Public Schools • ISD #272 • Eden Prairie, Minnesota

Fiscal Year Ending June 30, 2018

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

INDEPENDENT SCHOOL DISTRICT NO. 272
EDEN PRAIRIE, MINNESOTA

8100 School Road
Eden Prairie, MN 55344

Prepared by
Finance Department

Jason Mutzenberger • Executive Director of Business Services

Ron Meyer • Director of Finance

Nicole Johnson • Finance Coordinator

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INDEPENDENT SCHOOL DISTRICT NO. 272

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SECTION I – INTRODUCTORY SECTION

EPS EDEN PRAIRIE SCHOOLS
Inspiring each student every day!

November 8, 2018

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, 2018. 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 by GASB Statement No. 34 is the management's discussion and analysis, which allows the District to explain in layman's terms its financial position and results of operations of the past fiscal year.

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 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 63,163. 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 30 years.

As one of the largest employers in the city with over 1,482 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 ECONOMIC CONDITION

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. The District's board policy requires an 8 percent unassigned fund balance to ensure financial health and viability. Each year, the School Board is presented with a 5-year financial forecast that considers enrollment projections, expense increases, efficiencies, and other financial assumptions. Additionally, the District has a finance committee comprised of school board member(s), community members, and staff that review a range of finance related elements several times per year. This ensures that the District is planning for the current reality as well as the future.

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 potentially major initiative could have a financial impact based on final decisions by the School Board. A comprehensive financial analysis is being completed to understand the impact of those decisions on the long-term outlook of the District.

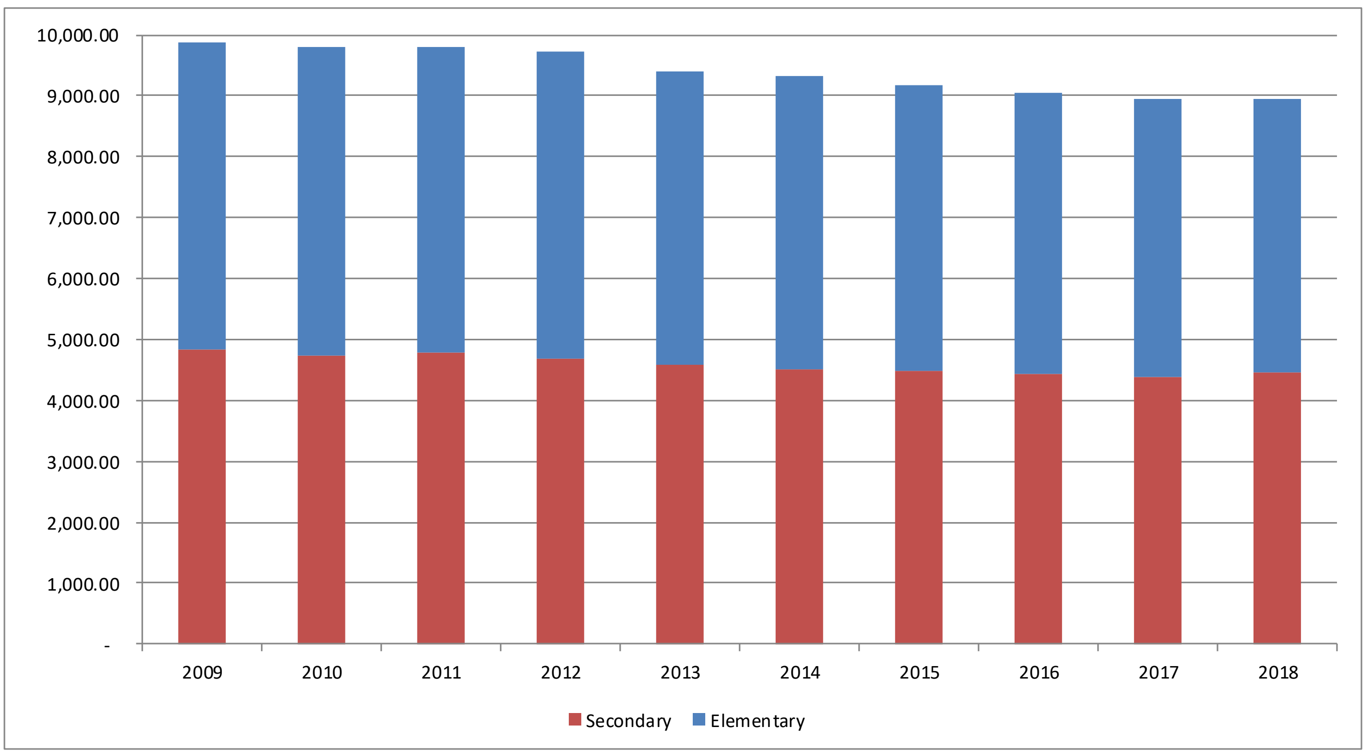
ENROLLMENT

Enrollment is a critical factor in determining funding levels. Approximately 65 percent of the General Fund revenue is enrollment driven. During fiscal year 2018, enrollment declined by just over 103 average daily memberships to 8,833.

Student Enrollment (Average Daily Membership)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pre-K and HCP-K	83.90	86.12	85.34	89.25	106.10	104.31	123.38	126.05	116.98	119.84
Reg K	638.42	661.80	663.98	578.66	629.48	560.27	595.08	561.73	561.06	564.86
Elementary	4,336.57	4,279.36	4,270.65	4,150.02	4,080.75	4,006.32	3,889.68	3,880.82	3,791.63	3,801.12
Secondary	4,731.13	4,774.44	4,694.38	4,593.11	4,500.90	4,492.37	4,445.20	4,380.66	4,466.26	4,347.08
Total Students for Aid	9,790.02	9,801.72	9,714.35	9,411.04	9,317.23	9,163.27	9,053.34	8,949.26	8,935.93	8,832.90
Percent Change	-0.76%	0.12%	-0.89%	-3.12%	-1.00%	-1.65%	-1.20%	-1.15%	-0.15%	-1.15%

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 2.4 percent decline in enrollment over the past three years. 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's 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, Radosevich & 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 Association of School Business Officials (ASBO) International and the Government Finance Officers Association (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 International and the GFOA Certificate Programs for consideration. The District has received the ASBO International Certificate of Excellence in Financial Reporting for the CAFR for the last 18 financial years and the GFOA Certificate of Achievement for Excellence in Financial Reporting for the past four.

ACKNOWLEDGMENTS

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

Sincerely,

Dr. Josh Swanson	Jason Mutzenberger
Superintendent	Executive Director of Business Services

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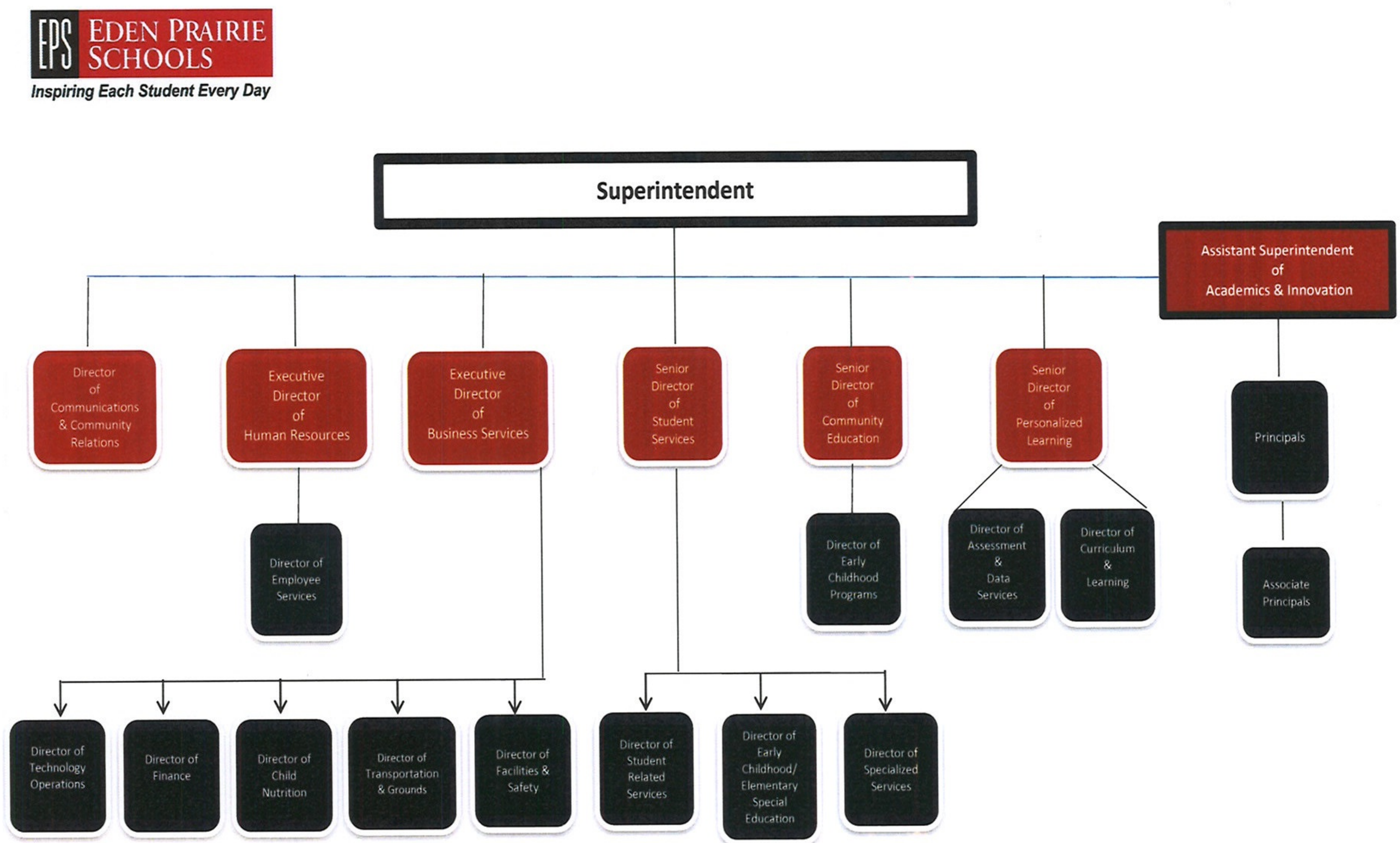

Red = Superintendent's Cabinet

INDEPENDENT SCHOOL DISTRICT NO. 272

School Board and Administration
Year Ended June 30, 2018

SCHOOL BOARD

	Board Position
Elaine Larabee	Chairperson
David Espe	Vice Chairperson
Holly Link	Treasurer
Adam Seidel	Clerk
Lauren Crandall	Director
Greg Lehman	Director
Terri Swartout	Director

ADMINISTRATION

Dr. Joshua Swanson	Superintendent
Vacant	Assistant Superintendent of Academics and Innovation
Jason Mutzenberger	Executive Director of Business Services
Thomas May	Executive Director of Human Resources
Dr. Shawn Hoffman-Bram	Senior Director of Community Education
Michelle Ament	Senior Director of Personalized Learning
Christina Bemboom	Senior Director of Student Services
Jaclyn Swords	Director of Communications and Community Relations

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Eden Prairie Independent School District #272

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

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

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

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

John D. Musso, CAE
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, 2017

Christopher P. Morrill

Executive Director/CEO

SECTION II – FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, 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 Government 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.

Prior Year Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 15, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 8, 2018

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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, 2018. 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, 2018 by $79,214,402 (net position deficit). The District's total net position decreased by $27,445,443 during the fiscal year ended June 30, 2018.

- Government-wide revenues totaled $141,680,801 and were $27,445,443 less than expenses of $169,126,244.

- The General Fund's total fund balance (under the governmental fund presentation) increased $651,833 from the prior year, compared to a $1,216,444 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 combining and individual fund statements and schedules.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

Funds 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 funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of the district employees' medical and 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, 2018 and 2017

	2018	2017
Assets		
Current and other assets	$ 87,502,635	$ 89,437,377
Capital assets, net of depreciation	96,756,117	99,258,197
Total assets	$ 184,258,752	$ 188,695,574
Deferred outflows of resources		
Pension plan deferments	$ 126,168,425	$ 170,881,609
Liabilities		
Current and other liabilities	$ 14,369,644	$ 15,327,835
Long-term liabilities, including due within one year	290,826,319	350,791,438
Total liabilities	$ 305,195,963	$ 366,119,273
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 40,664,553	$ 39,285,766
Pension plan deferments	43,126,878	5,369,651
OPEB plan deferments	654,185	571,452
Total deferred inflows of resources	$ 84,445,616	$ 45,226,869
Net position		
Net investment in capital assets	$ 41,716,939	$ 43,813,793
Restricted	3,970,336	4,598,772
Unrestricted	(124,901,677)	(100,181,524)
Total net position	$ (79,214,402)	$ (51,768,959)

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. Another major factor in determining net position as compared to fund balances are the long-term liabilities for compensated absences, pensions, and other post-employment benefits, which primarily impacts the unrestricted portion of net position.

Total net position decreased by $27,445,443 from current year operating results. Much of the decrease is attributable to the change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans, which contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position.

