



Inver Grove Heights, MN 55076

COMPREHENSIVE ANNUAL Financial Report

For the fiscal year ended June 30, 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2013

INDEPENDENT SCHOOL DISTRICT NO. 199
INVER GROVE HEIGHTS, MINNESOTA

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

Prepared by
Business Office

Jason Mutzenberger • Director of Business Services

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INDEPENDENT SCHOOL DISTRICT NO. 199

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SECTION I

INTRODUCTORY SECTION



November 21, 2013

District Office
2990 80th Street East
Inver Grove Heights, MN 55076
651-306-7800
FAX 651-306-7295

Simley High School
2920 80th Street East
Inver Grove Heights, MN 55076
651-306-7000
FAX 651-306-7016

IGH Middle School
8167 Cahill Avenue
Inver Grove Heights, MN 55076
651-306-7200
FAX 651-306-7152

Hilltop Elementary
3201 68th Street East
Inver Grove Heights, MN 55076
651-306-7400
FAX 651-306-7444

Pine Bend Elementary
9875 Inver Grove Trail
Inver Grove Heights, MN 55076
651-306-7701
FAX 651-306-7739

Salem Hills Elementary
5899 Babcock Trail
Inver Grove Heights, MN 55077
651-306-7300
FAX 651-306-7321

Community Education
1515 5th Avenue S.
South St. Paul, MN 55075
651-306-3602
FAX 651-306-3640

Kids' Choice
1515 5th Avenue S.
South St. Paul, MN 55075
651-306-3631
FAX 651-306-3640

District Website
www.invergrove.k12.mn.us

To the School Board, citizens, employees, and students of Inver Grove Heights
Community Schools

INTRODUCTION

The following comprehensive annual financial report (CAFR) of Independent School District No. 199, Inver Grove Heights, Minnesota, also known as Inver Grove Heights Community Schools (the District), presents the financial position of the District as of June 30, 2013 and the results of its operations for the fiscal year then ended. This report is prepared in accordance with accounting principles generally accepted in the United States of America and is audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. State law requires the District to publish a complete set of audited financial statements within six months of the close of the District's fiscal year.

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

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

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

These financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR), a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

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

REPORT FORMAT

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

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

THE DISTRICT'S PROFILE

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

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

The District is a suburban school district located 12 miles south of the City of St. Paul, Minnesota, which serves a general population of approximately 33,774, covers an area of about 22 square miles, and enrolled 3,794 students for the 2012–2013 fiscal year. In terms of number of students, the District is Minnesota’s 50th largest school district. The District has one senior high school, one middle school, and three elementary schools.

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic education, special education for exceptional children, and career/vocational education. Food service and transportation are provided as supporting programs. The District’s community education program includes Early Childhood, Family, and Adult Basic Education programs as well as a myriad of classes for lifelong learning experiences for children and adults.

The District strives for educational excellence and is proud of the achievements of its students and staff, including the following:

- The team of Jack Bartlett, Lily Dempsey, Emma Deyo, Moriah Elkin, and Will Hackerson finished first place in the Math Masters of Minnesota Challenge.
- Jackie Stickler won the H2O for Life poster drawing contest.
- Simley High School’s adapted bowling team won its first state championship.
- Jake Short was named Minnesota’s Mr. Wrestler.
- Tyrese Beards-Bourney and Marlyn Guzman were named national AVID superstars.
- Matt Mitchell was named Minnesota’s German teacher of the year.
- Sam Tinucci earned first place in the state fish art contest.
- *Newsweek* and *The Washington Post* named Simley one of America’s best high schools.
- Salem Hills Elementary School was nominated for an Ashoka School Award.
- Zac Gullerud was selected to the Minnesota Basketball Coaches Association’s academic all-state team.
- Addison Scufsa qualified for the national history bee.
- Kyle Gliva, Jake Short, and Nick Wanzek were named to the Minnesota Wrestling Coaches Association’s all-state academic team.
- Kristen Mertens was named Simley’s Athena athlete of the year.
- Sarah Christiansen (percussion) and Ben Dziejewczynski (trombone) were selected “best of site” at the region 3AA solo and ensemble.
- Pine Bend Elementary School raised the most money in the state for the American Heart Association’s jump rope for heart.
- Simley’s gymnastics team received an academic all-state team gold award.
- Simley’s wrestling team received an academic all-state team gold award.
- The Minnesota Department of Education named Hilltop Elementary School a Celebration School.
- The team of Hannah Heiss, Emma Raab, Moriah Elkin, May Merritt, Bekkah Scufsa, and Lily Dempsey received first place in robot engineering design at the state Lego League competition.
- Lori Haak and Ron Haala were honored as Technology and Information Educational Services exceptional teachers.
- Inver Grove Heights Middle School students raised \$1,100 in the cold noses, warm hearts donation drive.
- Hilltop, Pine Bend, and Salem Hills Elementary Schools each received a certificate of achievement in the U.S. Department of Agriculture Healthier US School Challenge.
- Don Roberts, a former head basketball coach at Simley, was inducted into the Minnesota Basketball Coaches Association’s Hall of Fame.
- Salem Hills teachers Jean White and Barb Burch were chosen to present at the National Youth Leadership Council’s service-learning conference.
- Howard Gackstetter, Nicole Jung, Dan Carlson, Tim Beckman, and Gladys Hadler were inducted into Simley High School’s hall of fame.

Our Vision

The vision of the District is to create learning environments that provide for high student achievement so all learners are academically and socially prepared for lifelong learning.

Our Mission

The Mission of the District is to provide a challenging education through which all learners achieve success in a diverse society. This will be accomplished through:

- safe and caring environments;
- a strong and stimulating curriculum;
- high academic standards;
- respect, honesty, and accountability in all relationships;
- effective and innovative teaching;
- open communication and partnerships with families and community;
- safe and caring environments; and
- facilities that support and enhance learning.

School Board Goals

1. To provide a safe, caring, and respectful learning environment;
2. To develop a financial decision making process focused on full implementation of the vision and mission of the District;
3. To assure a government-wide system will be in place that places curriculum as a high priority, and is articulated pre-kindergarten through Grade 12;
4. To promote effective and innovative teaching and competent performance by all district staff;
5. To assure that government-wide facilities support and enhance innovative teaching and learning needs and requirements;
6. To assure open and honest communication and to promote community involvement and partnership.

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

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

BUDGETARY PROCESS

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

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

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

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

ECONOMIC FACTORS

The District is located in Dakota County, which is one of seven counties that make up the Twin Cities Metropolitan Area. Recent economic conditions have resulted in challenges for many residents of the District. In the 2012–2013 school year, the District served to its students 3,164 more free lunches than the prior year, an increase of 2.6 percent.

Officials at the City of Inver Grove Heights (the City) anticipate that the City is poised for future residential and commercial development over the next decade due to the availability of nine square miles of developable land in the City's northwest region. To facilitate this development, the City is extending water and sewer service to the area in phases over the next several years. Income indices for the District exceed state medians but are average for the Twin Cities region.

The unemployment rate for Dakota County is currently 4.8 percent, which is a decrease from a rate of 5.2 percent a year ago. This compares favorably to both state and national average unemployment rates of 5.1 percent and 7.6 percent, respectively.

Taxable market value in the District decreased from \$2,483,322,500 to \$2,350,262,850; a decline of 5.4 percent for the year.

The District has always been dependent on the state for its revenue authority. However, in the past the general education basic formula allowance, which funds the majority of the District's operations, was composed of aid and levy components. The amount of levy was determined by a state determined tax rate. This rate was adjusted up or down depending on the state's financial position. By doing so, the state could shift revenue responsibility to local taxpayers in times of need or relieve local taxpayers in times of plenty. This is no longer the case as the general education basic formula allowance is now all state aid. Because of this, the District is extremely concerned about the state's financial position. The state of Minnesota is projecting a \$627 million dollar deficit beginning with the 2014–2015 biennium, which may result in a reduction of state aid funding.

General education state aid, the single largest source of revenue for the District, is dependent on the number of students served by the District each school year. In fiscal year 2009 and fiscal year 2010, the District had increased student growth of 1.9 and 1.4 percent, respectively. In fiscal year 2011, the District had a decline of 98 (3,770) students served, which was stable in 2012 (3,770). This past fiscal year, the students served increased slightly to 3,794. Each October, the District projects its future enrollment five years out. Future enrollment projections, using the "Cohort Survival Method," indicate that the District's enrollment should remain stable for the next five years.

Minnesota school districts have the ability to raise additional revenue through voter-approved excess levy referendums. The additional funding is capped at 26 percent of the general education formula allowance (\$5,302 GEFA x 26 percent CAP x 1.2593 Inflation = \$1,630). The referendum formula determines the amount of the referendum that is state aid as compared to local levy. For fiscal year 2013, the District has authority for \$844 per pupil unit of excess levy authority, which raises a total of approximately \$4.1 million. The District is presently \$786 below the referendum cap established by the Minnesota Legislature. About 89 percent of this revenue is provided from property taxes. The District's budget reductions for fiscal year 2013 amounted to \$472,011. Due to declining enrollment and increasing costs, the District is anticipating an \$800,000 shortfall for fiscal year 2015.

The District operates five school buildings: one high school (192,836 square feet), one middle school (314,970 square feet), and three elementary buildings (totaling 208,632 square feet). The average age of the five buildings is 33.39 years. During 2012 the District completed a two-year project to redo the heating, ventilation, and air conditioning (HVAC) system at Simley High School. The new system brought the building up to the presently required air quality standards for new construction. The total two-year cost of the Simley project was \$5.6 million. The new HVAC improvements have an estimated useful life of 40 years. Hilltop Elementary school also had an HVAC project improvement project completed in 2012 in the 1964 and 1968 wings of the building. The total cost of the Hilltop HVAC improvements was \$2.4 million.

AWARDS AND ACKNOWLEDGEMENTS

The District was one of the few of the 335 school districts in Minnesota to be awarded the ASBO Certificate of Excellence in Financial Reporting for the preparation and issuance of a high-quality CAFR for the fiscal year ending June 30, 2012. This was the eighth time the District submitted its CAFR for consideration of this award. The Certificate of Excellence, the highest recognition for school district financial operations offered by the ASBO, is only conferred to school systems that have met or exceeded the standards of the program.