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, 2018 and 2017

	2018	2017
Revenues		
Program revenues		
Charges for services	$ 9,005,810	$ 8,317,981
Operating grants and contributions	20,056,189	20,243,863
Capital grants and contributions	2,562,744	744,095
General revenues		
Property taxes	43,183,425	42,504,491
General grants and aids	63,786,229	65,912,935
Other	3,086,404	2,733,281
Total revenues	141,680,801	140,456,646
Expenses		
Administration	4,520,405	4,736,758
District support services	5,860,095	5,682,115
Elementary and secondary regular instruction	80,606,299	82,848,774
Vocational education instruction	2,799,977	2,875,255
Special education instruction	26,612,680	27,120,384
Instructional support services	8,946,008	9,535,521
Pupil support services	10,510,787	10,719,258
Sites and buildings	15,048,481	14,574,619
Fiscal and other fixed cost programs	381,996	312,351
Food service	4,983,613	5,084,197
Community service	6,674,630	6,168,308
Interest and fiscal charges	2,181,273	2,315,611
Total expenses	169,126,244	171,973,151
Change in net position	(27,445,443)	(31,516,505)
Net position – beginning	(51,768,959)	(20,252,454)
Net position – ending	$ (79,214,402)	$ (51,768,959)

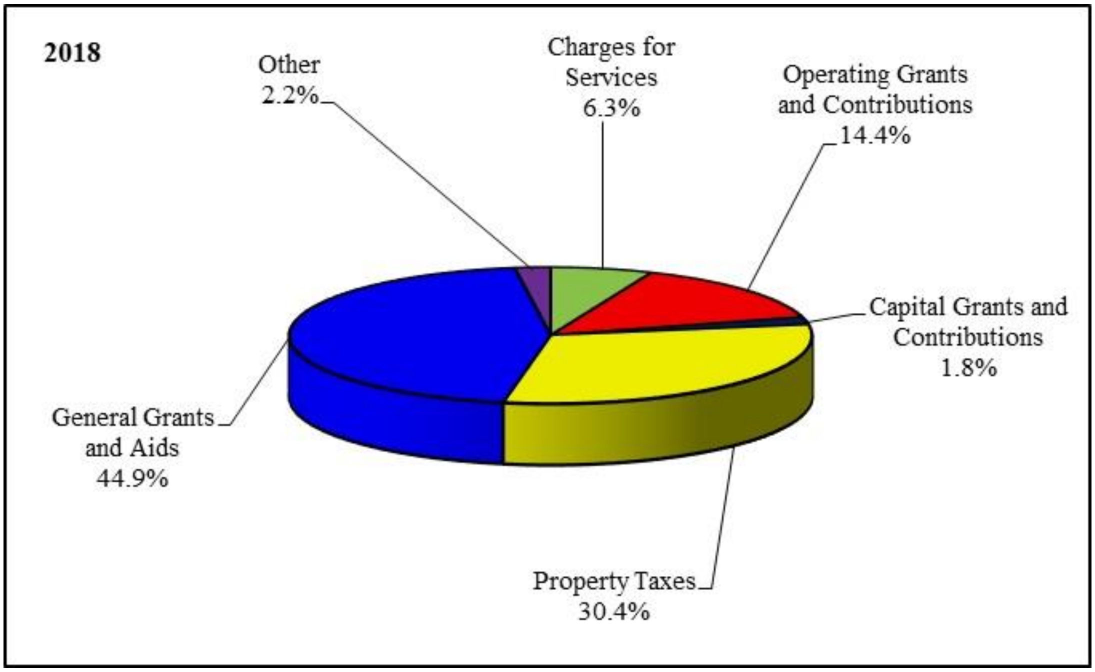
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

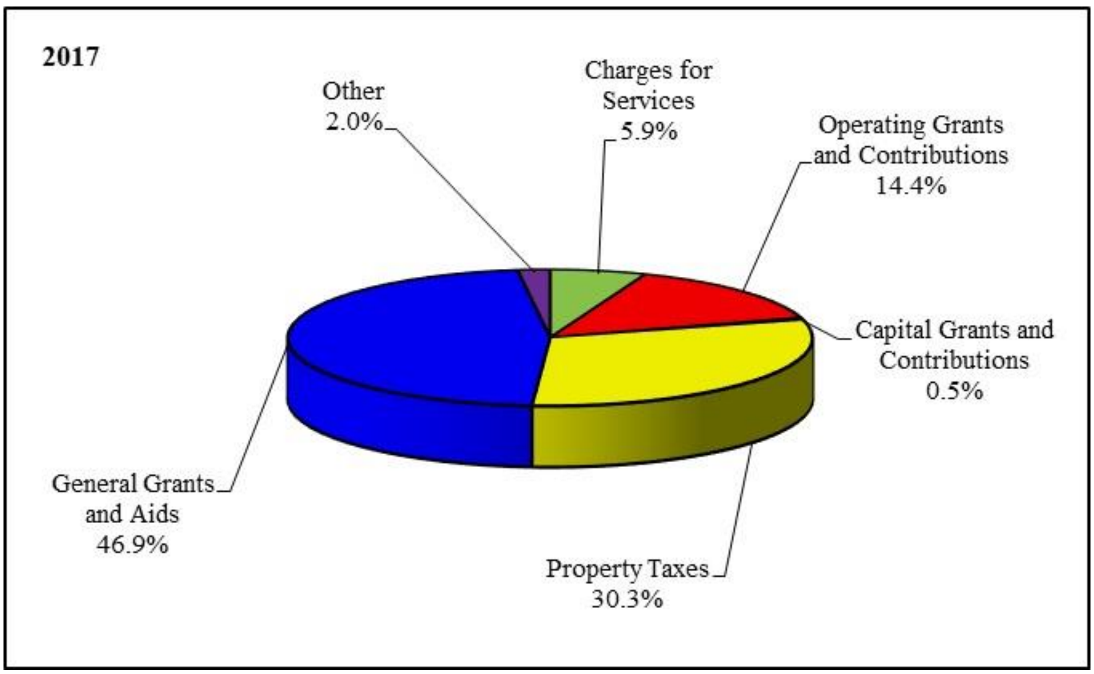
Governmental activities revenues increased $1,224,155 (0.9 percent) from the previous year, primarily attributable to improvements in the general education funding formula and an increase in special education aid.

Governmental activity expenses decreased $2,846,907 (1.7 percent) from last year, mainly due to the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

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



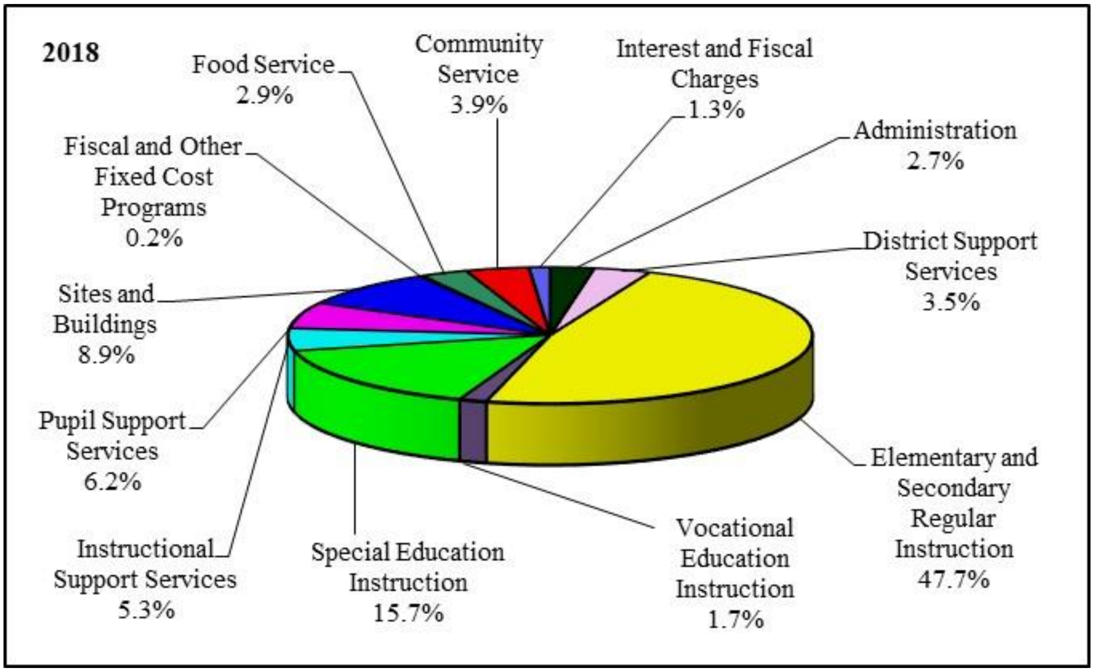


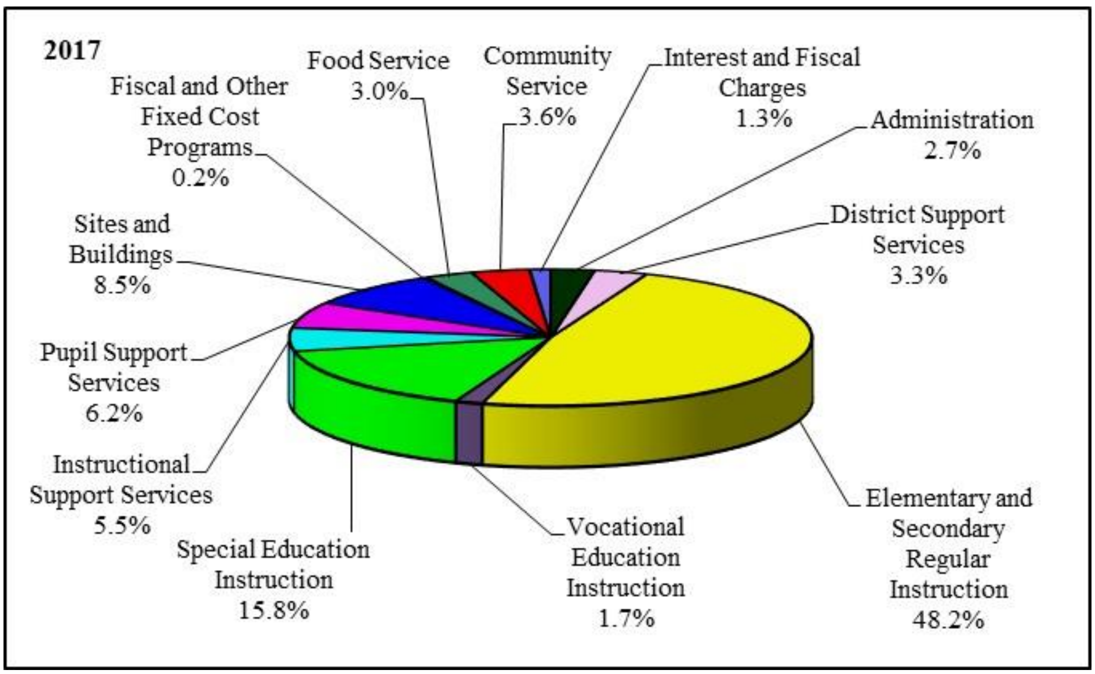
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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 2018 and 2017





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3
Governmental Fund Balances
as of June 30, 2018 and 2017

	2018	2017	Increase (Decrease)
Major funds			
General	$ 20,286,476	$ 19,634,643	$ 651,833
Food Service	764,922	712,332	52,590
Community Service	395,507	888,231	(492,724)
Capital Projects – Building Construction	5,567,295	9,786,197	(4,218,902)
Debt Service	1,243,673	1,762,208	(518,535)
Total governmental funds	$ 28,257,873	$ 32,783,611	$ (4,525,738)

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, 2018, the District's governmental funds reported combined fund balances of $28,257,873, a decrease of $4,525,738 in comparison with the prior year. The majority of the decrease was the result of the District utilizing the proceeds from the 2017A General Obligation Facilities Maintenance Bond to finance long-term facilities maintenance projects. Approximately 56.8 percent of this amount ($16,044,927) 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 ($300,119), 2) restricted for particular purposes ($10,227,375), or 3) assigned for particular purposes ($1,685,452).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenues and other financing sources	$ 121,883,117	$ 121,459,503	$ (423,614)	(0.3%)
Expenditures and other financing uses	$ 120,666,673	$ 120,243,059	$ (423,614)	(0.4%)

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

		Over (Under) Final Budget		Over (Under) Prior Year	
	2018 Actual	Amount	Percent	Amount	Percent
Revenue and other financing sources	$ 121,639,679	$ 180,176	0.1%	$ (1,886,340)	(1.5%)
Expenditures and other financing uses	120,987,846	744,787	0.6%	(412,369)	(0.3%)
Net change in fund balances	$ 651,833	$ (564,611)		$ (1,473,971)	

The fund balance of the General Fund increased $651,833 compared to a planned increase of $1,216,444 approved in the final budget.

General Fund revenues and other financing sources for 2018 decreased $1,886,340 (1.5 percent), compared to the prior year, and were $180,176 (0.1 percent) more than budget. The largest revenue variance occurred in state sources, which was $825,405 more than projected in the budget. This was offset by other local sources, which were $757,043 less than projected in the budget, mainly in fundraising for activity accounts and Medical Assistance billings.

The decrease from the prior year was mainly due to the issuance of a capital lease for $2,620,690 and the proceeds received from the sale of capital assets of $1,389,100 in the prior year, offset by improvements in the general education funding formula and additional special education revenue in the current year.

Total General Fund expenditures and other financing uses for 2018 decreased $412,369 (0.3 percent) from the prior year. Current year expenditures and other financing uses of $120,987,846 were $744,787 (0.6 percent) over budget. The expenditure variance was spread across several programs and object categories of the General Fund, with the largest variances due to a contracted increase in Quality Compensation (Q Comp) paid to the District's teachers, and federal special education tuition billing adjustments not included in the budget.

The decrease from the previous year was mainly due to the continued repayment of capital lease obligations, which resulted in lower principal and interest payments in the current year.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER MAJOR FUNDS

Food Service Fund

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing total fund balance by $52,590, compared to a budgeted fund balance increase of $21,110. This variance was due to an increase in á la carte sales that was not anticipated in the budget.

Community Service Fund

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources by $492,724, mainly due to the planned use of fund balance for expanded programs and offerings as reflected in the budgeted fund balance reduction of $414,076.

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. At June 30, 2018, the District had a fund balance of $5,567,295 restricted for long-term facilities maintenance. The fund balance decrease of $4,218,902 during the year is a result of the District utilizing the proceeds from the 2017A General Obligation Facilities Maintenance Bonds to finance long-term facilities maintenance projects.

Debt Service Fund

The Debt Service Fund expenditures exceeded revenues by $518,535 in the current year. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The remaining fund balance of $1,243,673 at June 30, 2018, is restricted for meeting future debt service obligations.

COMMENTS ON OTHER FUNDS

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds. These funds are used to account for the District's self-insured health and dental benefits insurance activities. The net position balance for all internal service funds as of June 30, 2018 was $1,895,453, which represents a $2,421,376 increase from the prior year. This was mainly due to a change in the self-funded health insurance plans offered, a reduction in the health benefit claims, and an increase in the health insurance premiums charged to the governmental funds in the current year.

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, 2018 and 2017:

Table 6
Capital Assets

	2018	2017	Change
Land	$ 6,798,693	$ 6,798,693	$ –
Construction in progress	1,192,175	1,688,127	(495,952)
Land improvements	9,723,841	9,052,675	671,166
Buildings and improvements	205,377,630	202,046,063	3,331,567
Equipment	23,388,685	20,915,944	2,472,741
Capital leased equipment	6,443,694	6,443,694	–
Less accumulated depreciation	(156,168,601)	(147,686,999)	(8,481,602)
Total	$ 96,756,117	$ 99,258,197	$ (2,502,080)
Depreciation expense	$ 8,807,570	$ 8,734,019	$ 73,551

By the end of 2018, 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 2018, 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

	2018	2017	Change
General obligation bonds payable	$ 60,645,000	$ 66,540,000	$ (5,895,000)
Unamortized premiums	1,099,640	1,390,803	(291,163)
Capital lease payable	2,616,833	4,489,798	(1,872,965)
Net pension liability	225,619,599	277,022,965	(51,403,366)
Compensated absences payable	845,247	1,347,872	(502,625)
Total	$ 290,826,319	$ 350,791,438	$ (59,965,119)

The decrease in general obligation bonds payable and capital lease payable is due to scheduled principal payments during fiscal year 2018.

The difference in the net pension liability reflects the changes in the District's proportionate share of the state-wide PERA and TRA pension plans, along with a decrease in the net pension liability for the single-employer defined benefit pension plan administered by the District, and is mainly due to benefit payments in the current year.

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	$ 9,588,325,775
Limit rate	15.0%
Legal debt limit	$ 1,438,248,866

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.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. For the 2019 fiscal year, the Legislature added $124, or 2 percent, per pupil to the basic general education funding formula.

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, 2018
(With Partial Comparative Information as of June 30, 2017)

	Governmental Activities 2018	Governmental Activities 2017
Assets		
Cash and temporary investments	$ 51,339,823	$ 53,206,788
Receivables		
Current taxes	20,289,873	21,645,902
Delinquent taxes	395,907	325,515
Accounts and interest	208,174	196,795
Due from other governmental units	11,099,582	9,156,054
Due from post-employment benefit trust	1,006,882	714,186
Inventory	108,557	121,961
Prepaid items	191,562	781,656
Net other post-employment benefit asset	2,862,275	3,288,520
Capital assets		
Not depreciated	7,990,868	8,486,820
Depreciated, net of accumulated depreciation	88,765,249	90,771,377
Total capital assets, net of accumulated depreciation	96,756,117	99,258,197
Total assets	184,258,752	188,695,574
Deferred outflows of resources		
Pension plan deferments	126,168,425	170,881,609
Total assets and deferred outflows of resources	$ 310,427,177	$ 359,577,183
Liabilities		
Salaries payable	$ 5,263,473	$ 5,202,631
Accounts and contracts payable	5,536,271	5,708,222
Accrued interest payable	943,070	1,047,947
Due to other governmental units	357,126	274,005
Claims payable	504,704	1,178,927
Unearned revenue	1,765,000	1,916,103
Long-term liabilities		
Due within one year	8,529,420	8,221,088
Due in more than one year	282,296,899	342,570,350
Total long-term liabilities	290,826,319	350,791,438
Total liabilities	305,195,963	366,119,273
Deferred inflows of resources		
Property taxes levied for subsequent year	40,664,553	39,285,766
Pension plan deferments	43,126,878	5,369,651
OPEB plan deferments	654,185	571,452
Total deferred inflows of resources	84,445,616	45,226,869
Net position		
Net investment in capital assets	41,716,939	43,813,793
Restricted for		
Capital asset acquisition	1,430,599	743,562
Food service	764,922	712,332
Community service	709,556	1,218,863
Debt service	389,446	795,792
Other purposes (state and other funding restrictions)	675,813	1,128,223
Unrestricted	(124,901,677)	(100,181,524)
Total net position	(79,214,402)	(51,768,959)
Total liabilities, deferred inflows of resources, and net position	$ 310,427,177	$ 359,577,183

See notes to basic financial statements

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

	2018			
		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Administration	$ 4,520,405	$ –	$ –	$ –
District support services	5,860,095	–	–	–
Elementary and secondary regular instruction	80,606,299	1,308,532	3,586,743	–
Vocational education instruction	2,799,977	–	3,000	–
Special education instruction	26,612,680	326,560	13,322,999	–
Instructional support services	8,946,008	–	–	–
Pupil support services	10,510,787	118,929	690,371	–
Sites and buildings	15,048,481	123,089	–	2,562,744
Fiscal and other fixed cost programs	381,996	–	–	–
Food service	4,983,613	3,414,483	1,549,404	–
Community service	6,674,630	3,714,217	903,672	–
Interest and fiscal charges	2,181,273	–	–	–
Total governmental activities	$ 169,126,244	$ 9,005,810	$ 20,056,189	$ 2,562,744

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

Net (Expense) Revenue and Changes in Net Position	2017 Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Governmental Activities
$ (4,520,405)	$ (4,736,758)
(5,860,095)	(5,682,115)
(75,711,024)	(77,690,037)
(2,796,977)	(2,826,533)
(12,963,121)	(13,728,850)
(8,946,008)	(9,535,521)
(9,701,487)	(9,659,926)
(12,362,648)	(13,791,711)
(381,996)	(312,351)
(19,726)	(173,177)
(2,056,741)	(2,214,622)
(2,181,273)	(2,315,611)
(137,501,501)	(142,667,212)
34,452,614	33,659,448
839,740	1,011,306
7,891,071	7,833,737
63,786,229	65,912,935
2,566,249	2,492,689
520,155	240,592
110,056,058	111,150,707
(27,445,443)	(31,516,505)
(51,768,959)	(20,252,454)
$ (79,214,402)	$ (51,768,959)

Balance Sheet
Governmental Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	General Fund	Food Service Fund	Community Service Fund
Assets			
Cash and temporary investments	$ 33,480,404	$ 791,065	$ 1,329,792
Receivables			
Current taxes	15,889,330	–	378,606
Delinquent taxes	297,338	–	9,726
Accounts and interest	127,446	3,120	4,439
Due from other governmental units	10,990,801	32,730	63,423
Due from other funds	1,006,882	–	–
Inventory	–	108,557	–
Prepaid items	145,362	–	46,200
Total assets	$ 61,937,563	$ 935,472	$ 1,832,186
Liabilities			
Salaries payable	$ 5,149,570	$ 8,810	$ 105,093
Accounts and contracts payable	4,639,045	29,127	143,370
Due to other governmental units	350,336	–	6,790
Unearned revenue	286,191	132,613	334,066
Total liabilities	10,425,142	170,550	589,319
Deferred inflows of resources			
Property taxes levied for subsequent year	30,928,607	–	837,634
Unavailable revenue – delinquent taxes	297,338	–	9,726
Total deferred inflows of resources	31,225,945	–	847,360
Fund balances (deficit)			
Nonspendable	145,362	108,557	46,200
Restricted	2,106,412	656,365	653,630
Assigned	1,685,452	–	–
Unassigned	16,349,250	–	(304,323)
Total fund balances	20,286,476	764,922	395,507
Total liabilities, deferred inflows of resources, and fund balances	$ 61,937,563	$ 935,472	$ 1,832,186

Capital Projects – Building Construction Fund	Debt Service Fund	Total Governmental Funds 2018	Total Governmental Funds 2017
$ 6,221,419	$ 6,104,856	$ 47,927,536	$ 51,473,371
–	4,021,937	20,289,873	21,645,902
–	88,843	395,907	325,515
57,987	15,182	208,174	196,795
12,618	10	11,099,582	9,156,054
–	–	1,006,882	714,186
–	–	108,557	121,961
–	–	191,562	781,656
$ 6,292,024	$ 10,230,828	$ 81,228,073	$ 84,415,440
$ –	$ –	$ 5,263,473	$ 5,202,631
724,729	–	5,536,271	5,708,222
–	–	357,126	274,005
–	–	752,870	835,690
724,729	–	11,909,740	12,020,548
–	8,898,312	40,664,553	39,285,766
–	88,843	395,907	325,515
–	8,987,155	41,060,460	39,611,281
–	–	300,119	903,617
5,567,295	1,243,673	10,227,375	15,156,272
–	–	1,685,452	2,409,257
–	–	16,044,927	14,314,465
5,567,295	1,243,673	28,257,873	32,783,611
$ 6,292,024	$ 10,230,828	$ 81,228,073	$ 84,415,440

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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, 2018
(With Partial Comparative Information as of June 30, 2017)

	2018	2017
Total fund balances – governmental funds	$ 28,257,873	$ 32,783,611
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	252,924,718	246,945,196
Accumulated depreciation	(156,168,601)	(147,686,999)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(60,645,000)	(66,540,000)
Unamortized premiums	(1,099,640)	(1,390,803)
Capital lease payable	(2,616,833)	(4,489,798)
Net pension liability	(225,619,599)	(277,022,965)
Compensated absences payable	(845,247)	(1,347,872)
Net OPEB asset reported in the Statement of Net Position does not require the use of current financial resources and is not reported in the governmental funds.	2,862,275	3,288,520
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.	1,895,453	(525,923)
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(943,070)	(1,047,947)
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 – pension plan deferments	126,168,425	170,881,609
Deferred inflows – pension plan deferments	(43,126,878)	(5,369,651)
Deferred inflows – OPEB plan deferments	(654,185)	(571,452)
Deferred inflows – delinquent property taxes	395,907	325,515
Total net position – governmental activities	$ (79,214,402)	$ (51,768,959)

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	General Fund	Food Service Fund	Community Service Fund
Revenue			
Local sources			
Property taxes	$ 34,390,488	$ –	$ 838,786
Investment earnings	350,364	9,675	12,349
Other	4,402,057	3,453,049	3,986,745
State sources	79,545,674	157,789	743,824
Federal sources	2,867,120	1,393,425	–
Total revenue	121,555,703	5,013,938	5,581,704
Expenditures			
Current			
Administration	3,742,489	–	–
District support services	5,793,381	–	–
Elementary and secondary regular instruction	56,621,307	–	–
Vocational education instruction	2,226,472	–	–
Special education instruction	21,373,181	–	–
Instructional support services	7,421,018	–	–
Pupil support services	9,481,647	–	–
Sites and buildings	11,870,809	–	–
Fiscal and other fixed cost programs	381,996	–	–
Food service	–	4,872,931	–
Community service	–	–	6,252,847
Capital outlay	–	88,417	–
Debt service			
Principal	1,872,965	–	–
Interest and fiscal charges	24,162	–	–
Total expenditures	120,809,427	4,961,348	6,252,847
Excess (deficiency) of revenue over expenditures	746,276	52,590	(671,143)
Other financing sources (uses)			
Debt issued	–	–	–
Premium on debt issued	–	–	–
Capital lease issued	–	–	–
Sale of capital assets	83,976	–	–
Transfers in	–	–	178,419
Transfers (out)	(178,419)	–	–
Total other financing sources (uses)	(94,443)	–	178,419
Net change in fund balances	651,833	52,590	(492,724)
Fund balances			
Beginning of year	19,634,643	712,332	888,231
End of year	$ 20,286,476	$ 764,922	$ 395,507

See notes to basic financial statements

Capital Projects – Building Construction Fund	Debt Service Fund	Total Governmental Funds 2018	Total Governmental Funds 2017
$ –	$ 7,883,759	$ 43,113,033	$ 42,513,230
84,386	45,768	502,542	235,548
–	–	11,841,851	11,196,024
–	89	80,447,376	78,997,964
–	–	4,260,545	4,366,037
84,386	7,929,616	140,165,347	137,308,803
–	–	3,742,489	3,685,730
–	–	5,793,381	5,420,285
–	–	56,621,307	57,571,373
–	–	2,226,472	2,198,932
–	–	21,373,181	19,933,386
–	–	7,421,018	7,470,572
–	–	9,481,647	9,574,415
–	–	11,870,809	10,607,283
–	–	381,996	312,351
–	–	4,872,931	4,903,381
–	–	6,252,847	5,547,410
4,303,288	–	4,391,705	6,830,546
–	5,895,000	7,767,965	9,790,936
–	2,553,151	2,577,313	2,583,448
4,303,288	8,448,151	144,775,061	146,430,048
(4,218,902)	(518,535)	(4,609,714)	(9,121,245)
–	–	–	10,940,000
–	–	–	326,471
–	–	–	2,620,690
–	–	83,976	1,389,100
–	–	178,419	162,423
–	–	(178,419)	(162,423)
–	–	83,976	15,276,261
(4,218,902)	(518,535)	(4,525,738)	6,155,016
9,786,197	1,762,208	32,783,611	26,628,595
$ 5,567,295	$ 1,243,673	$ 28,257,873	$ 32,783,611

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

	2018	2017
Total net change in fund balances – governmental funds	$ (4,525,738)	$ 6,155,016
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	4,745,990	9,606,118
Capital contributions	1,559,500	–
Depreciation expense	(8,807,570)	(8,734,019)
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.	–	(808,488)
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	–	(10,940,000)
Capital lease payable	–	(2,620,690)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	5,895,000	5,370,000
Capital lease payable	1,872,965	4,177,892
Capital improvement loans payable	–	243,044
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.	104,877	(9,723)
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.	291,163	(48,911)
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	51,403,366	(196,103,961)
Net OPEB asset	(426,245)	468,583
Compensated absences payable	502,625	274,967
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	2,421,376	(751,284)
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 – pension plan deferments	(44,713,184)	155,532,603
Deferred inflows – pension plan deferments	(37,757,227)	7,252,539
Deferred inflows – OPEB plan deferments	(82,733)	(571,452)
Deferred inflows – delinquent property taxes	70,392	(8,739)
Change in net position – governmental activities	$ (27,445,443)	$ (31,516,505)

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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, 2018

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 34,592,554	$ 34,592,554	$ 34,390,488	$ (202,066)
Investment earnings	150,000	150,000	350,364	200,364
Other	5,159,100	5,159,100	4,402,057	(757,043)
State sources	79,143,883	78,720,269	79,545,674	825,405
Federal sources	2,837,580	2,837,580	2,867,120	29,540
Total revenue	121,883,117	121,459,503	121,555,703	96,200
Expenditures				
Current				
Administration	3,808,911	3,764,327	3,742,489	(21,838)
District support services	6,241,653	6,085,132	5,793,381	(291,751)
Elementary and secondary regular instruction	55,664,669	55,844,300	56,621,307	777,007
Vocational education instruction	2,032,774	2,018,036	2,226,472	208,436
Special education instruction	20,721,772	20,673,188	21,373,181	699,993
Instructional support services	7,838,611	7,794,451	7,421,018	(373,433)
Pupil support services	9,709,717	9,651,648	9,481,647	(170,001)
Sites and buildings	12,034,204	12,095,890	11,870,809	(225,081)
Fiscal and other fixed cost programs	467,215	217,215	381,996	164,781
Debt service				
Principal	1,872,985	1,872,985	1,872,965	(20)
Interest and fiscal charges	24,162	24,162	24,162	–
Total expenditures	120,416,673	120,041,334	120,809,427	768,093
Excess (deficiency) of revenue over expenditures	1,466,444	1,418,169	746,276	(671,893)
Other financing sources (uses)				
Sale of capital assets	–	–	83,976	83,976
Transfers (out)	(250,000)	(201,725)	(178,419)	23,306
Total other financing sources (uses)	(250,000)	(201,725)	(94,443)	107,282
Net change in fund balances	$ 1,216,444	$ 1,216,444	651,833	$ (564,611)
Fund balances				
Beginning of year			19,634,643	
End of year			$ 20,286,476	

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Investment earnings	$ 2,000	$ 2,000	$ 9,675	$ 7,675
Other – primarily meal sales	3,336,900	3,336,900	3,453,049	116,149
State sources	165,000	165,000	157,789	(7,211)
Federal sources	1,400,000	1,400,000	1,393,425	(6,575)
Total revenue	4,903,900	4,903,900	5,013,938	110,038
Expenditures				
Current				
Salaries	1,920,242	1,920,242	1,933,995	13,753
Employee benefits	751,048	751,048	760,168	9,120
Purchased services	187,500	187,500	256,792	69,292
Supplies and materials	1,944,000	1,944,000	1,911,067	(32,933)
Other expenditures	5,000	5,000	10,909	5,909
Capital outlay	75,000	75,000	88,417	13,417
Total expenditures	4,882,790	4,882,790	4,961,348	78,558
Net change in fund balances	$ 21,110	$ 21,110	52,590	$ 31,480
Fund balances				
Beginning of year			712,332	
End of year			$ 764,922	

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 842,969	$ 835,069	$ 838,786	$ 3,717
Investment earnings	4,000	4,000	12,349	8,349
Other – primarily tuition and fees	3,383,369	3,690,389	3,986,745	296,356
State sources	618,007	625,170	743,824	118,654
Total revenue	4,848,345	5,154,628	5,581,704	427,076
Expenditures				
Current				
Salaries	3,009,340	3,471,766	3,754,962	283,196
Employee benefits	870,661	988,627	1,087,671	99,044
Purchased services	941,070	1,095,869	1,158,173	62,304
Supplies and materials	182,280	165,035	242,596	77,561
Other expenditures	1,600	1,600	9,445	7,845
Total expenditures	5,004,951	5,722,897	6,252,847	529,950
Excess (deficiency) of revenue over expenditures	(156,606)	(568,269)	(671,143)	(102,874)
Other financing sources				
Transfers in	154,193	154,193	178,419	24,226
Net change in fund balances	$ (2,413)	$ (414,076)	(492,724)	$ (78,648)
Fund balances				
Beginning of year			888,231	
End of year			$ 395,507	