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

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

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

Respectfully submitted,

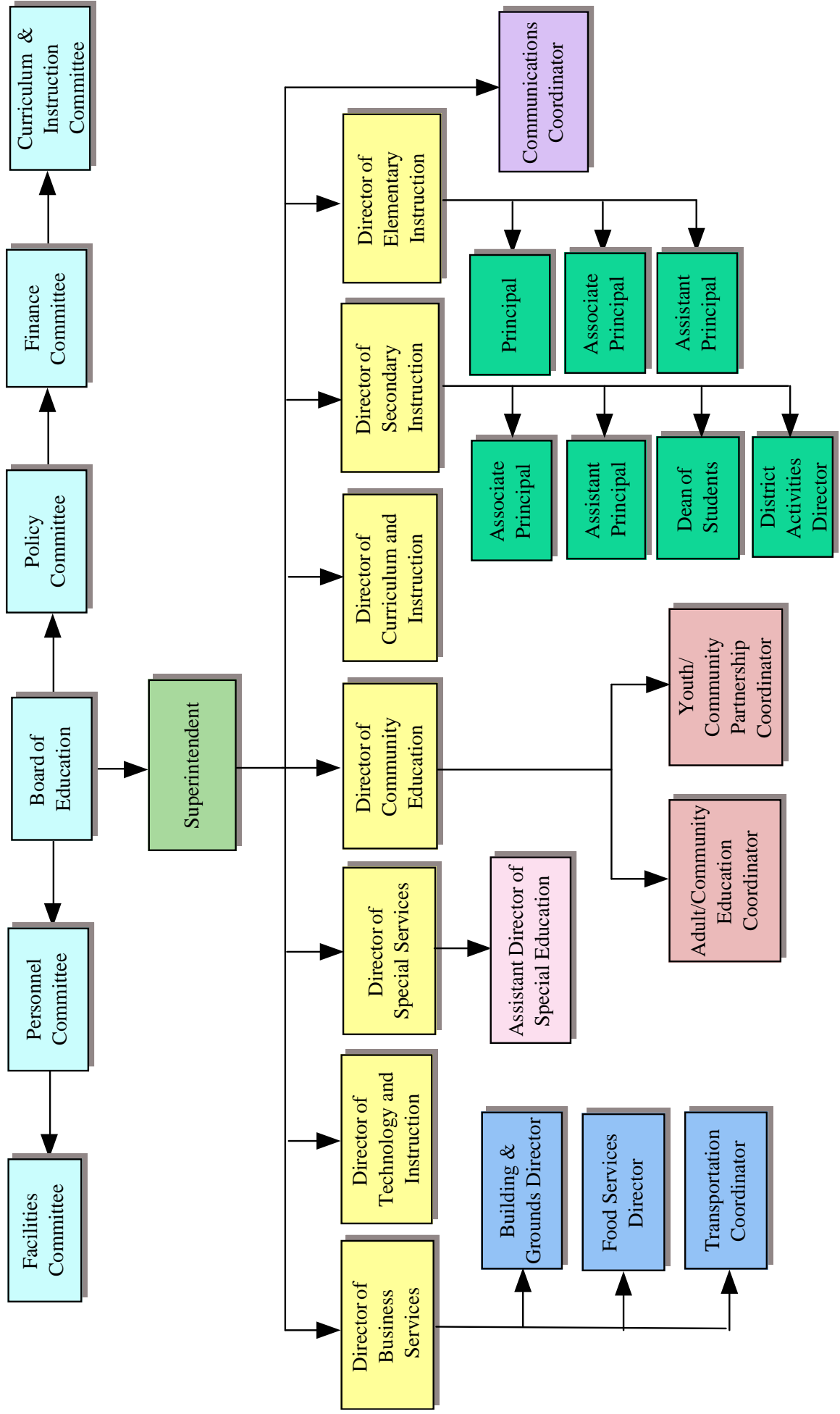


Dr. Deirdre Wells
Superintendent



Jason Mutzenberger
Director of Business Services

ISD 199
Organizational Chart



INDEPENDENT SCHOOL DISTRICT NO. 199

School Board and Administration
Year Ended June 30, 2013

SCHOOL BOARD

Position on School Board
During 2012–2013

Cindy Nordstrom	Chairperson
Mark Westpfahl	Vice Chairperson/Treasurer
Tom Begich	Clerk
Allen Gerber	Director
Paul Mandell	Director
Lynette Stensgard	Director
Bridget Sutton	Director

ADMINISTRATION

Dr. Deirdre Wells	Superintendent
Jason Mutzenberger	Director of Business Services

Association of School Business Officials International



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

Independent School District No. 199

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

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



Ron McCulley, CPPB, RSBO
President

John D. Musso, CAE, RSBA
Executive Director

SECTION II

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

Prior Year Comparative Information

We have previously audited the District's 2012 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 reported dated October 18, 2012. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2012 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 21, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 21, 2013

INDEPENDENT SCHOOL DISTRICT NO. 199

Management's Discussion and Analysis Fiscal Year Ended June 30, 2013

The management of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) has provided readers of the District's financial statements with this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the other components of the District's comprehensive annual financial report (CAFR), including the letter of transmittal located in the introductory section.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities and deferred inflows of resources at June 30, 2013 by \$22,096,633 (net position). The unrestricted portion of net position was \$9,418,692. The District also had \$4,477,781 of net position available to meet its ongoing obligations, but restricted for specific uses. Total net position increased \$2,092,837 from current year activities.

At June 30, 2013, the District's governmental funds reported a combined ending fund balance of \$13,933,248, an increase of \$410,633 from the prior year. This increase was primarily the result of increases in the nonmajor governmental funds: the Food Service Special Revenue Fund increased by \$172,688 due to lower than expected supply and materials expenditures and the Community Service Special Revenue Fund increased by \$109,823 due to intentional planned growth as revenues outpaced expenditures.

The District's General Fund, its primary operating fund, closed the fiscal year with an unassigned fund balance of \$4,910,213, which represents approximately 12.4 percent of annual General Fund expenditures based on fiscal 2013 expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The two government-wide financial statements report the District's *net position* and how they have 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 non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

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

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

The District maintains the following types of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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 – Proprietary fund statements offer *short-term* and *long-term* financial information about the activities the District operates like businesses. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one type of proprietary fund, internal service funds, which are used to accumulate and allocate costs internally among the District's various functions. The District's two internal service funds account for its post-employment employee benefit liabilities. These activities have been included within governmental activities in the government-wide financial statements.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary of Net Position as of June 30, 2013 and 2012		
	2013	2012
Assets		
Current and other assets	\$ 37,686,450	\$ 37,593,448
Capital assets, net of depreciation	46,559,383	47,101,588
Total assets	\$ 84,245,833	\$ 84,695,036
Liabilities		
Current and other liabilities	\$ 4,960,281	\$ 5,526,457
Long-term liabilities, including due within one year	49,146,570	50,975,261
Total liabilities	\$ 54,106,851	\$ 56,501,718
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 8,042,349	\$ 8,189,522
Net position		
Net investment in capital assets	\$ 8,200,160	\$ 6,978,207
Restricted	4,477,781	4,082,980
Unrestricted	9,418,692	8,942,609
Total net position	\$ 22,096,633	\$ 20,003,796

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The District's total net position increased by \$2,092,837 during the year ended June 30, 2013, with all categories of net position increasing over the prior year.

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

Table 2 Change in Net Position for the Years Ended June 30, 2013 and 2012		
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Charges for services	\$ 3,052,341	\$ 2,986,332
Operating grants and contributions	6,180,347	6,591,869
Capital grants and contributions	–	127,140
General revenues		
Property taxes	12,001,469	11,674,016
General grants and aids	25,919,822	25,739,132
Other	1,145,560	308,644
Total revenues	<u>48,299,539</u>	<u>47,427,133</u>
Expenses		
Administration	1,446,535	1,571,141
District support services	1,303,225	1,063,783
Elementary and secondary regular instruction	17,460,869	16,436,834
Vocational education instruction	177,379	174,094
Special education instruction	7,562,831	7,396,600
Instructional support services	2,481,273	2,480,524
Pupil support services	3,445,482	3,302,748
Sites and buildings	4,878,372	4,911,665
Fiscal and other fixed cost programs	154,018	78,415
Food service	1,648,479	1,766,823
Community service	2,052,248	1,942,620
Unallocated depreciation	1,266,355	1,137,795
Interest on long-term debt	2,329,636	2,190,369
Total expenses	<u>46,206,702</u>	<u>44,453,411</u>
Change in net position	<u><u>\$ 2,092,837</u></u>	<u><u>\$ 2,973,722</u></u>

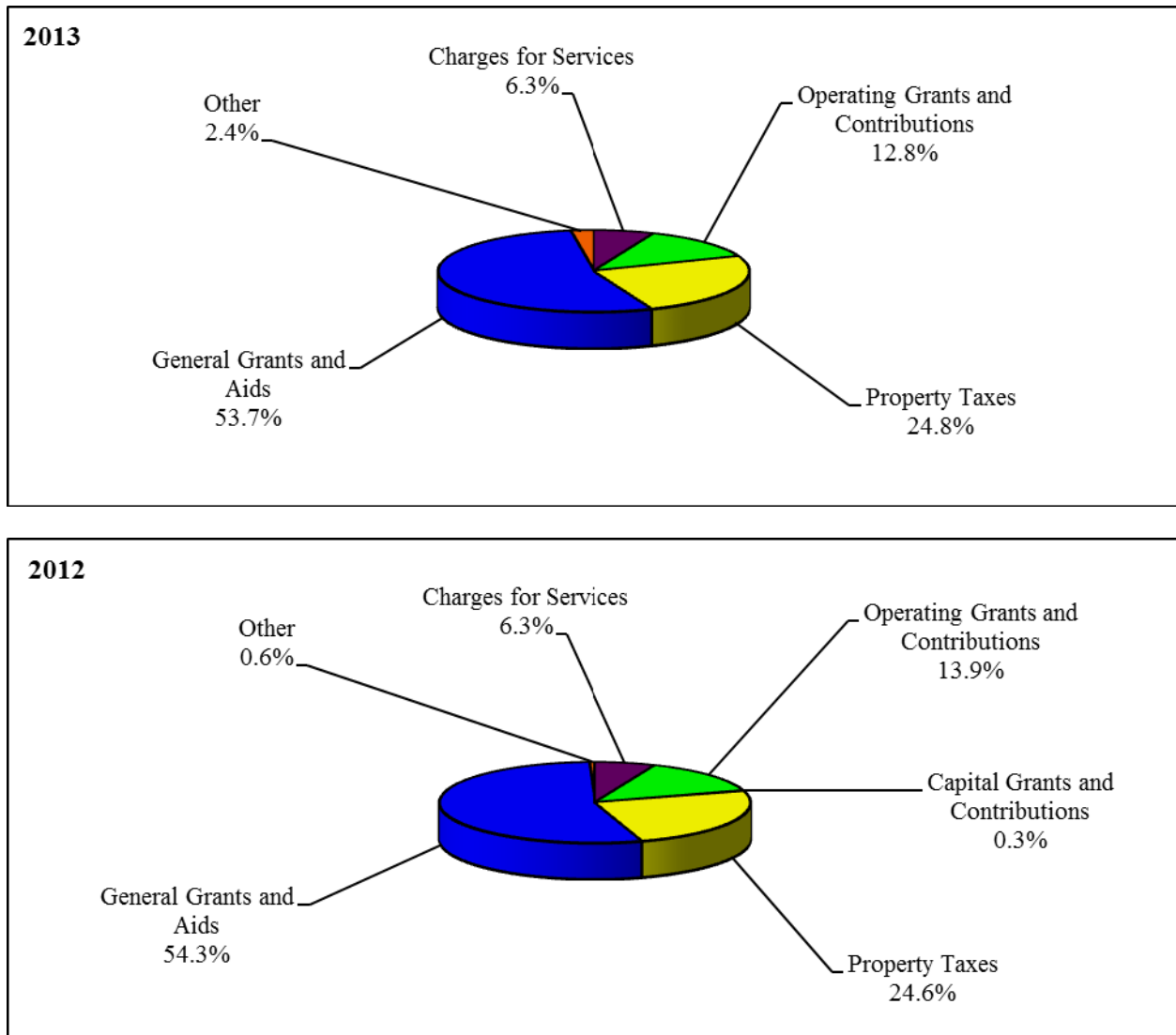
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues in fiscal 2013 increased \$872,406. The majority of the increase was in investment income (included in “other” above) which increased \$986,915 due to change in market value of the investments in the revocable other post-employment benefits (OPEB) trust reported in the District’s internal service funds.