See notes to basic financial statements

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

	2018	2017
Assets		
Current assets		
Cash and temporary investments	$ 3,412,287	$ 1,733,417
Liabilities		
Current liabilities		
Unearned revenue	1,012,130	1,080,413
Claims payable	504,704	1,178,927
Total current liabilities	1,516,834	2,259,340
Net position		
Unrestricted	$ 1,895,453	$ (525,923)

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018	2017
Operating revenue		
Charges for services		
Contributions from governmental funds	$ 13,611,757	$ 12,335,413
Operating expenses		
Health benefit claims	9,946,365	11,945,983
Dental benefit claims	1,261,629	1,145,758
Total operating expenses	11,207,994	13,091,741
Operating income (loss)	2,403,763	(756,328)
Nonoperating revenue		
Investment earnings	17,613	5,044
Change in net position	2,421,376	(751,284)
Net position		
Beginning of year	(525,923)	225,361
End of year	$ 1,895,453	$ (525,923)

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INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities		
Contributions from governmental funds	$ 13,543,474	$ 13,415,826
Payment for health claims	(10,620,710)	(10,795,638)
Payment for dental claims	(1,261,507)	(1,140,340)
Net cash flows from operating activities	1,661,257	1,479,848
Cash flows from investing activities		
Investment income received	17,613	5,044
Net change in cash and cash equivalents	1,678,870	1,484,892
Cash and cash equivalents		
Beginning of year	1,733,417	248,525
End of year	$ 3,412,287	$ 1,733,417
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ 2,403,763	$ (756,328)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Unearned revenue	(68,283)	1,080,413
Claims payable	(674,223)	1,155,763
Net cash flows from operating activities	$ 1,661,257	$ 1,479,848

Statement of Fiduciary Net Position
as of June 30, 2018

	Private-Purpose Trust Fund	Employee Benefit Trust Funds
Assets		
Cash and temporary investments	$ 50,949	$ 68,761
Receivables		
Accounts and interest	200	53,677
Investments, at fair value		
Agency securities	–	99,443
Treasury securities	–	703,732
Mortgage-backed securities	–	49,167
Corporate obligations	–	3,406,768
Equities	–	5,032,486
Real estate investment trusts	–	64,095
Mutual funds	–	7,980,297
Total assets	51,149	17,458,426
Liabilities		
Accounts and contracts payable	–	24,102
Due to governmental funds	–	1,006,882
Total liabilities	–	1,030,984
Net position		
Restricted for scholarships	51,149	–
Restricted for employee cafeteria plan benefits	–	46,989
Restricted for OPEB	–	16,380,453
Total net position	$ 51,149	$ 16,427,442

See notes to basic financial statements

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

	Private-Purpose Trust Fund	Employee Benefit Trust Funds
Additions		
Contributions		
Plan participants	$ –	$ 489,679
Gifts and donations	8,000	–
Investment earnings		
Total investment earnings	607	1,331,341
Less investment expense	–	134,525
Net investment earnings	607	1,196,816
Total additions	8,607	1,686,495
Deductions		
Scholarships	8,000	–
Employee benefits	–	1,332,243
OPEB	–	1,006,882
Total deductions	8,000	2,339,125
Change in net position	607	(652,630)
Net position		
Beginning of year	50,542	17,080,072
End of year	$ 51,149	$ 16,427,442

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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. 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 long-term facilities maintenance 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 Funds – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as self-insured plans.

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, 2018, actual expenditures exceeded budgeted appropriations in the following funds:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General	$ 120,041,334	$ 120,809,427	$ 768,093
Food Service Special Revenue	$ 4,882,790	$ 4,961,348	$ 78,558
Community Service Special Revenue	$ 5,722,897	$ 6,252,847	$ 529,950

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, 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 certain 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 may also be 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 year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

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

Due from the Minnesota Department of Education	$ 11,029,503
Due from other Minnesota school districts	37,736
Due from Hennepin County	17,465
Due from other governmental units	14,878
Total due from other governmental units	$ 11,099,582

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 $3,891,684 of the property tax levy collectible in 2018 as revenue to the District in fiscal year 2017–2018. The remaining portion of the taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund 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 governmental fund financial statements, 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, in the current period.

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 Defined Benefit Pension Plan – District note for further information.

3. **Post-Employment Healthcare Benefits** – The District provides post-employment healthcare 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.

For purposes of measuring the OPEB liability (asset), deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

4. **State-Wide Pension Plans** – District employees participate in cost-sharing, multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and the 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 the TRA and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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; 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 2018.

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

   The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus stop-loss health and 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.

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
2017	$ 23,164	$ 1,145,758	$ 1,140,340	$ 28,582
2018	$ 28,582	$ 1,261,629	$ 1,261,507	$ 28,704

Changes in the balance of health 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
2017	$ –	$ 11,945,983	$ 10,795,638	$ 1,150,345
2018	$ 1,150,345	$ 9,946,365	$ 10,620,710	$ 476,000

O. Deferred Outflows/Inflows of Resources

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

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

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

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

P. Net Position

In the government-wide and internal service funds 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures 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, 2017, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	14,353,049
Investments		54,436,061
Cash on hand		6,411
Total	$	68,795,521

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

Statement of Net Position		
Cash and temporary investments	$	51,339,823
Statement of Fiduciary Net Position		
Cash and temporary investments		
Private-Purpose Trust Fund		50,949
Employee Benefit Trust Funds		68,761
Investments		
Employee Benefit Trust Funds		17,335,988
Total	$	68,795,521

B. Deposits

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

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

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

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

At year-end, the carrying amount and bank balance of the District's deposits were both $14,353,049. At June 30, 2018, all deposits were fully covered by federal deposit 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 Rating	Credit Risk Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years: No Maturity Date	Less Than 1	1 to 5	Total
District investments							
U.S. treasury securities	AA	S&P	Level 2	$ –	$ 1,997,812	$ 786,909	$ 2,784,721
U.S. agency securities	AA	S&P	Level 2	$ –	$ 1,000,000	$ –	1,000,000
Negotiable certificates of deposit	Not rated		Level 2	$ –	$ 989,000	$ –	989,000
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	$ 21,882,859	$ –	$ –	21,882,859
MNTrust Term Series	Not rated		N/A	$ –	$ 7,000,000	$ –	7,000,000
MNTrust Limited Term Duration	AAA	S&P	N/A	$ 1,500,000	$ –	$ –	1,500,000
MSDLAF Liquid Class	AAA	S&P	N/A	$ 1,943,493	$ –	$ –	1,943,493
OPEB trust investments							
U.S. treasury securities	AAA	Moody's	Level 1	$ –	$ 174,555	$ 529,178	703,733
U.S. agency securities	AA	S&P	Level 1	$ –	$ 99,443	$ –	99,443
Mortgage-backed securities	AAA	S&P	Level 1	$ –	$ –	$ 49,167	49,167
Corporate obligations	AA	S&P	Level 1	$ –	$ 298,952	$ 345,173	644,125
Corporate obligations	A	S&P	Level 1	$ –	$ 672,764	$ 948,547	1,621,311
Corporate obligations	A	Moody's	Level 1	$ –	$ –	$ 353,577	353,577
Corporate obligations	BAA	Moody's	Level 1	$ –	$ –	$ 167,471	167,471
Corporate obligations	BBB	S&P	Level 1	$ –	$ 249,619	$ 370,663	620,282
Equities	Not rated		Level 1	$ 5,032,486	$ –	$ –	5,032,486
Real estate investment trusts	Not rated		Level 2	$ 64,095	$ –	$ –	64,095
Investment pools/mutual funds	Not rated		Level 1	$ 6,275,210	$ –	$ –	6,275,210
Real asset mutual funds	Not rated		Level 2	$ 1,705,088	$ –	$ –	1,705,088
Total investments							$ 54,436,061

N/A – Not Applicable

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

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, 2018 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	1,688,127	3,041,750	–	(3,537,702)	1,192,175
Total capital assets, not depreciated	8,486,820	3,041,750	–	(3,537,702)	7,990,868
Capital assets, depreciated					
Land improvements	9,052,675	31,020	–	640,146	9,723,841
Buildings and improvements	202,046,063	434,011	–	2,897,556	205,377,630
Equipment	20,915,944	2,798,709	(325,968)	–	23,388,685
Capital leased equipment	6,443,694	–	–	–	6,443,694
Total capital assets, depreciated	238,458,376	3,263,740	(325,968)	3,537,702	244,933,850
Less accumulated depreciation for					
Land improvements	(5,296,305)	(326,046)	–	–	(5,622,351)
Buildings and improvements	(123,021,858)	(5,324,179)	–	–	(128,346,037)
Equipment	(15,837,588)	(1,205,789)	325,968	–	(16,717,409)
Capital leased equipment	(3,531,248)	(1,951,556)	–	–	(5,482,804)
Total accumulated depreciation	(147,686,999)	(8,807,570)	325,968	–	(156,168,601)
Net capital assets, depreciated	90,771,377	(5,543,830)	–	3,537,702	88,765,249
Total capital assets, net	$ 99,258,197	$ (2,502,080)	$ –	$ –	$ 96,756,117

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

Administration	$ 8,710
District support services	100,039
Elementary and secondary regular instruction	4,858,898
Special education instruction	30,086
Instructional support services	1,103
Pupil support services	699,975
Sites and buildings	2,972,711
Food service	82,760
Community service	53,288
Total depreciation expense	$ 8,807,570

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	4.000–5.000%	$ 10,985,000	02/01/2022	$ 9,550,000
Taxable OPEB bonds	01/14/2009	5.250–5.750%	15,000,000	02/01/2019	3,755,000
Alternative facilities bonds	01/25/2011	4.000–4.375%	11,000,000	02/01/2027	10,800,000
Capital facilities bond	01/25/2011	2.000–4.000%	1,070,000	02/01/2021	325,000
School building refunding bonds	09/27/2011	3.000–5.000%	11,520,000	02/01/2020	4,115,000
Alternative facilities bonds	02/27/2013	2.000–2.250%	11,000,000	02/01/2024	10,850,000
Alternative facilities bonds	04/07/2015	3.000%	10,310,000	02/01/2028	10,310,000
Facilities maintenance bonds	02/22/2017	3.000–4.000%	10,940,000	02/01/2032	10,940,000
Total general obligation bonds payable					$ 60,645,000

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 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. The lease schedules have interest rates ranging from zero percent to 0.99 percent and mature in fiscal year 2020. 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.

At June 30, 2018, the total cost of the leased equipment capitalized through this agreement is $6,443,694, with accumulated depreciation of $5,482,804.

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, pensions, and OPEB; the details of which are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund or a Trust Fund established by the District to finance OPEB obligations.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District. The net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2018, are as follows:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	$ 23,499,261	$ 7,071,988	$ 5,430,424	$ 2,730,881
State-wide, multiple-employer – TRA	201,853,864	119,096,437	37,687,444	34,743,555
Single-employer – District	266,474	–	9,010	38,209
Total	$ 225,619,599	$ 126,168,425	$ 43,126,878	$ 37,512,645

D. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 66,540,000	$ –	$ 5,895,000	$ 60,645,000	$ 6,460,000
Unamortized premiums	1,390,803	–	291,163	1,099,640	–
Capital lease payable	4,489,798	–	1,872,965	2,616,833	1,857,027
Net pension liability	277,022,965	3,965,307	55,368,673	225,619,599	–
Compensated absences payable	1,347,872	74,362	576,987	845,247	212,393
	$ 350,791,438	$ 4,039,669	$ 64,004,788	$ 290,826,319	$ 8,529,420

E. Minimum Debt Payments

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

Year Ending	General Obligation Bonds		Capital Leases	
June 30,	Principal	Interest	Principal	Interest
2019	$ 6,460,000	$ 2,263,369	$ 1,857,027	$ 12,449
2020	5,875,000	1,917,256	759,806	870
2021	6,240,000	1,687,706	–	–
2022	5,690,000	1,441,606	–	–
2023	4,515,000	1,203,406	–	–
2024–2028	21,870,000	3,825,125	–	–
2029–2032	9,995,000	732,950	–	–
	$ 60,645,000	$ 13,071,418	$ 2,616,833	$ 13,319

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, 2018, 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	$ –	$ 108,557	$ –	$ –	$ –	$ 108,557
Prepaid items	145,362	–	46,200	–	–	191,562
Total nonspendable	145,362	108,557	46,200	–	–	300,119
Restricted						
Capital projects levy	485,096	–	–	–	–	485,096
Operating capital	852,824	–	–	–	–	852,824
Medical Assistance	675,813	–	–	–	–	675,813
Long-term facilities maintenance	92,679	–	–	5,567,295	–	5,659,974
Food service	–	656,365	–	–	–	656,365
Community education programs	–	–	249,746	–	–	249,746
Early childhood family education programs	–	–	403,884	–	–	403,884
Debt service	–	–	–	–	1,243,673	1,243,673
Total restricted	2,106,412	656,365	653,630	5,567,295	1,243,673	10,227,375
Assigned						
Site carryover	374,988	–	–	–	–	374,988
Activity accounts	463,047	–	–	–	–	463,047
Construction	697,417	–	–	–	–	697,417
Curriculum adoption	150,000	–	–	–	–	150,000
Total assigned	1,685,452	–	–	–	–	1,685,452
Unassigned						
School readiness restricted deficit	–	–	(304,323)	–	–	(304,323)
Unassigned	16,349,250	–	–	–	–	16,349,250
Total unassigned	16,349,250	–	(304,323)	–	–	16,044,927
Total	$ 20,286,476	$ 764,922	$ 395,507	$ 5,567,295	$ 1,243,673	$ 28,257,873

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, 2018, the unassigned fund balance of the General Fund was 15.6 percent of fiscal 2018 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 (IRC).

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually through 2018, and 1.0 percent thereafter.

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

1. GERF Benefits

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2018; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2018, were $1,867,386. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2018, were $4,106,891. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2018, the District reported a liability of $23,499,261 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.3681 percent at the end of the measurement period and 0.3631 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 23,499,261
State's proportionate share of the net pension liability associated with the District	$ 295,507

For the year ended June 30, 2018, the District recognized pension expense of $2,722,348 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $8,533 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $6 million to the GERF.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 774,464	$ 1,481,912
Changes in actuarial assumptions	3,848,392	2,355,802
Difference between projected and actual investment earnings	–	1,048,950
Changes in proportion	581,746	543,760
District's contributions to the GERF subsequent to the measurement date	1,867,386	–
Total	$ 7,071,988	$ 5,430,424

A total of $1,867,386 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	$ (419,525)
2020	$ 1,549,378
2021	$ (358,179)
2022	$ (997,496)

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of $201,853,864 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 1.0112 percent at the end of the measurement period and 1.0364 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 201,853,864
State's proportionate share of the net pension liability associated with the District	$ 19,511,695

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

For the year ended June 30, 2018, the District recognized pension expense of $34,369,336. It also recognized $374,219 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,663,390	$ 1,417,584
Changes in actuarial assumptions	112,055,347	28,276,540
Difference between projected and actual investment earnings	–	1,718,379
Changes in proportion	1,270,809	6,274,941
District's contributions to the TRA subsequent to the measurement date	4,106,891	–
Total	$ 119,096,437	$ 37,687,444

A total of $4,106,891 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	$ 20,446,491
2020	$ 24,281,116
2021	$ 21,436,191
2022	$ 18,077,825
2023	$ (6,939,521)

E. Actuarial Assumptions

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

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

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

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

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

The following changes in actuarial assumptions occurred in 2017:

1. **GERF**

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2. **TRA**

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.

- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.

- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.

- The investment return assumption was changed from 8.00 percent to 7.50 percent.

- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.

- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

- The single discount rate changed from 4.66 percent to 5.12 percent.

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

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

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

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2017 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

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

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 36,449,100	$ 23,499,261	$ 12,897,466
TRA discount rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	$ 266,408,204	$ 201,853,864	$ 147,426,701

H. Pension Plan Fiduciary Net Position

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

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

These benefits are summarized as follows:

Administrative Supervisory Technical (AST) Employees 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, with a limitation on total benefits to an individual of 50 percent of base annual salary. Benefits are 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 hired before July 1, 2016 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, less any cumulative employer tax sheltered annuity contributions, 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. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits.

C. Membership

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

Active plan members	19

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2016, and a measurement date as of June 30, 2018, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.50%
20-year municipal bond yield	3.50%
Inflation rate	2.50%
Salary increases	3.00%

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

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

E. Discount Rate

The discount rate used to measure the total pension liability was 3.50 percent. The District discount rate used in the prior measurement date was 2.90 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds, as of the measurement date.

F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance – July 1, 2017	$ 334,917
Changes for the year	
Service cost	30,311
Interest	9,186
Assumption changes	(10,298)
Benefit payments	(97,642)
Total net changes	(68,443)
Ending balance – June 30, 2018	$ 266,474

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 2.90 percent to 3.50 percent.

G. Total Pension Liability Sensitivity to Discount Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Pension discount rate	2.50%	3.50%	4.50%
Total pension liability	$ 287,423	$ 266,474	$ 246,195

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

For the current year ended, the District recognized pension expense of $38,209. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ –	$ 9,010

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to this pension plan, will be recognized in pension expense as follows:

Year Ending June 30,		Pension Expense Amount
2019	$	(1,288)
2020	$	(1,288)
2021	$	(1,288)
2022	$	(1,288)
2023	$	(1,288)
Thereafter	$	(2,570)

NOTE 8 – 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. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

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 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.

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District 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 insurance premiums paid for retirees and the implicit rate subsidy for the year ended June 30, 2018.

D. Membership

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

Retirees and beneficiaries receiving benefits	97
Active plan members	1,317
Total members	1,414

E. Net OPEB Liability (Asset) of the District

The District’s net OPEB (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB (asset) was determined by an actuarial valuation as of that date. The components of the net OPEB (asset) of the District at year-end were as follows:

Total OPEB liability	$ 13,518,178
Plan fiduciary net position	(16,380,453)
District’s net OPEB liability (asset)	$ (2,862,275)
Plan fiduciary net position as a percentage of the total OPEB liability	121.2%

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	6.30%
Expected long-term investment return	6.30% (net of investment expenses)
20-year municipal bond yield	3.50%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.50% grading to 5.00% over 6 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	30.00 %	3.10 %
Domestic equity	32.00	8.03 %
International equity	18.00	8.48 %
Real estate	10.00	7.50 %
Other (event driven hedge, equity hedge)	10.00	5.70 %
Total	100.00 %	6.30 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 7.40 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 6.30 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 6.10 percent.

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

I. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning balance – July 1, 2017	$ 12,907,884	$ 16,196,404	$ (3,288,520)
Changes for the year			
Service cost	541,720	–	541,720
Interest	790,171	–	790,171
Assumption changes	(104,010)	–	(104,010)
Plan changes	389,295	–	389,295
Projected investment return	–	1,020,373	(1,020,373)
Differences between expected and actual experience	–	170,558	(170,558)
Benefit payments – paid by trust	(1,006,882)	(1,006,882)	–
Total net changes	610,294	184,049	426,245
Ending balance – June 30, 2018	$ 13,518,178	$ 16,380,453	$ (2,862,275)

Assumption changes since the prior measurement date include the following:

- The expected long-term investment return was changed from 6.10 percent to 6.30 percent.
- The discount rate was changed from 6.10 percent to 6.30 percent.

Plan changes since the prior measurement date include the following:

- An early retirement incentive was offered for teachers retiring at the end of the 2017–2018 school year. Teachers retiring after age 55 with 10 years of service will receive $15,000 placed in a VEBA account. Plan A teachers (hired before October 1, 1993) receive the payment on June 30, 2023. Pan B teachers receive the payment no later than June 30, 2018.

J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	5.30%	6.30%	7.30%
Net OPEB liability (asset)	$ (2,230,947)	$ (2,862,275)	$ (3,456,816)

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

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB healthcare trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Net OPEB liability (asset)	$ (3,813,565)	$ (2,862,275)	$ (1,774,393)

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

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

For the current year ended, the District recognized OPEB expense of $508,978. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ –	$ 89,151
Differences between projected and actual investment earnings	–	565,034
Total	$ –	$ 654,185

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
2019	$ (191,835)
2020	$ (191,835)
2021	$ (191,831)
2022	$ (48,969)
2023	$ (14,859)
Thereafter	$ (14,856)

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 IRC. All employee groups of the District are eligible if, and when, the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the 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 pretax 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.

NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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 $1,006,882 due from the Post-Employment Benefits Trust Fund at June 30, 2018, 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 the Post-Employment Benefit Trust Fund in the governmental activities on the Statement of Net Position.

The District transferred $178,419 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. 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
2019	$ 359,205	$ 97,632	$ 456,837
2020	368,442	–	368,442
2021	377,165	–	377,165
2022	386,915	–	386,915
2023	396,665	–	396,665
2024	406,415	–	406,415
	$ 2,294,807	$ 97,632	$ 2,392,439

D. Construction Contracts

At June 30, 2018, the District had commitments totaling $2,052,681 under various construction contracts for which the work was not yet completed.

E. Purchase Power Commitment

Solar Gardens

During fiscal year 2016, the District entered into five community solar garden subscription agreements with SunE Nesvold, LLC. The District is committed to purchasing up to 40 percent of the annual delivered energy of the solar systems for a period of 25 years from the commercial operation date of January 1, 2018.

During fiscal year 2017, the District entered into five community solar garden subscription agreements with SunE Feely, LLC. The District is committed to purchasing up to 20 percent of the annual delivered energy of the solar systems for a period of 25 years from the expected commercial operation date of January 2019.

During fiscal year 2017, the District entered into five community solar garden subscription agreements with Randolph CSG 1, LLC. The District is committed to purchasing up to 20 percent of the annual delivered energy of the solar systems for a period of 25 years from the expected commercial operation date of February 2019.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Solar Panels

During fiscal year 2018, the District entered into various power purchase agreements to purchase the energy generated by solar panels contributed to the District and installed on various buildings of the District. At June 30, 2018, the equipment capitalized through these agreements is $1,559,500, with accumulated depreciation of $103,967. Future power purchase payments are as follows:

Year Ending June 30,	Amount
2019	$ 33,937
2020	34,845
2021	36,402
2022	38,033
2023	39,735
2024–2028	226,995
2029–2033	178,380
2034–2038	127,945
	$ 716,272

NOTE 12 – SUBSEQUENT EVENTS

The District has authorized the issuance of $8,410,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2018A. The bonds will be used to refund the 2009A General Obligation Alternative Facilities Bonds to reduce debt levies to district taxpayers.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 272

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3926%	$ 18,442,381	$ –	$ 18,442,381	$ 20,638,451	89.36%	78.70%
06/30/2016	06/30/2015	0.3524%	$ 18,263,198	$ –	$ 18,263,198	$ 20,684,774	88.29%	78.20%
06/30/2017	06/30/2016	0.3631%	$ 29,481,919	$ 385,105	$ 29,867,024	$ 22,396,905	131.63%	68.90%
06/30/2018	06/30/2017	0.3681%	$ 23,499,261	$ 295,507	$ 23,794,768	$ 23,755,883	98.92%	75.90%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,527,411	$ 1,527,411	$ –	$ 20,684,774	7.38%
06/30/2016	$ 1,679,027	$ 1,679,027	$ –	$ 22,396,905	7.50%
06/30/2017	$ 1,778,675	$ 1,778,675	$ –	$ 23,755,883	7.49%
06/30/2018	$ 1,867,386	$ 1,867,386	$ –	$ 24,941,557	7.49%

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

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the 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%
06/30/2017	06/30/2016	1.0364%	$247,206,129	$ 24,812,446	$272,018,575	$ 54,216,148	455.96%	44.88%
06/30/2018	06/30/2017	1.0112%	$201,853,864	$ 19,511,695	$221,365,559	$ 54,659,806	369.29%	51.57%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 3,828,390	$ 3,828,390	$ –	$ 51,428,891	7.44%
06/30/2016	$ 4,043,043	$ 4,043,043	$ –	$ 54,216,148	7.46%
06/30/2017	$ 4,085,938	$ 4,085,938	$ –	$ 54,659,806	7.48%
06/30/2018	$ 4,106,891	$ 4,106,891	$ –	$ 54,876,205	7.48%

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

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018	2017
Total pension liability		
Service cost	$ 30,311	$ 31,507
Interest	9,186	11,500
Assumption changes	(10,298)	–
Benefit payments	(97,642)	(145,219)
Net change in total pension liability	(68,443)	(102,212)
Total pension liability – beginning of year	334,917	437,129
Total pension liability – end of year	$ 266,474	$ 334,917
Covered-employee payroll	$ 2,629,505	$ 2,478,561
Total pension liability as a percentage of covered-employee payroll	10.13%	13.51%

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

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

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018	2017
Total OPEB liability		
Service cost	$ 541,720	$ 542,422
Interest	790,171	766,806
Assumption changes	(104,010)	–
Plan changes	389,295	–
Benefit payments	(1,006,882)	(846,510)
Net change in total OPEB liability	610,294	462,718
Total OPEB liability – beginning of year	12,907,884	12,445,166
Total OPEB liability – end of year	13,518,178	12,907,884
Plan fiduciary net position		
Contributions – employer	–	132,324
Investment earnings	1,020,373	1,645,487
Differences between expected and actual experience	170,558	–
Benefit payments	(1,006,882)	(846,510)
Net change in plan fiduciary net position	184,049	931,301
Plan fiduciary net position – beginning of year	16,196,404	15,265,103
Plan fiduciary net position – end of year	16,380,453	16,196,404
Net OPEB liability (asset)	$ (2,862,275)	$ (3,288,520)
Fiduciary net position as a percentage of the total OPEB liability	121.17%	125.48%
Covered-employee payroll	$ 75,075,856	$ 72,889,181
Net OPEB (asset) as a percentage of covered-employee payroll	(3.81%)	(4.51%)

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 272

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2018

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	10.78%
2018	7.40%

Note: The District implemented GASB Statement Nos. 74 and No. 75 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS:

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

TRA

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2015 CHANGES IN PLAN PROVISIONS:

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

PENSION BENEFITS PLAN

2018 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The discount rate was changed from 2.90 percent to 3.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2018 CHANGES IN PLAN PROVISIONS:

- An early retirement incentive was offered for teachers retiring at the end of the 2017–2018 school year. Teachers retiring after age 55 with 10 years of service will receive $15,000 placed in a VEBA account. Plan A teachers (hired before October 1, 1993) receive the payment on June 30, 2023. Plan B teachers receive the payment no later than June 30, 2018.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The expected long-term investment return was changed from 6.10 percent to 6.30 percent.
- The discount rate was changed from 6.10 percent to 6.30 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and the retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 5.50 percent to 6.10 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018	2017
Assets		
Cash and temporary investments	$ 33,480,404	$ 32,255,902
Receivables		
Current taxes	15,889,330	17,241,155
Delinquent taxes	297,338	235,212
Accounts and interest	127,446	144,014
Due from other governmental units	10,990,801	9,016,518
Due from other funds	1,006,882	714,186
Prepaid items	145,362	717,276
Total assets	$ 61,937,563	$ 60,324,263
Liabilities		
Salaries payable	$ 5,149,570	$ 5,115,007
Accounts and contracts payable	4,639,045	4,297,225
Due to other governmental units	350,336	267,413
Unearned revenue	286,191	338,962
Total liabilities	10,425,142	10,018,607
Deferred inflows of resources		
Property taxes levied for subsequent year	30,928,607	30,435,801
Unavailable revenue – delinquent taxes	297,338	235,212
Total deferred inflows of resources	31,225,945	30,671,013
Fund balances (deficits)		
Nonspendable for prepaid items	145,362	717,276
Restricted for capital projects levy	485,096	48,183
Restricted for operating capital	852,824	695,379
Restricted for Medical Assistance	675,813	1,128,223
Restricted for long-term facilities maintenance	92,679	–
Assigned for site carryover	374,988	653,945
Assigned for activity accounts	463,047	622,895
Assigned for construction	697,417	782,417
Assigned for curriculum adoption	150,000	350,000
Unassigned – long-term facilities maintenance restricted account deficit	–	(18,882)
Unassigned	16,349,250	14,655,207
Total fund balances	20,286,476	19,634,643
Total liabilities, deferred inflows of resources, and fund balances	$ 61,937,563	$ 60,324,263

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 34,592,554	$ 34,390,488	$ (202,066)	$ 33,662,761
Investment earnings	150,000	350,364	200,364	171,298
Other	5,159,100	4,402,057	(757,043)	4,595,704
State sources	78,720,269	79,545,674	825,405	78,184,860
Federal sources	2,837,580	2,867,120	29,540	2,901,606
Total revenue	121,459,503	121,555,703	96,200	119,516,229
Expenditures				
Current				
Administration				
Salaries	2,738,665	2,750,031	11,366	2,730,276
Employee benefits	882,712	893,115	10,403	838,453
Purchased services	72,200	34,345	(37,855)	47,540
Supplies and materials	3,350	5,048	1,698	8,278
Other expenditures	67,400	59,950	(7,450)	61,183
Total administration	3,764,327	3,742,489	(21,838)	3,685,730
District support services				
Salaries	2,163,585	2,179,989	16,404	2,217,079
Employee benefits	743,542	672,413	(71,129)	760,446
Purchased services	1,869,265	1,725,796	(143,469)	1,614,567
Supplies and materials	1,013,412	821,634	(191,778)	687,382
Capital expenditures	273,728	370,144	96,416	120,315
Other expenditures	21,600	23,405	1,805	20,496
Total district support services	6,085,132	5,793,381	(291,751)	5,420,285
Elementary and secondary regular instruction				
Salaries	39,969,816	39,512,444	(457,372)	39,469,634
Employee benefits	11,006,203	12,089,344	1,083,141	10,878,888
Purchased services	3,041,601	1,889,674	(1,151,927)	2,009,493
Supplies and materials	1,645,238	2,612,441	967,203	2,134,687
Capital expenditures	120,380	220,135	99,755	2,727,382
Other expenditures	61,062	297,269	236,207	351,289
Total elementary and secondary regular instruction	55,844,300	56,621,307	777,007	57,571,373

(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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,132,660	1,028,250	(104,410)	1,141,556
Employee benefits	312,062	298,240	(13,822)	323,397
Purchased services	543,600	807,263	263,663	640,304
Supplies and materials	29,200	82,906	53,706	69,504
Other expenditures	514	9,813	9,299	24,171
Total vocational education instruction	2,018,036	2,226,472	208,436	2,198,932
Special education instruction				
Salaries	14,161,911	13,972,045	(189,866)	13,610,437
Employee benefits	4,348,881	4,283,437	(65,444)	4,238,297
Purchased services	1,800,496	2,737,694	937,198	1,709,389
Supplies and materials	124,350	88,016	(36,334)	58,668
Capital expenditures	212,250	203,009	(9,241)	211,162
Other expenditures	25,300	88,980	63,680	105,433
Total special education instruction	20,673,188	21,373,181	699,993	19,933,386
Instructional support services				
Salaries	5,154,732	5,028,708	(126,024)	5,047,638
Employee benefits	1,494,492	1,434,358	(60,134)	1,458,605
Purchased services	780,191	703,713	(76,478)	758,389
Supplies and materials	91,516	132,559	41,043	165,748
Capital expenditures	257,595	85,843	(171,752)	192
Other expenditures	15,925	35,837	19,912	40,000
Total instructional support services	7,794,451	7,421,018	(373,433)	7,470,572
Pupil support services				
Salaries	5,607,264	5,695,847	88,583	5,545,203
Employee benefits	2,437,679	2,355,425	(82,254)	2,309,861
Purchased services	262,950	342,181	79,231	231,806
Supplies and materials	844,355	793,529	(50,826)	746,222
Capital expenditures	495,000	266,646	(228,354)	722,367
Other expenditures	4,400	28,019	23,619	18,956
Total pupil support services	9,651,648	9,481,647	(170,001)	9,574,415

(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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	4,540,046	4,439,784	(100,262)	4,287,839
Employee benefits	1,431,377	1,518,051	86,674	1,371,943
Purchased services	3,088,716	3,059,701	(29,015)	2,953,435
Supplies and materials	933,200	1,047,521	114,321	955,361
Capital expenditures	2,089,251	1,792,544	(296,707)	1,024,355
Other expenditures	13,300	13,208	(92)	14,350
Total sites and buildings	12,095,890	11,870,809	(225,081)	10,607,283
Fiscal and other fixed cost programs				
Purchased services	217,215	381,996	164,781	312,351
Debt service				
Principal	1,872,985	1,872,965	(20)	4,420,936
Interest and fiscal charges	24,162	24,162	–	42,529
Total debt service	1,897,147	1,897,127	(20)	4,463,465
Total expenditures	120,041,334	120,809,427	768,093	121,237,792
Excess (deficiency) of revenue over expenditures	1,418,169	746,276	(671,893)	(1,721,563)
Other financing sources (uses)				
Capital lease issued	–	–	–	2,620,690
Sale of capital assets	–	83,976	83,976	1,389,100
Transfers (out)	(201,725)	(178,419)	23,306	(162,423)
Total other financing sources (uses)	(201,725)	(94,443)	107,282	3,847,367
Net change in fund balances	$ 1,216,444	651,833	$ (564,611)	2,125,804
Fund balances				
Beginning of year		19,634,643		17,508,839
End of year		$ 20,286,476		$ 19,634,643

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018	2017
Assets		
Cash and temporary investments	$ 791,065	$ 729,227
Receivables		
Accounts and interest	3,120	1,344
Due from other governmental units	32,730	45,379
Inventory	108,557	121,961
Prepaid items	–	3,248
Total assets	$ 935,472	$ 901,159
Liabilities		
Salaries payable	$ 8,810	$ 24,543
Accounts and contracts payable	29,127	15,953
Due to other governmental units	–	160
Unearned revenue	132,613	148,171
Total liabilities	170,550	188,827
Fund balances		
Nonspendable for inventory	108,557	121,961
Nonspendable for prepaid items	–	3,248
Restricted for food service	656,365	587,123
Total fund balances	764,922	712,332
Total liabilities and fund balances	$ 935,472	$ 901,159

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 2,000	$ 9,675	$ 7,675	$ 3,430
Other – primarily meal sales	3,336,900	3,453,049	116,149	3,282,523
State sources	165,000	157,789	(7,211)	166,010
Federal sources	1,400,000	1,393,425	(6,575)	1,464,431
Total revenue	4,903,900	5,013,938	110,038	4,916,394
Expenditures				
Current				
Salaries	1,920,242	1,933,995	13,753	1,953,506
Employee benefits	751,048	760,168	9,120	764,553
Purchased services	187,500	256,792	69,292	184,453
Supplies and materials	1,944,000	1,911,067	(32,933)	1,994,616
Other expenditures	5,000	10,909	5,909	6,253
Capital outlay	75,000	88,417	13,417	95,631
Total expenditures	4,882,790	4,961,348	78,558	4,999,012
Net change in fund balances	$ 21,110	52,590	$ 31,480	(82,618)
Fund balances				
Beginning of year		712,332		794,950
End of year		$ 764,922		$ 712,332

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

	2018	2017
Assets		
Cash and temporary investments	$ 1,329,792	$ 1,731,896
Receivables		
Current taxes	378,606	424,119
Delinquent taxes	9,726	8,772
Accounts and interest	4,439	19,185
Due from other governmental units	63,423	94,147
Prepaid items	46,200	61,132
Total assets	$ 1,832,186	$ 2,339,251
Liabilities		
Salaries payable	$ 105,093	$ 63,081
Accounts and contracts payable	143,370	172,020
Due to other governmental units	6,790	6,432
Unearned revenue	334,066	348,557
Total liabilities	589,319	590,090
Deferred inflows of resources		
Property taxes levied for subsequent year	837,634	852,158
Unavailable revenue – delinquent taxes	9,726	8,772
Total deferred inflows of resources	847,360	860,930
Fund balances (deficits)		
Nonspendable for prepaid items	46,200	61,132
Restricted for community education programs	249,746	409,004
Restricted for early childhood family education programs	403,884	739,955
Unassigned – school readiness restricted account deficit	(304,323)	(321,860)
Total fund balances	395,507	888,231
Total liabilities, deferred inflows of resources, and fund balances	$ 1,832,186	$ 2,339,251

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 835,069	$ 838,786	$ 3,717	$ 1,012,447
Investment earnings	4,000	12,349	8,349	9,303
Other – primarily tuition and fees	3,690,389	3,986,745	296,356	3,313,097
State sources	625,170	743,824	118,654	646,998
Total revenue	5,154,628	5,581,704	427,076	4,981,845
Expenditures				
Current				
Salaries	3,471,766	3,754,962	283,196	3,221,673
Employee benefits	988,627	1,087,671	99,044	1,000,292
Purchased services	1,095,869	1,158,173	62,304	1,104,555
Supplies and materials	165,035	242,596	77,561	212,921
Other expenditures	1,600	9,445	7,845	7,969
Total expenditures	5,722,897	6,252,847	529,950	5,547,410
Excess (deficiency) of revenue over expenditures	(568,269)	(671,143)	(102,874)	(565,565)
Other financing sources				
Transfers in	154,193	178,419	24,226	162,423
Net change in fund balances	$ (414,076)	(492,724)	$ (78,648)	(403,142)
Fund balances				
Beginning of year		888,231		1,291,373
End of year		$ 395,507		$ 888,231

INDEPENDENT SCHOOL DISTRICT NO. 272

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	$ 6,221,419	$ 10,984,818
Receivables		
Accounts and interest	57,987	24,403
Due from other governmental units	12,618	–
Total assets	$ 6,292,024	$ 11,009,221
Liabilities		
Accounts and contracts payable	$ 724,729	$ 1,223,024
Fund balances		
Restricted for long-term facilities maintenance	5,567,295	9,786,197
Total liabilities and fund balances	$ 6,292,024	$ 11,009,221

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 30,000	$ 84,386	$ 54,386	$ 29,294
Other	–	–	–	4,700
Total revenue	30,000	84,386	54,386	33,994
Expenditures				
Capital outlay				
Purchased services	5,126,750	4,303,288	(823,462)	6,734,915
Excess (deficiency) of revenue over expenditures	(5,096,750)	(4,218,902)	877,848	(6,700,921)
Other financing sources				
Debt issued	–	–	–	10,602,519
Premium on debt issued	–	–	–	326,471
Total other financing sources	–	–	–	10,928,990
Net change in fund balances	$ (5,096,750)	(4,218,902)	$ 877,848	4,228,069
Fund balances				
Beginning of year		9,786,197		5,558,128
End of year		$ 5,567,295		$ 9,786,197

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Debt Service Fund
Balance Sheet by Account
as of June 30, 2018
(With Comparative Totals as of June 30, 2017)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2018	Totals 2017
Assets				
Cash and temporary investments	$ 3,236,475	$ 2,868,381	$ 6,104,856	$ 5,771,528
Receivables				
Current taxes	2,210,288	1,811,649	4,021,937	3,980,628
Delinquent taxes	60,796	28,047	88,843	81,531
Accounts and interest	7,328	7,854	15,182	7,849
Due from other governmental units	5	5	10	10
Total assets	$ 5,514,892	$ 4,715,936	$ 10,230,828	$ 9,841,546
Deferred inflows of resources				
Property taxes levied for subsequent year	$ 4,890,176	$ 4,008,136	$ 8,898,312	$ 7,997,807
Unavailable revenue – delinquent taxes	60,796	28,047	88,843	81,531
Total deferred inflows of resources	4,950,972	4,036,183	8,987,155	8,079,338
Fund balances				
Restricted for debt service	563,920	679,753	1,243,673	1,762,208
Total deferred inflows of resources and fund balances	$ 5,514,892	$ 4,715,936	$ 10,230,828	$ 9,841,546

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	$ 7,916,087	$ 3,911,620	$ 3,972,139
Investment earnings	–	21,566	24,202
State sources	–	44	45
Total revenue	7,916,087	3,933,230	3,996,386
Expenditures			
Debt service			
Principal	5,895,000	2,460,000	3,435,000
Interest	2,549,551	2,144,713	404,838
Fiscal charges and other	3,600	3,150	450
Total expenditures	8,448,151	4,607,863	3,840,288
Excess (deficiency) of revenue over expenditures	(532,064)	(674,633)	156,098
Other financing sources			
Debt issued	–	–	–
Net change in fund balances	$ (532,064)	(674,633)	156,098
Fund balances			
Beginning of year		1,238,553	523,655
End of year		$ 563,920	$ 679,753

		2017
Total	Over (Under) Budget	Actual
$ 7,883,759	$ (32,328)	$ 7,838,022
45,768	45,768	22,223
89	89	96
7,929,616	13,529	7,860,341
5,895,000	–	5,370,000
2,549,551	–	2,482,856
3,600	–	58,063
8,448,151	–	7,910,919
(518,535)	13,529	(50,578)
–	–	337,481
(518,535)	$ 13,529	286,903
1,762,208		1,475,305
$ 1,243,673		$ 1,762,208

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2018	Totals 2017
Assets				
Current assets				
Cash and temporary investments	$ 2,985,049	$ 427,238	$ 3,412,287	$ 1,733,417
Liabilities				
Current liabilities				
Unearned revenue	924,891	87,239	1,012,130	1,080,413
Claims payable	476,000	28,704	504,704	1,178,927
Total current liabilities	1,400,891	115,943	1,516,834	2,259,340
Net position				
Unrestricted	$ 1,584,158	$ 311,295	$ 1,895,453	$ (525,923)

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

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2018	Totals 2017
Operating revenue				
Charges for services				
Contributions from governmental funds	$ 12,354,639	$ 1,257,118	$ 13,611,757	$ 12,335,413
Operating expenses				
Health benefit claims	9,946,365	–	9,946,365	11,945,983
Dental benefit claims	–	1,261,629	1,261,629	1,145,758
Total operating expenses	9,946,365	1,261,629	11,207,994	13,091,741
Operating income (loss)	2,408,274	(4,511)	2,403,763	(756,328)
Nonoperating revenue				
Investment earnings	13,800	3,813	17,613	5,044
Change in net position	2,422,074	(698)	2,421,376	(751,284)
Net position				
Beginning of year	(837,916)	311,993	(525,923)	225,361
End of year	$ 1,584,158	$ 311,295	$ 1,895,453	$ (525,923)

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2018	Totals 2017
Cash flows from operating activities				
Contributions from governmental funds	$ 12,289,063	$ 1,254,411	$ 13,543,474	$ 13,415,826
Payment for health claims	(10,620,710)	–	(10,620,710)	(10,795,638)
Payment for dental claims	–	(1,261,507)	(1,261,507)	(1,140,340)
Net cash flows from operating activities	1,668,353	(7,096)	1,661,257	1,479,848
Cash flows from investing activities				
Investment income received	13,800	3,813	17,613	5,044
Net change in cash and cash equivalents	1,682,153	(3,283)	1,678,870	1,484,892
Cash and cash equivalents				
Beginning of year	1,302,896	430,521	1,733,417	248,525
End of year	$ 2,985,049	$ 427,238	$ 3,412,287	$ 1,733,417
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ 2,408,274	$ (4,511)	$ 2,403,763	$ (756,328)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Unearned revenue	(65,576)	(2,707)	(68,283)	1,080,413
Claims payable	(674,345)	122	(674,223)	1,155,763
Net cash flows from operating activities	$ 1,668,353	$ (7,096)	$ 1,661,257	$ 1,479,848

Employee Benefit Trust Funds
Combining Statement of Fiduciary Net Position
as of June 30, 2018

	Employee Benefits Trust Fund	Post-Employment Benefits Trust Fund	Totals
Assets			
Cash and temporary investments	$ 68,761	$ –	$ 68,761
Receivables			
Accounts and interest	2,330	51,347	53,677
Investments, at fair value			
Agency securities	–	99,443	99,443
Treasury securities	–	703,732	703,732
Mortgage-backed securities	–	49,167	49,167
Corporate obligations	–	3,406,768	3,406,768
Equities	–	5,032,486	5,032,486
Real estate investment trusts	–	64,095	64,095
Mutual funds	–	7,980,297	7,980,297
Total assets	71,091	17,387,335	17,458,426
Liabilities			
Accounts and contracts payable	24,102	–	24,102
Due to governmental funds	–	1,006,882	1,006,882
Total liabilities	24,102	1,006,882	1,030,984
Net position			
Restricted for employee cafeteria plan benefits	46,989	–	46,989
Restricted for OPEB	–	16,380,453	16,380,453
Total net position	$ 46,989	$ 16,380,453	$ 16,427,442

Employee Benefit Trust Funds
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	Employee Benefits Trust Fund	Post-Employment Benefits Trust Fund	Totals
Additions			
Contributions			
Plan participants	$ 489,679	$ –	$ 489,679
Investment earnings			
Total investment earnings	5,885	1,325,456	1,331,341
Less investment expense	–	134,525	134,525
Net investment earnings	5,885	1,190,931	1,196,816
Total additions	495,564	1,190,931	1,686,495
Deductions			
Employee benefits	1,332,243	–	1,332,243
OPEB	–	1,006,882	1,006,882
Total deductions	1,332,243	1,006,882	2,339,125
Change in net position	(836,679)	184,049	(652,630)
Net position			
Beginning of year	883,668	16,196,404	17,080,072
End of year	$ 46,989	$ 16,380,453	$ 16,427,442

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			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	$ 24,743,020	$ 28,961,979	$ 31,238,048	$ 37,922,925
Restricted	3,954,771	4,496,085	4,458,122	3,827,113
Unrestricted	10,864,172	10,950,127	14,590,499	14,591,609
Total governmental activities net position	$ 39,561,963	$ 44,408,191	$ 50,286,669	$ 56,341,647

Note 1: 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.