Total expenses for fiscal year 2013 increased \$1,753,291, or about 3.9 percent, from the previous year. The most significant change was an increase of \$1,024,035 in elementary and secondary regular instruction. The majority of that increase was due to salary costs increasing \$619,978. In addition, cost of living increases along with step and lane changes resulted in an increase in salary expenses of \$345,535 across all other programs.

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

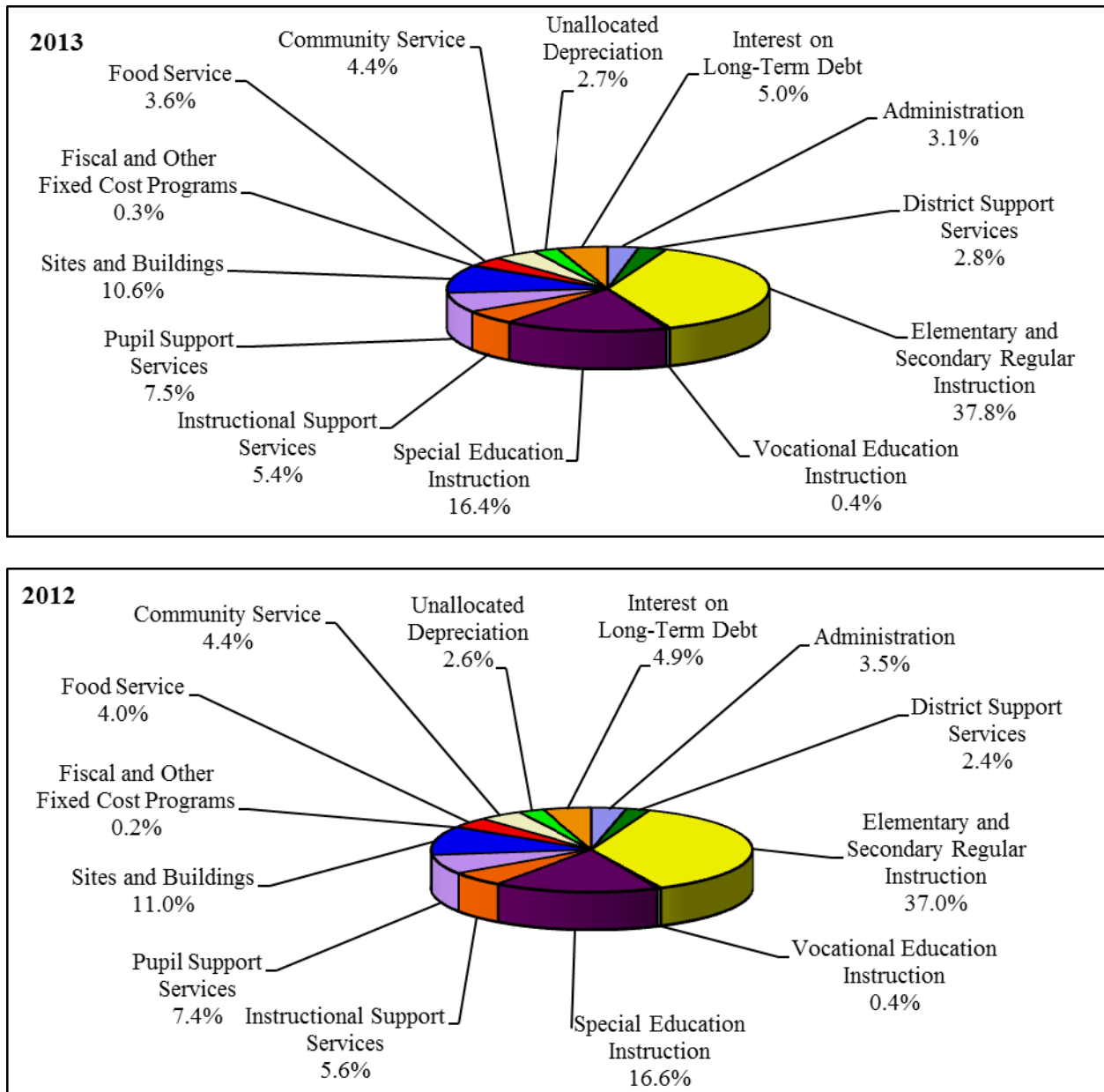
Figure A – Sources of Revenue for Fiscal Years 2013 and 2012



The largest share of the District's revenue is received from the state, including the aid formula and most of the capital and operating grants. This means that the District's financial condition depends significantly on the state's current financial condition.

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

Figure B – Expenses for Fiscal Years 2013 and 2012



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, 2013 and 2012				
	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Total Percent Change</u>
Major funds				
General	\$ 11,620,442	\$ 11,535,197	\$ 85,245	0.7%
Debt Service	943,048	900,151	42,897	4.8%
Nonmajor funds				
Food Service Special Revenue	1,206,290	1,033,622	172,668	16.7%
Community Service Special Revenue	163,468	53,645	109,823	31.9%
Total governmental funds	<u>\$ 13,933,248</u>	<u>\$ 13,522,615</u>	<u>\$ 410,633</u>	3.0%

The General Fund was consistent with the prior year, and the increase in the Debt Service Fund was attributable to levying 105 percent of the required principal and interest for bonds payable. The Food Service Special Revenue Fund increase was attributable to lower than expected supply and materials expenditures, which were under budget by \$171,402. The increase in the Community Service Special Revenue Fund was intentional planned growth as revenues outpace expenditures.

General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 39,007,498</u>	<u>\$ 39,101,014</u>	<u>\$ 93,516</u>	<u>0.2%</u>
Expenditures	<u>\$ 40,679,626</u>	<u>\$ 39,804,891</u>	<u>\$ (874,735)</u>	<u>(2.2%)</u>
Other sources	<u>\$ 388,591</u>	<u>\$ 388,591</u>	<u>\$ —</u>	<u>—</u>

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

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	2013 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue	\$ 39,300,514	\$ 199,500	0.5%	\$ (405,504)	(1.0%)
Expenditures	39,550,908	\$ (253,983)	(0.6%)	\$ 1,179,310	3.1%
Other financing sources	<u>335,639</u>	\$ (52,952)	(13.6%)	\$ 125,848	60.0%
Net change in fund balances	<u><u>\$ 85,245</u></u>				

General Fund revenues exceeded the final budget for fiscal year 2013 by \$199,500. State aid revenue was \$216,891 over budget, mainly due to an increase in students served by the District. Revenue from other local sources, including gifts, reimbursements from other districts, and medical assistance reimbursements, were \$242,171 higher than budget.

General Fund expenditures were \$253,983 under budget, primarily due to salaries coming in lower than projected.

Debt Service Fund

The Debt Service Fund is used to record principal and interest expenditures for a school district's outstanding bonded indebtedness and the revenue sources that are used to finance them, whether for building construction, OPEB, or for initial or refunding bonds. The Debt Service Fund ended the year with a fund balance of \$943,048, an increase of \$42,897.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2013 and 2012:

Table 6 Capital Assets			
	2013	2012	Increase (Decrease)
Land	\$ 421,200	\$ 421,200	\$ —
Buildings and improvements	64,354,838	56,257,075	8,097,763
Furniture and equipment	2,341,660	2,233,475	108,185
Construction in progress	—	7,414,187	(7,414,187)
Less accumulated depreciation	(20,558,315)	(19,224,349)	(1,333,966)
Total	\$ 46,559,383	\$ 47,101,588	\$ (542,205)
Depreciation expense	\$ 1,370,628	\$ 1,246,234	\$ 124,394

The changes presented in the table above reflect the completion of the HVAC capital projects at Hilltop Elementary and Simley High School during the 2013 fiscal year.

Long-Term Liabilities

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

Table 7 Outstanding Long-Term Liabilities			
	2013	2012	Increase (Decrease)
General obligation bonds payable	\$ 46,625,000	\$ 48,680,000	\$ (2,055,000)
Premiums on bonds payable	573,605	640,337	(66,732)
Discounts on bonds payable	(35,435)	(258,168)	222,733
Special assessments payable	93,750	106,250	(12,500)
Capital leases payable	215,881	68,540	147,341
Severance payable	1,187,220	1,454,365	(267,145)
Net pension obligation	486,549	283,937	202,612
Total	\$ 49,146,570	\$ 50,975,261	\$ (1,828,691)

The District entered into a capital lease agreement in fiscal 2013 for the acquisition of computer equipment valued at \$328,539.

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	\$ 2,350,262,850
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 352,539,428</u></u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The basic general education formula allowance for Minnesota school districts increased \$50 per pupil in fiscal year 2013 to \$5,224. The Legislature has added \$78, or 1.5 percent, per pupil to the basic formula allowance for fiscal year 2014. Several funding and pupil weighting changes take effect in fiscal year 2015, which result in the equivalent of an \$80, or 1.5 percent, per pupil increase state-wide.

In October 2013, the District broke ground on an addition to Hilltop Elementary School. The facility and site improvements will allow the District to address both current program space requirements and facility and site-related needs throughout grades pre-kindergarten through Grade 12. The project specifically will allow for space within the school district for the Early Childhood Family Education/Early Childhood Special Education and School Readiness programs. The District currently leases space outside of the District's boundaries that is no longer sustainable.

In November 2013, District voters approved a general obligation school building bond in an amount not to exceed \$24,750,000. The funds will be used for the acquisition and betterment of school sites and facilities, including the construction and equipping of security improvements to district facilities; the remodeling and repurposing of portions of the secondary building to provide program improvements; the installation of technology infrastructure and upgrades to various facilities; the provision of upgrades to academic, athletic, and performing arts facilities; and the completion of deferred maintenance and facility improvements and repairs to district sites and facilities.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Net Position
as of June 30, 2013
(With Partial Comparative Information as of June 30, 2012)

	Governmental Activities	
	2013	2012
Assets		
Cash and temporary investments	\$ 16,487,881	\$ 9,254,630
Receivables		
Current taxes	6,611,440	6,688,839
Delinquent taxes	163,185	134,704
Accounts and interest receivable	116,090	228,044
Due from other governmental units	4,495,576	11,855,942
Inventory	53,387	38,159
Prepaid items	156,185	132,061
Restricted assets – temporarily restricted		
Cash and investments for other post-employment benefits	9,529,759	9,156,527
Net other post-employment benefits asset	72,947	104,542
Capital assets		
Not depreciated	421,200	7,835,387
Depreciated, net of accumulated depreciation	46,138,183	39,266,201
Total capital assets, net of accumulated depreciation	46,559,383	47,101,588
Total assets	<u>\$ 84,245,833</u>	<u>\$ 84,695,036</u>
Liabilities		
Salaries payable	\$ 1,651,504	\$ 1,674,013
Accounts and contracts payable	2,222,093	2,747,380
Accrued interest payable	894,175	917,055
Due to other governmental units	150,948	112,162
Unearned revenue	41,561	75,847
Long-term liabilities		
Due within one year	2,428,283	2,200,604
Due in more than one year	46,718,287	48,774,657
Total long-term liabilities	49,146,570	50,975,261
Total liabilities	54,106,851	56,501,718
Deferred inflows of resources		
Property taxes levied for subsequent year	8,042,349	8,189,522
Net position		
Net investment in capital assets	8,200,160	6,978,207
Restricted for		
Capital asset acquisition	2,398,205	2,637,994
Debt service	103,700	26,430
Food service	1,206,290	1,033,622
Community service	169,237	57,833
Other post-employment benefits	574,207	232,570
Other purposes (state funding restrictions)	26,142	94,531
Unrestricted	9,418,692	8,942,609
Total net position	22,096,633	20,003,796
Total liabilities, deferred inflows of resources, and net position	<u>\$ 84,245,833</u>	<u>\$ 84,695,036</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Activities
Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

Functions/Programs	Expenses	2013		2012	
				Net (Expense)	Net (Expense)
				Revenue and	Revenue and
		Program Revenues		Changes in	Changes in
				Net Position	Net Position
		Charges for	Operating	Governmental	Governmental
		Services	Grants and	Activities	Activities
			Contributions		
Governmental activities					
Administration	\$ 1,446,535	\$ —	\$ —	\$ (1,446,535)	\$ (1,571,141)
District support services	1,303,225	—	—	(1,303,225)	(1,063,783)
Elementary and secondary regular instruction	17,460,869	173,884	640,750	(16,646,235)	(15,712,796)
Vocational education instruction	177,379	—	—	(177,379)	(174,094)
Special education instruction	7,562,831	287,407	4,070,113	(3,205,311)	(2,665,412)
Instructional support services	2,481,273	—	193,712	(2,287,561)	(2,188,270)
Pupil support services	3,445,482	153,669	132,812	(3,159,001)	(2,945,797)
Sites and buildings	4,878,372	129,048	—	(4,749,324)	(4,616,222)
Fiscal and other fixed cost programs	154,018	—	—	(154,018)	(78,415)
Food service	1,648,479	832,278	977,115	160,914	(13,328)
Community service	2,052,248	1,476,055	165,845	(410,348)	(390,648)
Unallocated depreciation expense	1,266,355	—	—	(1,266,355)	(1,137,795)
Interest on long-term debt	2,329,636	—	—	(2,329,636)	(2,190,369)
Total governmental activities	<u>\$ 46,206,702</u>	<u>\$ 3,052,341</u>	<u>\$ 6,180,347</u>	(36,974,014)	(34,748,070)
General revenues					
Taxes					
Property taxes, levied for general purposes				7,191,177	7,155,582
Property taxes, levied for community service				506,407	444,587
Property taxes, levied for debt service				4,303,885	4,073,847
General grants and aids				25,919,822	25,739,132
Other general revenues				408,392	558,391
Investment earnings (loss)				737,168	(249,747)
Total general revenues				<u>39,066,851</u>	<u>37,721,792</u>
Change in net position				2,092,837	2,973,722
Net position – beginning				<u>20,003,796</u>	<u>17,030,074</u>
Net position – ending				<u>\$ 22,096,633</u>	<u>\$ 20,003,796</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Balance Sheet
Governmental Funds
as of June 30, 2013
(With Partial Comparative Information as of June 30, 2012)

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	\$ 10,508,823	\$ 2,799,712	\$ 1,385,569
Receivables			
Current taxes	3,946,584	2,377,519	287,337
Delinquent taxes	102,589	54,827	5,769
Accounts and interest	55,535	—	60,555
Due from other governmental units	4,414,550	23,469	57,557
Due from other funds	—	—	—
Inventory	—	—	53,387
Prepaid items	156,185	—	—
Total assets	<u>\$ 19,184,266</u>	<u>\$ 5,255,527</u>	<u>\$ 1,850,174</u>
Liabilities			
Salaries payable	\$ 1,570,168	\$ —	\$ 81,336
Accounts and contracts payable	2,167,570	—	54,523
Due to other governmental units	120,427	—	30,521
Due to other funds	82,868	—	2,211
Unearned revenue	—	—	41,561
Total liabilities	<u>3,941,033</u>	<u>—</u>	<u>210,152</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	3,520,202	4,257,652	264,495
Unavailable revenue – delinquent taxes	<u>102,589</u>	<u>54,827</u>	<u>5,769</u>
Total deferred inflows of resources	<u>3,622,791</u>	<u>4,312,479</u>	<u>270,264</u>
Fund balances			
Nonspendable	156,185	—	53,387
Restricted	2,424,347	943,048	1,316,371
Assigned	4,129,697	—	—
Unassigned	<u>4,910,213</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>11,620,442</u>	<u>943,048</u>	<u>1,369,758</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,184,266</u>	<u>\$ 5,255,527</u>	<u>\$ 1,850,174</u>

See notes to basic financial statements

Total Governmental Funds	
2013	2012
\$ 14,694,104	\$ 7,463,573
6,611,440	6,688,839
163,185	134,704
116,090	228,044
4,495,576	11,855,942
—	25,286
53,387	38,159
156,185	132,061
<u>\$ 26,289,967</u>	<u>\$ 26,566,608</u>
\$ 1,651,504	\$ 1,674,013
2,222,093	2,747,381
150,948	112,162
85,079	110,364
41,561	75,847
<u>4,151,185</u>	<u>4,719,767</u>
8,042,349	8,189,522
163,185	134,704
<u>8,205,534</u>	<u>8,324,226</u>
209,572	170,220
4,683,766	4,681,784
4,129,697	3,587,226
4,910,213	5,083,385
<u>13,933,248</u>	<u>13,522,615</u>
<u>\$ 26,289,967</u>	<u>\$ 26,566,608</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2013
(With Partial Comparative Information as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
Total fund balances – governmental funds	\$ 13,933,248	\$ 13,522,615
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	67,117,698	66,325,937
Accumulated depreciation	(20,558,315)	(19,224,349)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds	(46,625,000)	(48,680,000)
Special assessments payable	(93,750)	(106,250)
Capital leases	(215,881)	(68,540)
(Premiums) discounts on bonds	(538,170)	(382,169)
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.		
	9,807,793	9,398,903
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(894,175)	(917,055)
Certain revenues (including delinquent property taxes) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.		
	<u>163,185</u>	<u>134,704</u>
Total net position – governmental activities	<u>\$ 22,096,633</u>	<u>\$ 20,003,796</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2013
 (With Partial Comparative Information for the Year Ended June 30, 2012)

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	\$ 7,175,770	\$ 4,292,392	\$ 504,826
Investment earnings	17,256	248	1,718
Other	1,459,821	—	2,315,734
State sources	29,116,420	593	234,441
Federal sources	1,531,247	—	902,646
Total revenue	39,300,514	4,293,233	3,959,365
Expenditures			
Current			
Administration	1,612,578	—	—
District support services	1,296,135	—	—
Elementary and secondary regular instruction	17,142,676	—	—
Vocational education instruction	175,070	—	—
Special education instruction	7,483,176	—	—
Instructional support services	2,463,443	—	—
Pupil support services	3,446,495	—	—
Sites and buildings	5,582,440	—	—
Fiscal and other fixed cost programs	154,018	—	—
Food service	—	—	1,639,183
Community service	—	—	2,031,991
Capital outlay	—	—	5,700
Debt service			
Principal	193,698	2,055,000	—
Interest and fiscal charges	1,179	2,195,336	—
Total expenditures	39,550,908	4,250,336	3,676,874
Excess (deficiency) of revenue over expenditures	(250,394)	42,897	282,491
Other financing sources			
Capital lease	328,539	—	—
Sale of capital assets	7,100	—	—
Total other financing sources	335,639	—	—
Net change in fund balances	85,245	42,897	282,491
Fund balances			
Beginning of year	11,535,197	900,151	1,087,267
End of year	\$ 11,620,442	\$ 943,048	\$ 1,369,758

See notes to basic financial statements

Total Governmental Funds			
2013		2012	
\$	11,972,988	\$	11,728,856
	19,222		9,663
	3,775,555		3,894,796
	29,351,454		29,195,998
	2,433,893		2,912,070
	<u>47,553,112</u>		<u>47,741,383</u>
	1,612,578		1,506,391
	1,296,135		1,058,242
	17,142,676		16,202,886
	175,070		172,127
	7,483,176		7,328,521
	2,463,443		2,456,551
	3,446,495		3,316,172
	5,582,440		5,850,073
	154,018		78,415
	1,639,183		1,679,588
	2,031,991		1,923,328
	5,700		2,530,042
	2,248,698		2,331,479
	2,196,515		2,280,768
	<u>47,478,118</u>		<u>48,714,583</u>
	74,994		(973,200)
	328,539		204,291
	7,100		5,500
	<u>335,639</u>		<u>209,791</u>
	410,633		(763,409)
	13,522,615		14,286,024
	<u>13,933,248</u>		<u>13,522,615</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2013

(With Partial Comparative Information for the Year Ended June 30, 2012)