Note 2: The District implemented GASB Statement Nos. 73, 74, and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately $11.3 million. Prior years were not restated.

2013	2014	2015	2016	2017	2018
$ 41,721,166	$ 46,150,573	$ 49,968,770	$ 46,495,778	$ 43,813,793	$ 41,716,939
4,933,513	5,314,896	4,820,097	4,148,442	4,598,772	3,970,336
13,424,028	12,945,749	(65,730,130)	(59,580,118)	(100,181,524)	(124,901,677)
$ 60,078,707	$ 64,411,218	$ (10,941,263)	$ (8,935,898)	$ (51,768,959)	$ (79,214,402)

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Expenses				
Administration	$ 3,502,692	$ 4,143,352	$ 3,995,200	$ 4,138,483
District support services	3,126,085	3,894,235	3,054,468	3,237,176
Elementary and secondary regular instruction	46,625,626	52,116,355	50,112,864	49,895,524
Vocational education instruction	2,278,841	2,058,781	1,832,713	1,869,260
Special education instruction	16,816,062	17,379,807	17,219,661	17,253,839
Instructional support services	5,748,701	5,872,358	5,308,108	6,096,063
Pupil support services	7,737,865	8,374,135	8,436,663	8,905,444
Sites and buildings	13,813,150	14,845,097	16,928,520	15,980,936
Fiscal and other fixed cost programs	295,504	285,524	271,816	281,021
Food service	4,669,235	4,279,727	4,284,420	4,511,845
Community service	5,448,067	4,859,368	4,868,967	5,042,537
Interest and fiscal charges	3,827,797	3,836,347	3,562,030	3,164,787
Total governmental activities expenses	113,889,625	121,945,086	119,875,430	120,376,915
Program revenues				
Charges for services				
Elementary and secondary regular instruction	1,304,278	1,204,157	1,262,449	1,469,962
Special education instruction	–	–	–	–
Instructional support services	15,618	2,656	–	–
Pupil support services	224,762	206,265	189,926	165,634
Sites and buildings	49,942	30,683	36,313	61,642
Food service	3,774,715	3,701,874	3,394,632	3,166,996
Community service	2,148,758	2,346,409	2,277,723	2,788,349
Operating grants and contributions	15,228,119	23,013,592	16,624,548	17,088,039
Capital grants and contributions	841,229	2,375,195	3,176,925	3,446,645
Total governmental activities program revenues	23,587,421	32,880,831	26,962,516	28,187,267
Net (expense) revenue	(90,302,204)	(89,064,255)	(92,912,914)	(92,189,648)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	27,213,756	26,165,030	37,366,027	23,222,475
Property taxes, levied for community service	1,289,673	1,469,042	1,838,319	1,203,912
Property taxes, levied for building construction	–	–	–	–
Property taxes, levied for debt service	11,278,858	13,477,263	12,004,142	13,271,401
General grants and aids	60,465,477	51,934,801	46,802,152	59,604,896
Unrestricted investment earnings	801,558	262,057	90,399	29,272
Gain on sale of capital assets	–	–	–	–
Miscellaneous	649,926	602,290	690,353	912,670
Total general revenues and other changes in net position	101,699,248	93,910,483	98,791,392	98,244,626
Change in net position	$ 11,397,044	$ 4,846,228	$ 5,878,478	$ 6,054,978

2013	2014	2015	2016	2017	2018
$ 4,453,035	$ 3,659,478	$ 3,318,266	$ 3,827,612	$ 4,736,758	$ 4,520,405
3,223,136	6,767,218	6,168,708	5,337,689	5,682,115	5,860,095
53,349,424	53,878,287	53,765,254	59,627,119	82,848,774	80,606,299
1,746,242	1,698,280	1,845,940	1,929,401	2,875,255	2,799,977
17,062,035	17,107,046	18,620,390	19,886,753	27,120,384	26,612,680
5,583,066	7,971,692	7,201,154	7,722,877	9,535,521	8,946,008
8,630,429	9,376,195	9,119,888	8,897,020	10,719,258	10,510,787
14,734,120	11,067,099	11,811,681	13,696,744	14,574,619	15,048,481
290,451	368,206	329,667	252,593	312,351	381,996
4,633,990	4,908,136	4,919,568	4,893,018	5,084,197	4,983,613
5,439,220	5,811,208	4,156,097	4,492,095	6,168,308	6,674,630
3,211,059	2,743,155	2,034,145	2,442,183	2,315,611	2,181,273
122,356,207	125,356,000	123,290,758	133,005,104	171,973,151	169,126,244
1,359,191	4,084,921	1,385,244	1,455,096	1,086,487	1,308,532
–	433,841	463,135	883,511	843,310	326,560
–	–	–	–	–	–
173,782	148,748	127,424	128,862	120,717	118,929
80,293	71,671	38,760	83,193	38,813	123,089
3,118,787	3,090,246	3,046,821	3,183,516	3,282,523	3,414,483
3,324,895	3,462,217	2,131,108	2,427,585	2,946,131	3,714,217
17,795,374	18,304,009	17,531,443	19,955,518	20,243,863	20,056,189
1,040,292	383,805	886,495	869,776	744,095	2,562,744
26,892,614	29,979,458	25,610,430	28,987,057	29,305,939	31,624,743
(95,463,593)	(95,376,542)	(97,680,328)	(104,018,047)	(142,667,212)	(137,501,501)
25,272,782	16,665,577	25,962,472	33,216,511	33,659,448	34,452,614
1,332,721	721,453	1,171,597	1,006,495	1,011,306	839,740
499,999	–	–	–	–	–
13,328,797	12,206,366	12,320,333	7,746,601	7,833,737	7,891,071
58,089,586	68,326,914	60,176,831	61,289,944	65,912,935	63,786,229
40,833	238,990	35,877	98,806	240,592	520,155
–	22,966	–	–	–	–
635,935	1,526,787	2,749,324	2,665,055	2,492,689	2,566,249
99,200,653	99,709,053	102,416,434	106,023,412	111,150,707	110,056,058
$ 3,737,060	$ 4,332,511	$ 4,736,106	$ 2,005,365	$ (31,516,505)	$ (27,445,443)

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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)

	Property Tax				
Fiscal Year	General Purposes	Community Service	Capital Projects – Building Construction	Debt Service	Total
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
2017	33,659,448	1,011,306	–	7,833,737	42,504,491
2018	34,452,614	839,740	–	7,891,072	43,183,426

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			
	2009	2010	2011	2012
General Fund				
Reserved	$ 2,783,651	$ –	$ –	$ –
Unreserved	14,637,947	–	–	–
Nonspendable	–	259,349	278,350	337,027
Restricted	–	1,920,583	2,514,651	1,880,684
Assigned	–	2,509,358	2,830,859	804,305
Unassigned	–	10,672,253	12,132,508	13,936,928
Total General Fund	$ 17,421,598	$ 15,361,543	$ 17,756,368	$ 16,958,944
All other governmental funds				
Reserved				
Community Service Fund	$ 254,720	$ –	$ –	$ –
Capital project funds	10,372,666	–	–	–
Debt service funds	–	–	–	13,545,008
Unreserved, reported in		–	–	–
Special revenue funds	1,577,125	–	–	–
Debt service funds	2,290,994	–	–	–
Nonspendable	–	104,048	118,730	113,711
Restricted	–	9,267,346	15,507,318	8,980,899
Unassigned, reported in				
Special revenue funds	–	–	–	–
Total all other governmental funds	$ 14,495,505	$ 9,371,394	$ 15,626,048	$ 22,639,618
Total all governmental funds	$ 31,917,103	$ 24,732,937	$ 33,382,416	$ 39,598,562

Note: The District implemented GASB Statement No. 54 in fiscal 2011, which established new fund balance classifications. Fiscal year 2010 amounts have been restated.

2013	2014	2015	2016	2017	2018
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
244,799	952,663	422,808	462,195	717,276	145,362
684,054	810,854	1,256,917	1,207,446	1,871,785	2,106,412
708,318	1,834,953	3,036,146	2,727,888	2,409,257	1,685,452
13,722,291	11,824,573	10,281,140	13,111,310	14,636,325	16,349,250
$ 15,359,462	$ 15,423,043	$ 14,997,011	$ 17,508,839	$ 19,634,643	$ 20,286,476
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
145,478	111,767	154,926	199,906	186,341	154,757
15,744,487	10,746,472	15,064,990	9,241,713	13,284,487	8,120,963
–	–	(184,509)	(321,863)	(321,860)	(304,323)
$ 15,889,965	$ 10,858,239	$ 15,035,407	$ 9,119,756	$ 13,148,968	$ 7,971,397
$ 31,249,427	$ 26,281,282	$ 30,032,418	$ 26,628,595	$ 32,783,611	$ 28,257,873

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Local sources				
Property taxes	$ 39,616,286	$ 41,031,054	$ 51,404,212	$ 40,992,041
Investment earnings	841,719	405,512	90,399	29,272
Other	8,127,838	7,950,879	7,851,396	8,799,079
State sources	72,795,282	66,602,464	62,158,520	71,410,243
Federal sources	3,639,608	10,721,124	4,445,105	5,313,914
Total revenues	125,020,733	126,711,033	125,949,632	126,544,549
Expenditures				
Current				
Administration	4,687,670	4,077,932	3,968,529	4,126,012
District support services	3,719,405	3,838,206	3,366,929	3,203,924
Elementary and secondary regular instruction	55,351,574	48,095,266	45,677,557	46,664,877
Vocational education instruction	2,177,905	2,058,781	1,832,713	1,869,260
Special education instruction	19,743,834	17,342,047	17,024,148	17,263,273
Instructional support services	6,330,018	5,998,444	5,713,290	6,116,035
Pupil support services	8,062,132	7,522,119	8,089,888	8,244,509
Sites and buildings	12,877,556	12,233,537	12,576,180	12,692,387
Fiscal and other fixed cost programs	295,504	285,524	271,816	281,021
Food service	4,615,213	4,217,195	4,237,186	4,448,639
Community service	5,393,373	4,806,808	4,816,407	4,989,977
Capital outlay	7,316,264	9,303,142	9,001,838	10,217,981
Debt service				
Principal	8,774,919	9,677,141	8,850,329	9,813,895
Interest and fiscal charges	3,363,063	4,439,057	4,042,152	3,993,854
Total expenditures	142,708,430	133,895,199	129,468,962	133,925,644
Excess of revenues over (under) expenditures	(17,687,697)	(7,184,166)	(3,519,330)	(7,381,095)
Other financing sources (uses)				
Sale of capital assets	–	–	–	–
Insurance recovery proceeds	–	–	–	–
Capital lease issued	–	–	–	–
Debt issued	39,094,460	–	12,070,000	11,520,000
Premium on debt issued	–	–	98,809	2,077,241
Payment to refunded bond escrow agent	(13,005,000)	–	–	–
Transfer in	478,811	461,382	608,124	509,805
Transfer (out)	(478,811)	(461,382)	(608,124)	(509,805)
Total other financing sources (uses)	26,089,460	–	12,168,809	13,597,241
Net change in fund balances	$ 8,401,763	$ (7,184,166)	$ 8,649,479	$ 6,216,146
Debt service as a percentage of noncapital expenditures	8.8%	11.1%	10.5%	11.0%

	2013	2014	2015	2016	2017	2018
	$ 40,508,045	$ 29,522,943	$ 39,380,714	$ 42,043,669	$ 42,513,230	$ 43,113,033
	40,807	238,771	35,818	98,544	235,548	502,542
	9,315,124	12,469,887	10,254,894	11,199,258	11,196,024	11,841,851
	72,240,750	82,458,725	74,137,366	77,667,614	78,997,964	80,447,376
	4,062,261	4,032,872	3,987,082	4,075,184	4,366,037	4,260,545
	126,166,987	128,723,198	127,795,874	135,084,269	137,308,803	140,165,347
	4,544,080	3,721,836	3,339,290	3,584,683	3,685,730	3,742,489
	3,221,560	6,578,632	6,252,752	5,494,082	5,420,285	5,793,381
	52,948,572	52,490,337	52,144,459	57,391,706	57,571,373	56,621,307
	1,746,242	1,855,742	1,868,424	1,946,168	2,198,932	2,226,472
	17,046,948	17,512,064	18,874,537	19,999,874	19,933,386	21,373,181
	5,575,141	7,803,481	7,278,407	7,755,337	7,470,572	7,421,018
	8,322,069	8,983,572	9,048,612	9,002,606	9,574,415	9,481,647
	13,580,178	8,831,002	8,953,223	11,225,225	10,607,283	11,870,809
	290,451	368,206	329,667	252,593	312,351	381,996
	4,695,697	5,080,318	4,806,685	4,834,354	4,903,381	4,872,931
	5,386,661	5,758,648	4,052,806	4,469,778	5,547,410	6,252,847
	5,459,202	4,945,754	6,069,185	5,738,416	6,830,546	4,391,705
	9,632,857	11,313,922	13,544,547	7,424,957	9,790,936	7,767,965
	4,391,302	3,291,854	2,915,695	2,760,168	2,583,448	2,577,313
	136,840,960	138,535,368	139,478,289	141,879,947	146,430,048	144,775,061
	(10,673,973)	(9,812,170)	(11,682,415)	(6,795,678)	(9,121,245)	(4,609,714)
	–	22,966	1,935,052	70,551	1,389,100	83,976
	–	871,675	–	–	–	–
	3,865,771	3,949,384	2,925,198	3,321,304	2,620,690	–
	25,170,000	–	10,310,000	–	10,940,000	–
	684,067	–	263,301	–	326,471	–
	(27,695,000)	–	–	–	–	–
	513,349	345,710	213,684	187,683	162,423	178,419
	(513,349)	(345,710)	(213,684)	(187,683)	(162,423)	(178,419)
	2,024,838	4,844,025	15,433,551	3,391,855	15,276,261	83,976
	$ (8,649,135)	$ (4,968,145)	$ 3,751,136	$ (3,403,823)	$ 6,155,016	$ (4,525,738)
	11.0%	11.3%	12.6%	7.7%	9.0%	7.4%

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Property Tax				
Fiscal Year	General Fund	Community Service Fund	Capital Projects – Building Construction	Debt Service Fund	Total
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
2017	33,662,761	1,012,447	–	7,838,022	42,513,230
2018	34,390,488	838,786	–	7,883,759	43,113,033

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	(1) Commercial Property	(1) Total Assessed Value	(2) Estimated Actual Taxable Value	Total Direct Tax Rate
2009	$ 7,918,714,900	$ 2,100,859,900	$10,019,574,800	$ 9,661,447,000	24.69 %
2010	7,157,914,400	1,840,890,500	8,998,804,900	9,235,410,000	25.96
2011	6,673,993,300	1,691,119,900	8,365,113,200	8,595,831,400	28.42
2012	6,207,699,397	1,717,671,300	7,925,370,697	8,166,688,156	29.29
2013	6,311,618,573	1,860,094,000	8,171,712,573	7,909,976,999	29.07
2014	6,402,140,621	1,914,628,600	8,316,769,221	8,004,131,794	27.82
2015	6,585,945,500	2,041,177,200	8,627,122,700	8,402,678,939	22.03
2016	6,412,304,300	2,666,034,900	9,078,339,200	8,898,122,781	20.95
2017	6,839,600,000	2,793,643,700	9,633,243,700	9,129,810,474	21.87
2018	6,929,195,500	2,943,607,000	9,872,802,500	9,476,978,643	20.53

(1) Source: City of Eden Prairie assessor. Includes all properties within the city boundaries. This breakdown is not available for property within school district boundaries. Residential includes single family homes, townhomes and condominiums, and all other property, including vacant land, farm, utilities, personal property, and railroad property. Commercial property above includes both commercial and industrial property.