	2013	2012
Total net change in fund balances – governmental funds	\$ 410,633	\$ (763,409)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	833,661	3,527,226
Depreciation expense	(1,370,628)	(1,246,234)
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.	(5,238)	–
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.	(328,539)	(204,291)
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.	408,890	(706,608)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	2,055,000	1,940,000
Special assessments payable	12,500	12,500
Capital leases	181,198	378,979
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.	22,880	43,740
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(156,001)	46,659
Certain revenues (including delinquent property taxes) are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.	28,481	(54,840)
Change in net position – governmental activities	<u>\$ 2,092,837</u>	<u>\$ 2,973,722</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 7,299,327	\$ 7,299,327	\$ 7,175,770	\$ (123,557)
Investment earnings	15,000	15,000	17,256	2,256
Other	1,246,150	1,217,650	1,459,821	242,171
State sources	28,737,946	28,899,529	29,116,420	216,891
Federal sources	1,709,075	1,669,508	1,531,247	(138,261)
Total revenue	39,007,498	39,101,014	39,300,514	199,500
Expenditures				
Current				
Administration	1,761,785	1,669,410	1,612,578	(56,832)
District support services	1,228,739	1,232,739	1,296,135	63,396
Elementary and secondary regular instruction	17,572,615	17,424,692	17,142,676	(282,016)
Vocational education instruction	92,821	92,821	175,070	82,249
Special education instruction	7,441,295	7,478,464	7,483,176	4,712
Instructional support services	2,747,591	2,541,941	2,463,443	(78,498)
Pupil support services	3,461,720	3,458,070	3,446,495	(11,575)
Sites and buildings	6,020,035	5,553,729	5,582,440	28,711
Fiscal and other fixed cost programs	103,025	103,025	154,018	50,993
Debt service				
Principal	230,000	230,000	193,698	(36,302)
Interest and fiscal charges	20,000	20,000	1,179	(18,821)
Total expenditures	40,679,626	39,804,891	39,550,908	(253,983)
Excess (deficiency) of revenue over expenditures	(1,672,128)	(703,877)	(250,394)	453,483
Other financing sources				
Capital lease	—	—	328,539	328,539
Sale of capital assets	—	—	7,100	7,100
Transfers in	388,591	388,591	—	(388,591)
Total other financing sources	388,591	388,591	335,639	(52,952)
Net change in fund balances	\$ (1,283,537)	\$ (315,286)	85,245	\$ 400,531
Fund balances				
Beginning of year			11,535,197	
End of year			\$ 11,620,442	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Net Position
Internal Service Funds
as of June 30, 2013
(With Partial Comparative Information as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,793,777	\$ 1,791,057
Due from other funds	<u>85,079</u>	<u>85,079</u>
Total current assets	1,878,856	1,876,136
Noncurrent assets		
Restricted assets – temporarily restricted		
Cash and cash equivalents	3,905,164	3,398,798
Investments	<u>5,624,595</u>	<u>5,757,729</u>
Total restricted assets – temporarily restricted	9,529,759	9,156,527
Net other-post employment benefits asset	<u>72,947</u>	<u>104,542</u>
Total assets	11,481,562	11,137,205
Liabilities		
Current liabilities		
Severance benefits payable	74,385	64,564
Long-term liabilities		
Severance benefits payable	1,112,835	1,389,801
Net pension obligation	<u>486,549</u>	<u>283,937</u>
Total long-term liabilities	1,599,384	1,673,738
Total liabilities	1,673,769	1,738,302
Net position		
Restricted for other post-employment benefit liabilities	9,687,785	9,346,148
Unrestricted	<u>120,008</u>	<u>52,755</u>
Total net position	<u>\$ 9,807,793</u>	<u>\$ 9,398,903</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Revenue, Expenses, and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Operating revenue		
Charges for services	\$ 812,211	\$ 722,388
Operating expenses		
Severance benefits	79,935	73,861
Pension benefits	311,137	310,369
Other post-employment benefits	730,195	785,356
Total operating expenses	<u>1,121,267</u>	<u>1,169,586</u>
Operating income (loss)	(309,056)	(447,198)
Nonoperating revenues (expenses)		
Investment earnings (loss)	<u>717,946</u>	<u>(259,410)</u>
Change in net position	408,890	(706,608)
Net position		
Beginning of year	<u>9,398,903</u>	<u>10,105,511</u>
End of year	<u>\$ 9,807,793</u>	<u>\$ 9,398,903</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from assessments made to governmental funds	\$ 812,211	\$ 714,727
Benefit payments	<u>(1,154,205)</u>	<u>(1,103,320)</u>
Net cash flows from operating activities	(341,994)	(388,593)
Cash flows from investing activities		
Purchase of investments	(5,333,048)	(5,818,292)
Sales and maturities of investments	5,466,182	7,650,227
Interest and dividends on investments	<u>717,946</u>	<u>(259,410)</u>
Net cash flows from investing activities	<u>851,080</u>	<u>1,572,525</u>
Net change in cash and cash equivalents	509,086	1,183,932
Cash and cash equivalents		
Beginning of year	<u>5,189,855</u>	<u>4,005,923</u>
End of year	<u><u>\$ 5,698,941</u></u>	<u><u>\$ 5,189,855</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (309,056)	\$ (447,198)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Due from other funds	—	(7,661)
Net pension obligation	202,612	115,633
Net other post-employment benefits asset	31,595	(63,155)
Severance benefits payable	<u>(267,145)</u>	<u>13,788</u>
Net cash flows from operating activities	<u><u>\$ (341,994)</u></u>	<u><u>\$ (388,593)</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2013

	Employee Benefits Trust Fund	BEST Foundation Agency Fund
Assets		
Cash and temporary investments	\$ 62,941	\$ 1,327,349
Liabilities		
Due to plan participants	50,709	\$ -
Due to fiscal agent	-	42,884
Due to BEST Foundation	-	1,284,465
Total liabilities	50,709	\$ 1,327,349
Net position		
Held in trust for flexible benefits and other purposes	\$ 12,232	

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Employee Benefits Trust Fund
Additions	
Plan member contributions	\$ 271,259
Deductions	
Flexible benefits to plan members	271,259
Change in net position	-
Net position	
Beginning of year	12,232
End of year	\$ 12,232

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Basic Financial Statements June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Reporting Entity

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

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

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the fiscal year ended June 30, 2013, the District paid TIES \$697,396 for services provided.

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

C. Government-Wide Financial Statement Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to, functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “unallocated depreciation expense.” Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The proprietary (internal service) funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the financial activity of the internal service funds are consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Proprietary and trust funds use the economic resources measurement focus.

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

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. A description of the funds included in this report is as follows:

Major Governmental Funds

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

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

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

Agency Fund – The Agency Fund is established to account for cash and other assets held by the District as the agent for others. The District maintains one Agency Fund for the administration of the BEST Foundation Scholarship Funds.

E. Budgetary Information

The School Board adopts annual budgets for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. All appropriations lapse at year-end. Actual expenditures for the year ended June 30, 2013 exceeded budgeted appropriations by \$10,040 in the Debt Service Fund.

F. Cash and Temporary Investments

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

Restricted cash and investments include balances held in segregated accounts established for specific purposes. In the OPEB Internal Service Fund, this represents assets held in a revocable trust established to finance the District’s liability for post-employment insurance benefits. Earnings on these investments are allocated directly to the OPEB Internal Service Fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers’ acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less, and investments in 2a7-like external investment pools, are reported at amortized cost. Other investments are reported at fair value.

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

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable. At June 30, 2013, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 4,364,978
Due from other Minnesota school districts	36,025
Due from Dakota County and other	94,573
	<hr/>
Total due from other governmental units	<u>\$ 4,495,576</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,779,092 of the property tax levy collectible in 2013 as revenue to the District in fiscal year 2012–2013. The remaining portion of the taxes collectible in 2013 is recorded as deferred revenue (property taxes levied for subsequent year).

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

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

K. Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

L. Interfund Balances

The current portions of interfund balances representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/due from other funds. Interfund balances and transactions are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

At June 30, 2013, the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund had payables of \$82,868, \$821, and \$1,390, respectively, due to the OPEB Internal Service Fund for cash payments due to the revocable trust fund at year-end.

M. Long-Term Obligations

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

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

N. Compensated Absences

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

O. Severance

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources

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

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

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

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation. The District carries commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2013.

R. Use of Estimates

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

S. Net Position

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 Business Manager is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

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

U. Changes in Accounting Principles

During the year ended June 30, 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 created two new financial statement elements, deferred outflows of resources (a consumption of net position that is applicable to a future reporting period) and deferred inflows of resources (an acquisition of net position that is applicable to a future reporting period), which are distinct from assets and liabilities. It also defined net position as the residual of all other elements presented in a statement of net position (assets + deferred outflows of resources – liabilities – deferred inflows of resources = net position). GASB Statement No. 65 identified specific items previously reported as assets that will now be classified as either deferred outflows of resources or outflows (expenditures/expenses), and items previously reported as liabilities that will now be reported as either deferred inflows of resources or inflows (revenues).

V. Prior Period Comparative Financial Information/Reclassification

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2012, from which such partial information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 4,394,120
Investments	23,013,210
Petty cash	<u>600</u>
Total	<u><u>\$ 27,407,930</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 16,487,881
Temporarily restricted – cash and investments for OPEB	9,529,759
Statement of Fiduciary Net Position	
Cash and temporary investments – Employee Benefits Trust Fund	62,941
Cash and temporary investments – Agency Fund	<u>1,327,349</u>
Total	<u><u>\$ 27,407,930</u></u>

B. Deposits

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

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

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

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

At year-end, the carrying amount of the District’s deposits was \$4,394,120, while the balance on the bank records was \$5,480,237. At June 30, 2013, all of the District’s deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years					Total
	Rating	Agency	No Maturity Date	Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. agency securities	AA	S&P	\$ –	\$ –	\$ 276,940	\$ –	\$ –	\$ 276,940
Corporate obligations	AAA	S&P	–	–	129,433	–	–	129,433
Corporate obligations	AA	S&P	–	125,916	130,861	–	–	256,778
Corporate obligations	A	S&P	–	200,308	1,493,381	61,390	47,888	1,802,967
Corporate obligations	BBB	S&P	–	125,406	16,480	–	–	141,886
Corporate obligations	A	Moody's	–	–	509,339	65,669	–	575,008
Corporate obligations	Baa	Moody's	–	–	198,056	–	–	198,056
Corporate obligations	bb	Fitch	–	–	49,754	–	–	49,754
Equities	N/R	N/A	1,675,886	N/A	N/A	N/A	N/A	1,675,886
Real asset mutual funds	N/R	N/A	863,026	N/A	N/A	N/A	N/A	863,026
Real estate investment trusts	N/A	N/A	29,084	N/A	N/A	N/A	N/A	29,084
Investment pools/mutual funds	N/R	N/R	4,466,063	N/A	N/A	N/A	N/A	4,466,063
Investment pools/mutual funds	AAA	S&P	3,920,929	8,627,400	–	–	–	12,548,329
Total investments								<u>\$ 23,013,210</u>

N/A – Not Applicable

N/R – Not Rated

The amount in investment pools/mutual funds includes \$3,920,929 invested in the MNTrust Investment Shares Portfolio and \$8,627,400 invested in the MNTrust Term Series, which are external investment pools regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in these funds is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 421,200	\$ –	\$ –	\$ 421,200
Construction in progress	7,414,187	633,391	(8,047,578)	–
Total capital assets, not depreciated	7,835,387	633,391	(8,047,578)	421,200
Capital assets, depreciated				
Buildings and improvements	56,257,075	8,097,763	–	64,354,838
Furniture and equipment	2,233,475	150,085	(41,900)	2,341,660
Total capital assets, depreciated	58,490,550	8,247,848	(41,900)	66,696,498
Less accumulated depreciation for				
Buildings and improvements	(17,720,460)	(1,230,631)	–	(18,951,091)
Furniture and equipment	(1,503,889)	(139,997)	36,662	(1,607,224)
Total accumulated depreciation	(19,224,349)	(1,370,628)	36,662	(20,558,315)
Net capital assets, depreciated	39,266,201	6,877,220	(5,238)	46,138,183
Total capital assets, net	\$ 47,101,588	\$ 7,510,611	\$ (8,052,816)	\$ 46,559,383

Depreciation expense for the year ended June 30, 2013 was charged to the following governmental functions:

Elementary and secondary regular instruction	\$ 6,989
Pupil support services	79,502
Sites and buildings	15,106
Food service	2,676
Unallocated depreciation expense	1,266,355
Total depreciation expense	\$ 1,370,628

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Remaining Maturities	Principal Outstanding
2005A Building Bonds	07/01/2005	4.25–5.00%	\$ 33,000,000	08/01/2011– 02/01/2026	\$ 28,855,000
2009A Taxable OPEB Bonds	01/06/2009	6.00–6.75%	\$ 9,220,000	02/01/2015– 02/01/2028	9,220,000
2010A Refunding Bonds	11/04/2010	2.00–3.00%	\$ 3,945,000	08/01/2011– 02/01/2017	2,705,000
2011A Alternative Facilities Bonds	02/16/2011	0.50–4.00%	\$ 6,690,000	02/01/2012– 02/01/2026	5,845,000
Total general obligation bonds payable					<u>\$ 46,625,000</u>

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

B. Special Assessments Payable

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

C. Capital Leases Payable

The District has entered into a capital lease agreement for computer equipment. The lease bears an interest rate of 2.90 percent, and requires equal annual payments through July 27, 2014. The individual values of the leased assets (computers) were below the District's capitalization threshold, and they have not been recorded as capital assets. The lease is being paid through the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**D. Minimum Debt Payments**

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

Year Ending June 30,	General Obligation Bonds		Special Assessments		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,235,000	\$ 2,126,198	\$ 12,500	\$ 5,156	\$ 106,398	\$ 6,261
2015	2,430,000	2,049,798	12,500	4,469	109,483	3,175
2016	2,530,000	1,953,263	12,500	3,782	–	–
2017	2,630,000	1,850,638	12,500	3,094	–	–
2018–2022	15,290,000	7,493,238	43,750	5,499	–	–
2023–2027	18,025,000	3,918,658	–	–	–	–
2028	3,485,000	235,238	–	–	–	–
	<u>\$ 46,625,000</u>	<u>\$ 19,627,031</u>	<u>\$ 93,750</u>	<u>\$ 22,000</u>	<u>\$ 215,881</u>	<u>\$ 9,436</u>

E. Changes in Long-Term Liabilities

	June 30, 2012	Additions	Retirements	June 30, 2013	Due Within One Year
General obligation bonds payable	\$ 48,680,000	\$ –	\$ 2,055,000	\$ 46,625,000	\$ 2,235,000
Premiums	640,337	–	66,732	573,605	–
Discounts	(258,168)	–	(222,733)	(35,435)	–
Special assessments payable	106,250	–	12,500	93,750	12,500
Capital leases payable	68,540	328,539	181,198	215,881	106,398
Severance payable	1,454,365	136,250	403,395	1,187,220	74,385
Net pension obligation (Note 7)	283,937	311,137	108,525	486,549	–
	<u>\$ 50,975,261</u>	<u>\$ 775,926</u>	<u>\$ 2,604,617</u>	<u>\$ 49,146,570</u>	<u>\$ 2,428,283</u>

NOTE 5 – FUND BALANCES

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

NOTE 5 – FUND BALANCES (CONTINUED)**A. Classifications**

At June 30, 2013, a summary of the District's governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable				
Inventory	\$ –	\$ –	\$ 53,387	\$ 53,387
Prepaid items	156,185	–	–	156,185
Total nonspendable	<u>156,185</u>	<u>–</u>	<u>53,387</u>	<u>209,572</u>
Restricted				
Deferred maintenance	1,051,025	–	–	1,051,025
Health and safety	83,217	–	–	83,217
Operating capital	1,263,963	–	–	1,263,963
Career and technical programs	14,856	–	–	14,856
Employee benefits	11,286	–	–	11,286
Food service	–	–	1,152,903	1,152,903
Community education	–	–	128,736	128,736
Early childhood and family education	–	–	15,110	15,110
School readiness	–	–	19,622	19,622
General debt service	–	842,228	–	842,228
OPEB bonds debt service	–	100,820	–	100,820
Total restricted	<u>2,424,347</u>	<u>943,048</u>	<u>1,316,371</u>	<u>4,683,766</u>
Assigned				
Next year's budget	384,125	–	–	384,125
Third party billing	211,822	–	–	211,822
Separation and severance	1,500,000	–	–	1,500,000
Curriculum adoption	500,000	–	–	500,000
Other capital projects	1,533,750	–	–	1,533,750
Total assigned	<u>4,129,697</u>	<u>–</u>	<u>–</u>	<u>4,129,697</u>
Unassigned	<u>4,910,213</u>	<u>–</u>	<u>–</u>	<u>4,910,213</u>
Total	<u>\$ 11,620,442</u>	<u>\$ 943,048</u>	<u>\$ 1,369,758</u>	<u>\$ 13,933,248</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance of 8 percent of the annual projected expenditures. At June 30, 2013, the unassigned fund balance of the General Fund was 12.1 percent of the annual projected expenditures.

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

A. Plan Description

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

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

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. The District has established a separate Internal Service Fund to account for these obligations. The assets of the Internal Service Fund are available to pay future OPEB expenses. However, because the trust these assets are held in is revocable, they are not considered when determining the percentage of the actuarial liability that has been funded.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 728,864
Interest on net OPEB obligation	(5,227)
Adjustment to ARC	6,558
Annual OPEB cost (expense)	730,195
Contributions made	698,600
Increase in net OPEB obligation	31,595
Net OPEB asset – beginning of year	(104,542)
Net OPEB asset – end of year	<u><u>\$ (72,947)</u></u>

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

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

Fiscal Year Ended	Net OPEB Asset Beginning of Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset End of Year
June 30, 2011	\$ 81,849	\$ 783,774	\$ 907,010	115.7%	\$ (41,387)
June 30, 2012	\$ (41,387)	\$ 785,356	\$ 848,511	108.0%	\$ (104,542)
June 30, 2013	\$ (104,542)	\$ 730,195	\$ 698,600	95.7%	\$ (72,947)

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) were both \$6,396,886, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$20,549,837, and the ratio of the UAAL to the covered payroll was 31.1 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 5.0 percent investment rate of return (net of administrative expenses) based on the District's own investments; an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 6 years for medical insurance. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2012 for the various amortization layers ranged from 26 to 30 years.

NOTE 7 – PENSION BENEFITS PLAN

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. These benefits are summarized as follows:

Teacher Pension Benefits – Teachers hired before July 1, 1997 that meet certain years of service and/or age requirements are eligible to receive an additional retirement incentive benefit. Teachers accumulate five days of credit for each full year of service to the District (or a pro-rata benefit based on years of service working half of a full-time equivalent service or greater) up through the fiscal year in which the employee reaches the age of 55. The benefit is based on an employee's rate of pay during the fiscal year in which the employee reaches the age of 55, and is paid out in two equal payments due on May 31 of the calendar year in which the eligible employee retires and the following January 15. Beneficiaries that continue to be employed by the District after the age of 55 do not accrue additional retirement incentive benefits. These benefits are accrued in the Severance and Pension Benefits Internal Service Fund as they vest.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. The District is accounting for this obligation in its Severance and Pension Benefits Internal Service Fund.

C. Annual Pension Cost and Net Pension Obligation

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

ARC	\$ 327,186
Interest on net pension obligation	12,067
Adjustment to ARC	(28,116)
Annual pension cost (expense)	<u>311,137</u>
Contributions made	<u>108,525</u>
Increase in net pension obligation	202,612
Net pension obligation – beginning of year	<u>283,937</u>
Net pension obligation – end of year	<u><u>\$ 486,549</u></u>

NOTE 7 – PENSION BENEFITS PLAN (CONTINUED)

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

Fiscal Year Ended	Net Pension Obligation Beginning of Year	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2011	\$ 98,062	\$ 311,598	\$ 241,356	77.5%	\$ 168,304
June 30, 2012	\$ 168,304	\$ 310,369	\$ 194,736	62.7%	\$ 283,937
June 30, 2013	\$ 283,937	\$ 311,137	\$ 108,525	34.9%	\$ 486,549

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits and UAAL were both \$2,547,116, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,293,281, and the ratio of the UAAL to the covered payroll was 48.1 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.25 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members, and a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over an open period. The remaining amortization periods at July 1, 2012 for the various amortization layers ranged from 25 to 30 years.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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

Teachers' Retirement Association (TRA)

A. Plan Description

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

The TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota 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 as described below:

Tier I

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

With these provisions:

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

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

Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4–5.4 percent per year.

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

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

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

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

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 6.5 percent and 10.0 percent, respectively, of their annual covered salary during fiscal year 2013 as employee contributions. The TRA employer contribution rates are 6.5 percent for Coordinated Plan members and 10.5 percent for Basic Plan members during fiscal year 2013. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2012, 2011, and 2010 were approximately \$3.87 billion, \$3.84 billion, and \$3.79 billion, respectively.

The District's contributions for the years ended June 30, 2013, 2012, and 2011 were \$1,118,923, \$1,018,124, and \$921,699, respectively, equal to the contractually required contributions for each year as set by state statutes.

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

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

Public Employees' Retirement Association (PERA)

A. Plan Description

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

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

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

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

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

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the GERF. That report may be obtained on the PERA website at www.mnpera.org by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

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

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. The GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in fiscal 2013. In fiscal 2013, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to the GERP for the years ended June 30, 2013, 2012, and 2011 were \$409,864, \$385,453, and \$376,891, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statutes.

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

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

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

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

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Operating Lease – Inver Grove Heights Community Center and Armory

In May 1995, the District entered into an agreement to lease space in the Inver Grove Heights Community Center and Armory from the City. The lease term runs for 20 years beginning December 1, 1995 and calls for annual rental of \$100,000 payable in two equal payments due July 15 and December 15 of each year beginning July 15, 1995. During the year ended June 30, 2013, the District paid rent of \$100,000 under this agreement.

B. Operating Lease – Inver Grove Heights Aquatic and Fitness Center

In December 1999, the District entered into an agreement with the City to lease the use of space in the Inver Grove Heights Aquatic and Fitness Center. The lease term runs for 20 years commencing July 1, 2001 and calls for annual rental ranging from \$235,000 to \$350,000 due in two equal payments each July 15 and January 15 beginning July 15, 2001. During the year ended June 30, 2013, the District paid rent of \$246,000 under this agreement.