(2) Source: Hennepin County. Includes all properties within the school district boundaries.

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
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%
2017	13.100%	0.844%	7.921%	21.865%	42.484%	23.856%
2018	11.331%	0.791%	8.403%	20.525%	42.127%	22.667%

(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, Ehlers & Associates and the School Tax Report from the County Auditor’s Office.

City of Eden Prairie	City of Edina	Special Districts (2)	Hennepin County	Three Rivers Park District	Other	Total Eden Prairie Resident
27.271%	22.447%	2.579%	40.413%	3.334%	3.334%	101.622%
28.742%	22.972%	2.620%	42.056%	3.499%	3.499%	106.375%
31.239%	24.660%	2.949%	45.840%	3.765%	3.765%	115.978%
33.250%	26.247%	3.084%	48.231%	3.943%	2.941%	120.741%
34.617%	27.216%	3.242%	49.461%	4.054%	4.187%	124.628%
34.709%	27.920%	3.335%	49.959%	4.169%	4.547%	124.536%
33.954%	26.605%	3.006%	46.398%	3.789%	2.990%	112.167%
32.327%	27.137%	2.899%	45.356%	3.601%	4.263%	109.394%
32.667%	28.271%	2.821%	44.087%	3.365%	4.390%	109.195%
32.526%	27.849%	2.683%	42.808%	3.161%	4.333%	106.036%

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INDEPENDENT SCHOOL DISTRICT NO. 272

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2018 Net Tax Capacity	2018 Rank	2018 Percentage of Tax Capacity Value	2009 Net Tax Capacity	2009 Rank	2009 Percentage of Tax Capacity Value
United Healthcare Services, Inc.	$ 3,515,970	1	2.89 %	$ –	–	– %
CAPREF Eden Prairie, LLC (Eden Prairie Mall)	2,046,250	2	1.68	–	–	–
WPT Land 2, LP	1,680,590	3	1.38	–	–	–
FPACP3 Eden, LLC	965,214	4	0.79	–	–	–
REEP-MF Fountain Place, LLC	937,125	5	0.77	–	–	–
AGNL Health	895,830	6	0.74	–	–	–
Liberty Property Limited Partnership	715,230	7	0.59	3,076,160	1	2.48
OSWX Property, LLC	673,570	8	0.55	–	–	–
Lifetouch, Inc.	634,482	9	0.52	842,622	4	0.68
TMF II Parkway, LLC	623,438	10	0.51	–	–	–
Eden Prairie Mall, LLC	–	–	–	2,504,500	2	2.02
ADC Telecommunications, Inc.	–	–	–	1,102,050	3	0.89
Geneva Office Exchange, LLC	–	–	–	769,250	5	0.62
Kraus-Anderson, Inc.	–	–	–	656,960	6	0.53
Gelco Corporation	–	–	–	611,430	7	0.49
First Industrial, LP	–	–	–	596,196	8	0.48
Flying Cloud Office, Inc.	–	–	–	595,430	9	0.48
LT Landlord, LLC	–	–	–	583,540	10	0.47
Total principal taxpayers	12,687,699		10.43	11,338,138		9.13
All other taxpayers	108,913,895		89.57	112,798,664		90.87
Total	$ 121,601,594		100.00 %	$ 124,136,802		100.00 %

Source: City of Eden Prairie

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Taxes Levied for the Fiscal Year					Collected Within the First Year of Levy	
For Taxes Collectible	General Fund Basic Levy	Community Service Levy	Debt Service Levy	OPEB/Pension Levy	Total Tax Levy	Current Tax Collection	Percentage of Levy
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
2017	34,640,296	852,158	3,968,095	4,029,712	43,490,261	21,844,359	50.2
2018	35,153,927	837,634	4,890,176	4,008,136	44,889,873	24,600,000	54.8

Note: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

Collections in Subsequent Years	Total Collections to Date: Total Tax Collection	Total Collections to Date: Percentage of Levy	Outstanding Delinquent Taxes	Percent
$ 21,381,116	$ 41,246,465	100.0 %	$ –	– %
21,161,927	41,672,402	100.0	–	–
20,951,945	41,332,318	99.9	52,345	0.1
20,162,649	40,315,173	100.0	7,965	0.0
19,667,835	39,565,407	100.0	9,809	0.0
19,615,161	39,411,902	99.9	43,211	0.1
21,491,271	42,230,744	100.0	11,508	0.0
21,073,152	42,481,669	99.7	122,703	0.3
21,497,536	43,341,895	99.7	148,366	0.3
–	24,600,000	54.8	–	–
			$ 395,907	

INDEPENDENT SCHOOL DISTRICT NO. 272

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities						
Fiscal Year	General Obligation Bonds (1)	Capital Improvement Loans	Capital Leases	Special Assessments Payable	Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
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
2017	67,930,803	–	4,489,798	–	72,420,601	–	1,133
2018	61,744,640	–	2,616,833	–	64,361,473	–	1,019

(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	Estimated Actual Taxable Value (3)	Percent of Net Debt to Estimated Actual Taxable Value	Estimated Population (4)	Net Bonded Debt per Capita
2009	$ 92,694,897	$ 2,290,994	$ 90,403,903	$9,661,447,000	0.94 %	61,993	$ 1,458
2010	83,001,078	2,080,062	80,921,016	9,235,410,000	0.88	62,604	1,293
2011	86,307,559	1,920,513	84,387,046	8,595,831,400	0.98	60,797	1,388
2012	89,894,608	15,477,778	74,416,830	8,166,688,156	0.91	61,657	1,207
2013	77,926,451	1,859,579	76,066,872	7,909,976,999	0.96	62,004	1,227
2014	67,533,863	1,079,474	66,454,389	8,004,131,794	0.83	62,004	1,072
2015	67,926,290	1,718,842	66,207,448	8,402,678,939	0.79	62,729	1,055
2016	62,311,892	1,475,305	60,836,587	8,898,122,781	0.68	62,593	972
2017	67,930,803	1,762,208	66,168,595	9,129,810,474	0.72	63,914	1,035
2018	61,744,640	1,243,673	60,500,967	9,476,978,643	0.64	63,163	958

(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 Assessed and Actual Value of Taxable Property table for estimated actual taxable value.

(4) 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, 2018

Governmental Unit	2017–2018 Taxable Net Tax Capacity	Bonded Debt	Percent Allocable to ISD No. 272	Portion Allocable to ISD No. 272
Independent School District No. 272	$ 105,811,709	$ 64,361,473	100.00 %	$ 64,361,473
Overlapping debt				
Hennepin County	$ 1,838,226,093	$ 1,022,555,000	5.76 %	58,860,166
City of Bloomington	$ 143,857,556	$ 57,340,000	0.33 %	187,070
City of Chanhassen	$ 46,919,533	$ 6,435,000	1.84 %	118,619
City of Eden Prairie	$ 112,119,923	$ 40,060,000	86.08 %	34,482,169
City of Edina	$ 128,452,728	$ 19,155,000	0.68 %	131,056
Metropolitan Council	$ 3,971,779,581	$ 148,045,000	2.66 %	3,944,049
Three Rivers Park District	$ 1,304,690,419	$ 53,355,000	8.11 %	4,327,144
Total overlapping debt				102,050,274
Total direct and overlapping debt				$ 166,411,747

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			
	2009	2010	2011	2012
Debt limit	$ 1,438,263	$ 1,446,763	$ 1,260,243	$ 1,188,806
Total debt applicable to the limit	91,465	81,965	85,370	87,270
Legal debt margin	$ 1,346,798	$ 1,364,798	$ 1,174,873	$ 1,101,536
Total debt applicable to the limit as a percentage of debt limit	6.36%	5.67%	6.77%	7.34%

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

2013	2014	2015	2016	2017	2018
$ 1,174,647	$ 1,247,515	$ 1,285,487	$ 1,354,606	$ 1,388,302	$ 1,438,249
75,315	65,610	66,315	60,970	66,540	60,645
$ 1,099,332	$ 1,181,905	$ 1,219,172	$ 1,293,636	$ 1,321,762	$ 1,377,604
6.41%	5.26%	5.16%	4.50%	4.79%	4.22%

Legal Debt Margin Calculation for Fiscal Year 2018

Market value	$ 9,588,326
Debt limit (15% of market value)	1,438,249
Debt applicable to the limit	
General obligation bonds	60,645
Legal debt margin	$ 1,377,604

INDEPENDENT SCHOOL DISTRICT NO. 272

Demographic and Economic Statistics
Last Ten Fiscal Years

	City of Eden Prairie				
Fiscal Year	Population (3)	Personal Income (1)	Per Capita Personal Income (1)	School Enrollment	Unemployment Rate (3)
2009	61,993	$ –	$ –	9,593	4.1 %
2010	62,604 (2)	–	–	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
2017	63,914	–	–	8,835	2.6
2018	63,163	–	–	8,780	2.4

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

(2) Information from the U.S. Census Bureau.

(3) Official Metropolitan Council estimate, except where otherwise noted.

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year					
	2018			2009		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Eden Prairie Mall LLC/Homart Development	2,310	1	16.31 %	2,424	1	18.37 %
C.H. Robinson Worldwide, Inc.	2,062	2	14.56	1,296	5	9.82
Starkey Labs	2,000	3	14.12	1,400	4	10.61
Emerson Process Management	1,500	4	10.59	–	–	–
ISD No. 272 (Eden Prairie)	1,482	5	10.47	1,992	2	15.10
Element Fleet Management	1,200	6	8.47	–	–	–
Super Valu Stores, Inc.	1,100	7	7.77	1,498	3	11.35
MicroTech Hearing Instruments	1,000	8	7.06	1,200	6	9.09
MTS Systems Corporation	900	9	6.36	858	8	6.50
Eaton Corporation	606	10	4.28	–	–	–
Ingenix, Inc.	–	–	–	900	7	6.82
City of Eden Prairie	–	–	–	827	9	6.27
CIGNA Behavioral Health, Inc.	–	–	–	800	10	6.06
Total	14,160		100.00 %	13,195		100.00 %
Total ISD No. 272 population (see the Demographic and Economic Statistics)	63,163			61,993		
Percent of principal employers to total ISD No. 272 population	22.4%			21.3%		

Source: City of Eden Prairie

INDEPENDENT SCHOOL DISTRICT NO. 272

Employees by Classification
Last Ten Fiscal Years

Licensed Employees	Fiscal Year 2009	2010	2011	2012
Administrative staff	25.0	20.0	19.8	19.8
Support service staff	55.0	60.3	56.4	57.7
Classroom teachers	587.4	583.7	561.6	553.7
Special education teachers	28.8	48.2	40.4	54.0
Total	696.2	712.2	678.2	685.2

Source: Minnesota Department of Education STARS report (October 1)

2013	2014	2015	2016	2017	2018
20.8	23.7	24.5	24.5	20.8	19.8
55.8	56.6	51.0	53.0	51.9	53.5
540.5	548.9	544.9	570.7	558.2	557.2
43.1	21.7	19.0	20.7	25.5	34.1
660.2	650.9	639.4	668.9	656.4	664.6

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INDEPENDENT SCHOOL DISTRICT NO. 272

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Total Governmental Funds Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio
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
2017	8,835	146,430,048	16,574	3.3	558.2	15.8
2018	8,780	144,775,061	16,489	(0.5)	557.2	15.8

Note: Enrollment is as of October 1.

Source: District records

INDEPENDENT SCHOOL DISTRICT NO. 272

School Building Information
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Elementary Schools				
Eden Lake (1987)				
Enrollment (1)	908.68	893.45	853.94	812.58
Square feet	110,469	110,469	110,469	110,469
Forest Hills (1972)				
Enrollment (1)	607.20	586.24	582.25	548.82
Square feet	93,000	93,000	93,000	93,000
Prairie View (1965)				
Enrollment (1)	678.05	645.83	559.10	542.05
Square feet	95,063	95,063	95,063	95,063
Cedar Ridge (1987)				
Enrollment (1)	875.29	868.36	904.32	707.59
Square feet	115,599	115,599	115,599	115,599
Oak Point Facility (1990)				
Square feet	278,887	278,887	278,887	278,887
Oak Point Elementary				
Enrollment (1)	1,438.12	1,378.78	1,336.08	1,305.10
Eagle Heights Spanish Immersion (2)				
Enrollment (1)	466.86	565.51	692.48	806.28
Middle School				
Central Middle School (1960)				
Enrollment (1)	1,473.91	1,456.77	1,450.82	1,416.84
Square feet	242,699	242,699	242,699	242,699
High School				
Eden Prairie High School (1981)				
Enrollment (1)	3,145.38	3,201.26	3,107.86	3,022.32
Square feet	689,771	689,771	689,771	689,771
Total enrollment	9,593.49	9,596.20	9,486.85	9,161.58
Total square feet	1,625,488	1,625,488	1,625,488	1,625,488
Athletics				
Football fields	2	2	2	2
Soccer fields	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 partially at the Oak Point facility from 2009 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.

2013	2014	2015	2016	2017	2018
940.20	900.91	881.27	727.95	803.15	823.88
110,469	110,469	110,469	110,469	110,469	110,469
654.51	724.90	752.10	773.48	636.19	650.28
93,000	93,000	93,000	93,000	93,000	93,000
651.84	658.30	657.17	682.87	709.83	727.42
95,063	95,063	95,063	95,063	95,063	95,063
842.69	776.56	750.92	723.29	673.38	631.72
115,599	115,599	115,599	115,599	115,599	115,599
278,887	278,887	278,887	278,887	278,887	278,887
795.10	782.16	757.16	757.58	738.30	740.28
830.92	814.63	808.76	814.13	824.38	830.05
1,396.94	1,424.11	1,415.40	1,377.65	1,368.09	1,341.93
242,699	242,699	242,699	242,699	242,699	242,699
2,934.10	2,929.31	3,026.64	2,893.37	2,989.96	2,937.77
689,771	689,771	689,771	689,771	689,771	689,771
9,046.30	9,010.88	9,049.42	8,750.32	8,743.28	8,683.33
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

Year Ended June 30,	Program Adult Meals	Meals Served Students	Full Price Meals Served	Free Meals Served	Reduced-Price Meals Served
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
2017	4,083	798,449	543,414	210,444	44,591
2018	17,224	782,399	524,985	213,101	44,313

Year Ended	Student Regular Lunch Prices		
June 30,	Elementary	Middle	High School (1)
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
2017	2.70	3.05	3.05
2018	2.85	3.20	3.20

(1) Includes new generation and ethnic food options.

INDEPENDENT SCHOOL DISTRICT NO. 272

Student Enrollment
Last Ten Fiscal Years

	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					
Year Ended June 30,	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
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	126.05	561.73	3,880.82	4,380.66	8,949.26	9,825.39
2017	116.98	561.06	3,791.63	4,466.26	8,935.93	9,829.18
2018	119.84	564.86	3,801.12	4,347.08	8,832.90	9,702.32

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 2009 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2018	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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