C. Federal and State Revenues

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

D. Legal Claims

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

NOTE 11 – SUBSEQUENT EVENTS

In October 2013, the District approved a \$2.5 million lease purchase agreement to finance an addition to Hilltop Elementary School. The agreement bears an interest rate of 3.95 percent and has a final maturity date in 2028.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 199

Required Supplementary Information
Schedules of Funding Progress
June 30, 2013

Other Post-Employment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2008	\$ 9,088,650	\$ —	\$ 9,088,650	— %	\$ 23,139,049	39.3 %
July 1, 2010	\$ 7,100,277	\$ —	\$ 7,100,277	— %	\$ 19,203,164	37.0 %
July 1, 2012	\$ 6,396,886	\$ —	\$ 6,396,886	— %	\$ 20,549,837	31.1 %

Pension Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2008	\$ 2,937,702	\$ —	\$ 2,937,702	— %	\$ 10,236,150	28.7 %
July 1, 2010	\$ 2,582,625	\$ —	\$ 2,582,625	— %	\$ 5,561,581	46.4 %
July 1, 2012	\$ 2,547,116	\$ —	\$ 2,547,116	— %	\$ 5,293,381	48.1 %

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 199

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2013

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 1,241,666	\$ 143,903	\$ 1,385,569
Receivables			
Current taxes	—	287,337	287,337
Delinquent taxes	—	5,769	5,769
Accounts and interest	—	60,555	60,555
Due from other governmental units	—	57,557	57,557
Inventory	53,387	—	53,387
Total assets	<u>\$ 1,295,053</u>	<u>\$ 555,121</u>	<u>\$ 1,850,174</u>
Liabilities			
Salaries payable	\$ 24,923	\$ 56,413	\$ 81,336
Accounts and contracts payable	25,669	28,854	54,523
Due to other governmental units	—	30,521	30,521
Due to other funds	821	1,390	2,211
Unearned revenue	37,350	4,211	41,561
Total liabilities	<u>88,763</u>	<u>121,389</u>	<u>210,152</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	—	264,495	264,495
Unavailable revenue – delinquent taxes	—	5,769	5,769
Total deferred inflows of resources	<u>—</u>	<u>270,264</u>	<u>270,264</u>
Fund balances			
Nonspendable for inventory	53,387	—	53,387
Restricted	1,152,903	163,468	1,316,371
Total fund balances	<u>1,206,290</u>	<u>163,468</u>	<u>1,369,758</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,295,053</u>	<u>\$ 555,121</u>	<u>\$ 1,850,174</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2013

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 504,826	\$ 504,826
Investment earnings	1,718	—	1,718
Other	833,016	1,482,718	2,315,734
State sources	74,471	159,970	234,441
Federal sources	902,646	—	902,646
Total revenue	<u>1,811,851</u>	<u>2,147,514</u>	<u>3,959,365</u>
Expenditures			
Current			
Food service	1,639,183	—	1,639,183
Community service	—	2,031,991	2,031,991
Capital outlay	—	5,700	5,700
Total expenditures	<u>1,639,183</u>	<u>2,037,691</u>	<u>3,676,874</u>
Net change in fund balances	172,668	109,823	282,491
Fund balances			
Beginning of year	<u>1,033,622</u>	<u>53,645</u>	<u>1,087,267</u>
End of year	<u>\$ 1,206,290</u>	<u>\$ 163,468</u>	<u>\$ 1,369,758</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

General Fund
Comparative Balance Sheet
as of June 30, 2013 and 2012

	2013	2012
Assets		
Cash and temporary investments	\$ 10,508,823	\$ 2,817,836
Receivables		
Current taxes	3,946,584	4,017,597
Delinquent taxes	102,589	87,182
Accounts and interest	55,535	168,687
Due from other governmental units	4,414,550	11,627,525
Due from other funds	—	25,286
Prepaid items	156,185	132,061
Total assets	<u>\$ 19,184,266</u>	<u>\$ 18,876,174</u>
Liabilities		
Salaries payable	\$ 1,570,168	\$ 1,595,590
Accounts and contracts payable	2,167,570	1,856,102
Due to other governmental units	120,427	112,162
Due to other funds	82,868	82,868
Total liabilities	<u>3,941,033</u>	<u>3,646,722</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	3,520,202	3,607,073
Unavailable revenue – delinquent taxes	102,589	87,182
Total deferred inflows of resources	<u>3,622,791</u>	<u>3,694,255</u>
Fund balances (deficits)		
Nonspendable for prepaid items	156,185	132,061
Restricted for deferred maintenance	1,051,025	1,135,989
Restricted for health and safety	83,217	—
Restricted for operating capital	1,263,963	1,502,005
Restricted for career and technical programs	14,856	14,306
Restricted for employee benefits	11,286	80,225
Assigned for next year's budget	384,125	178,662
Assigned for HealthPartner's rebate	—	54,264
Assigned for third party billing	211,822	—
Assigned for separation and severance	1,500,000	2,000,000
Assigned for curriculum adoption	500,000	800,000
Assigned for other capital projects	1,533,750	554,300
Unassigned – health and safety restricted account deficit	—	(70,120)
Unassigned	4,910,213	5,153,505
Total fund balances	<u>11,620,442</u>	<u>11,535,197</u>
Total liabilities, deferred inflows resources, and fund balances	<u>\$ 19,184,266</u>	<u>\$ 18,876,174</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013		2012	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 7,299,327	\$ 7,175,770	\$ (123,557)	\$ 7,197,208
Investment earnings	15,000	17,256	2,256	9,155
Other	1,217,650	1,459,821	242,171	1,667,731
State sources	28,899,529	29,116,420	216,891	28,751,820
Federal sources	1,669,508	1,531,247	(138,261)	2,080,104
Total revenue	39,101,014	39,300,514	199,500	39,706,018
Expenditures				
Current				
Administration				
Salaries	1,178,150	1,187,881	9,731	1,088,597
Employee benefits	376,375	336,432	(39,943)	329,197
Purchased services	49,210	39,458	(9,752)	42,761
Supplies and materials	37,325	17,571	(19,754)	17,701
Other expenditures	28,350	31,236	2,886	28,135
Total administration	1,669,410	1,612,578	(56,832)	1,506,391
District support services				
Salaries	421,950	433,866	11,916	399,051
Employee benefits	170,189	154,176	(16,013)	147,280
Purchased services	400,550	534,094	133,544	326,948
Supplies and materials	34,850	20,590	(14,260)	35,297
Capital expenditures	200,000	152,883	(47,117)	149,201
Other expenditures	5,200	526	(4,674)	465
Total district support services	1,232,739	1,296,135	63,396	1,058,242
Elementary and secondary regular instruction				
Salaries	12,364,548	11,796,992	(567,556)	11,248,872
Employee benefits	4,096,549	4,093,722	(2,827)	3,695,142
Purchased services	462,200	527,599	65,399	657,798
Supplies and materials	480,695	688,520	207,825	566,995
Capital expenditures	—	14,729	14,729	22,173
Other expenditures	20,700	21,114	414	11,906
Total elementary and secondary regular instruction	17,424,692	17,142,676	(282,016)	16,202,886

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 199

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013		2012	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	71,883	146,069	74,186	141,692
Employee benefits	20,938	21,011	73	20,034
Purchased services	—	810	810	779
Supplies and materials	—	7,180	7,180	9,622
Total vocational education instruction	92,821	175,070	82,249	172,127
Special education instruction				
Salaries	4,932,050	5,039,533	107,483	4,903,077
Employee benefits	1,537,374	1,586,018	48,644	1,558,261
Purchased services	875,825	758,314	(117,511)	699,443
Supplies and materials	130,590	92,091	(38,499)	149,451
Capital expenditures	—	7,150	7,150	6,756
Other expenditures	2,625	70	(2,555)	11,533
Total special education instruction	7,478,464	7,483,176	4,712	7,328,521
Instructional support services				
Salaries	1,780,105	1,627,604	(152,501)	1,602,813
Employee benefits	430,979	463,645	32,666	448,100
Purchased services	259,227	311,882	52,655	391,336
Supplies and materials	71,630	56,209	(15,421)	14,302
Other expenditures	—	4,103	4,103	—
Total instructional support services	2,541,941	2,463,443	(78,498)	2,456,551
Pupil support services				
Salaries	1,210,026	1,151,475	(58,551)	1,154,429
Employee benefits	339,868	329,555	(10,313)	322,520
Purchased services	1,677,676	1,697,096	19,420	1,585,408
Supplies and materials	135,000	174,080	39,080	141,296
Capital expenditures	95,000	93,308	(1,692)	112,100
Other expenditures	500	981	481	419
Total pupil support services	3,458,070	3,446,495	(11,575)	3,316,172

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 199

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013		2012
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	1,221,925	1,256,981	35,056
Employee benefits	389,500	395,622	6,122
Purchased services	1,558,666	1,710,293	151,627
Supplies and materials	793,950	623,612	(170,338)
Capital expenditures	1,589,688	1,595,932	6,244
Other expenditures	—	—	—
Total sites and buildings	5,553,729	5,582,440	28,711
Fiscal and other fixed cost programs			
Purchased services	103,025	154,018	50,993
Debt service			
Principal	230,000	193,698	(36,302)
Interest and fiscal charges	20,000	1,179	(18,821)
Total debt service	250,000	194,877	(55,123)
Total expenditures	39,804,891	39,550,908	(253,983)
Excess (deficiency) of revenue over expenditures	(703,877)	(250,394)	453,483
Other financing sources			
Capital lease	—	328,539	328,539
Sale of capital assets	—	7,100	7,100
Transfers in	388,591	—	(388,591)
Total other financing sources	388,591	335,639	(52,952)
Net change in fund balances	\$ (315,286)	85,245	\$ 400,531
Fund balances			
Beginning of year		11,535,197	9,990,986
End of year		\$ 11,620,442	\$ 11,535,197

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and temporary investments	\$ 1,241,666	\$ 1,072,968
Inventory	<u>53,387</u>	<u>38,159</u>
Total assets	<u><u>\$ 1,295,053</u></u>	<u><u>\$ 1,111,127</u></u>
Liabilities		
Salaries payable	\$ 24,923	\$ 24,536
Accounts and contracts payable	25,669	16,318
Due to other funds	821	821
Unearned revenue	<u>37,350</u>	<u>35,830</u>
Total liabilities	<u>88,763</u>	<u>77,505</u>
Fund balances		
Nonspendable for inventories	53,387	38,159
Restricted for food service	<u>1,152,903</u>	<u>995,463</u>
Total fund balances	<u>1,206,290</u>	<u>1,033,622</u>
Total liabilities and fund balances	<u><u>\$ 1,295,053</u></u>	<u><u>\$ 1,111,127</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 3,000	\$ 1,718	\$ (1,282)	\$ 1,379
Other – primarily meal sales	875,007	833,016	(41,991)	844,228
State sources	79,935	74,471	(5,464)	77,302
Federal sources	874,830	902,646	27,816	831,966
Total revenue	<u>1,832,772</u>	<u>1,811,851</u>	<u>(20,921)</u>	<u>1,754,875</u>
Expenditures				
Current				
Salaries	571,674	602,608	30,934	592,062
Employee benefits	195,408	217,670	22,262	205,267
Purchased services	71,300	66,519	(4,781)	79,207
Supplies and materials	922,380	750,978	(171,402)	801,566
Other expenditures	5,750	1,408	(4,342)	1,486
Capital outlay	27,800	–	(27,800)	68,842
Total expenditures	<u>1,794,312</u>	<u>1,639,183</u>	<u>(155,129)</u>	<u>1,748,430</u>
Net change in fund balances	<u>\$ 38,460</u>	<u>172,668</u>	<u>\$ 134,208</u>	<u>6,445</u>
Fund balances				
Beginning of year		<u>1,033,622</u>		<u>1,027,177</u>
End of year		<u>\$ 1,206,290</u>		<u>\$ 1,033,622</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and temporary investments	\$ 143,903	\$ —
Receivables		
Current taxes	287,337	278,015
Delinquent taxes	5,769	4,188
Accounts and interest	60,555	57,131
Due from other governmental units	<u>57,557</u>	<u>115,769</u>
Total assets	<u>\$ 555,121</u>	<u>\$ 455,103</u>
Liabilities		
Salaries payable	\$ 56,413	\$ 53,887
Accounts and contracts payable	28,854	18,440
Due to other governmental units	30,521	—
Due to other funds	1,390	26,675
Unearned revenue	<u>4,211</u>	<u>40,017</u>
Total liabilities	121,389	139,019
Deferred inflows of resources		
Property taxes levied for subsequent year	264,495	258,251
Unavailable revenue – delinquent taxes	<u>5,769</u>	<u>4,188</u>
Total deferred inflows of resources	270,264	262,439
Fund balances		
Restricted for community education programs	128,736	33,322
Restricted for early childhood family education programs	15,110	8,606
Restricted for school readiness	<u>19,622</u>	<u>11,717</u>
Total fund balances	<u>163,468</u>	<u>53,645</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 555,121</u>	<u>\$ 455,103</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 489,830	\$ 504,826	\$ 14,996	\$ 445,434
Investment earnings	1,000	—	(1,000)	66
Other – primarily tuition and fees	1,573,123	1,482,718	(90,405)	1,382,837
State sources	178,765	159,970	(18,795)	155,003
Total revenue	<u>2,242,718</u>	<u>2,147,514</u>	<u>(95,204)</u>	<u>1,983,340</u>
Expenditures				
Current				
Salaries	945,429	920,688	(24,741)	860,357
Employee benefits	246,853	233,136	(13,717)	209,030
Purchased services	820,010	799,271	(20,739)	787,103
Supplies and materials	72,832	72,355	(477)	61,198
Other expenditures	6,298	6,541	243	5,640
Capital outlay	13,100	5,700	(7,400)	4,629
Total expenditures	<u>2,104,522</u>	<u>2,037,691</u>	<u>(66,831)</u>	<u>1,927,957</u>
Net change in fund balances	<u>\$ 138,196</u>	109,823	<u>\$ (28,373)</u>	55,383
Fund balances (deficit)				
Beginning of year		<u>53,645</u>		<u>(1,738)</u>
End of year		<u>\$ 163,468</u>		<u>\$ 53,645</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Debt Service Fund
Balance Sheet
as of June 30, 2013
(With Comparative Totals as of June 30, 2012)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2013	2012
Assets				
Cash and temporary investments	\$ 2,427,437	\$ 372,275	\$ 2,799,712	\$ 2,718,474
Receivables				
Current taxes	2,029,819	347,700	2,377,519	2,393,227
Delinquent taxes	47,514	7,313	54,827	43,334
Due from other governmental units	19,992	3,477	23,469	112,648
Total assets	<u>\$ 4,524,762</u>	<u>\$ 730,765</u>	<u>\$ 5,255,527</u>	<u>\$ 5,267,683</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 3,635,020	\$ 622,632	\$ 4,257,652	\$ 4,324,198
Unavailable revenue – delinquent taxes	47,514	7,313	54,827	43,334
Total deferred inflows of resources	<u>3,682,534</u>	<u>629,945</u>	<u>4,312,479</u>	<u>4,367,532</u>
Fund balances				
Restricted for debt service	<u>842,228</u>	<u>100,820</u>	<u>943,048</u>	<u>900,151</u>
Total deferred inflows of resources and fund balances	<u>\$ 4,524,762</u>	<u>\$ 730,765</u>	<u>\$ 5,255,527</u>	<u>\$ 5,267,683</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	2013			
		Actual		
		Regular	OPEB	
	Budget	Debt Service	Debt Service	Total
		Account	Account	
Revenue				
Local sources				
Property taxes	\$ 4,319,341	\$ 3,653,565	\$ 638,827	\$ 4,292,392
Investment earnings	—	248	—	248
State sources	5,059	504	89	593
Total revenue	4,324,400	3,654,317	638,916	4,293,233
Expenditures				
Debt service				
Principal	2,045,000	2,055,000	—	2,055,000
Interest	2,193,496	1,580,213	613,323	2,193,536
Fiscal charges and other	1,800	1,350	450	1,800
Total expenditures	4,240,296	3,636,563	613,773	4,250,336
Net change in fund balances	\$ 84,104	17,754	25,143	42,897
Fund balances				
Beginning of year		824,474	75,677	900,151
End of year		\$ 842,228	\$ 100,820	\$ 943,048

	2012	
Over (Under)		
Budget	Actual	
\$ (26,949)	\$ 4,086,214	
248	1,312	
(4,466)	211,873	
(31,167)	4,299,399	
10,000	1,940,000	
40	2,268,227	
—	1,800	
10,040	4,210,027	
\$ (41,207)	89,372	
	810,779	
	\$ 900,151	

INDEPENDENT SCHOOL DISTRICT NO. 199

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2013
(With Comparative Totals as of June 30, 2012)

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2013	2012
Assets				
Current assets				
Cash and temporary investments	\$ 1,793,777	\$ —	\$ 1,793,777	\$ 1,791,057
Due from other funds	—	85,079	85,079	85,079
Total current assets	1,793,777	85,079	1,878,856	1,876,136
Noncurrent assets				
Restricted assets – temporarily restricted				
Cash and cash equivalents	—	3,905,164	3,905,164	3,398,798
Investments	—	5,624,595	5,624,595	5,757,729
Total restricted assets – temporarily restricted	—	9,529,759	9,529,759	9,156,527
Net other post-employment benefit asset	—	72,947	72,947	104,542
Total assets	1,793,777	9,687,785	11,481,562	11,137,205
Liabilities				
Current liabilities				
Severance benefits payable	74,385	—	74,385	64,564
Long-term liabilities				
Severance benefits payable	1,112,835	—	1,112,835	1,389,801
Net pension obligation	486,549	—	486,549	283,937
Total long-term liabilities	1,599,384	—	1,599,384	1,673,738
Total liabilities	1,673,769	—	1,673,769	1,738,302
Net position				
Restricted for other post-employment liabilities	—	9,687,785	9,687,785	9,346,148
Unrestricted	120,008	—	120,008	52,755
Total net position	\$ 120,008	\$ 9,687,785	\$ 9,807,793	\$ 9,398,903

INDEPENDENT SCHOOL DISTRICT NO. 199

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2013	2012
Operating revenue				
Contributions from governmental funds	\$ 455,605	\$ 356,606	\$ 812,211	\$ 722,388
Operating expenses				
Severance benefits	79,935	—	79,935	73,861
Pension benefits	311,137	—	311,137	310,369
Other post-employment benefits	—	730,195	730,195	785,356
Total operating expenses	<u>391,072</u>	<u>730,195</u>	<u>1,121,267</u>	<u>1,169,586</u>
Operating income (loss)	64,533	(373,589)	(309,056)	(447,198)
Nonoperating revenues (expenses)				
Investment earnings (loss)	<u>2,720</u>	<u>715,226</u>	<u>717,946</u>	<u>(259,410)</u>
Change in net position	67,253	341,637	408,890	(706,608)
Net position				
Beginning of year	<u>52,755</u>	<u>9,346,148</u>	<u>9,398,903</u>	<u>10,105,511</u>
End of year	<u>\$ 120,008</u>	<u>\$ 9,687,785</u>	<u>\$ 9,807,793</u>	<u>\$ 9,398,903</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2013	2012
Cash flows from operating activities				
Receipts from assessments made to governmental funds	\$ 455,605	\$ 356,606	\$ 812,211	\$ 714,727
Benefit payments	(455,605)	(698,600)	(1,154,205)	(1,103,320)
Net cash flows from operating activities	—	(341,994)	(341,994)	(388,593)
Cash flows from investing activities				
Purchases of investments	—	(5,333,048)	(5,333,048)	(5,818,292)
Sales and maturities of investments	—	5,466,182	5,466,182	7,650,227
Interest and dividends on investments				
Net cash flows from investing activities	2,720	715,226	717,946	(259,410)
	<u>2,720</u>	<u>848,360</u>	<u>851,080</u>	<u>1,572,525</u>
Net change in cash and cash equivalents	2,720	506,366	509,086	1,183,932
Cash and cash equivalents				
Beginning of year	<u>1,791,057</u>	<u>3,398,798</u>	<u>5,189,855</u>	<u>4,005,923</u>
End of year	<u>\$ 1,793,777</u>	<u>\$ 3,905,164</u>	<u>\$ 5,698,941</u>	<u>\$ 5,189,855</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 64,533	\$ (373,589)	\$ (309,056)	\$ (447,198)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Due from other funds	—	—	—	(7,661)
Net pension obligation	202,612	—	202,612	115,633
Net other post-employment benefits asset	—	31,595	31,595	(63,155)
Severance benefits payable	(267,145)	—	(267,145)	13,788
Net cash flows from operating activities	<u>\$ —</u>	<u>\$ (341,994)</u>	<u>\$ (341,994)</u>	<u>\$ (388,593)</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2013

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
BEST Foundation				
Assets				
Cash and temporary investments	\$ 1,295,433	\$ 290,455	\$ 258,539	\$ 1,327,349
Liabilities				
Due to fiscal agent	\$ 44,240	\$ 42,884	\$ 44,240	\$ 42,884
Due to BEST Foundation	1,251,193	232,123	198,851	1,284,465
Total liabilities	\$ 1,295,433	\$ 275,007	\$ 243,091	\$ 1,327,349

SECTION III

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

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

Contents:

	Page
Financial Trends	70
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	80
These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.	
Debt Capacity	86
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	92
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	95
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides, and the activities it performs.	

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 8,971,475	\$ 9,484,215	\$ 9,599,138	\$ 8,703,834
Restricted	4,570,916	4,276,132	3,507,716	2,757,107
Unrestricted	526,710	1,400,158	(676,123)	(788,222)
Total governmental activities net position	<u>\$14,069,101</u>	<u>\$15,160,505</u>	<u>\$12,430,731</u>	<u>\$10,672,719</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 5,638,108	\$ 5,096,314	\$ 5,009,958	\$ 4,944,787	\$ 6,978,207	\$ 8,200,160
2,403,846	2,367,912	3,382,349	3,574,911	4,082,980	4,477,781
<u>(668,081)</u>	<u>4,457,391</u>	<u>5,311,127</u>	<u>8,510,376</u>	<u>8,942,609</u>	<u>9,418,692</u>
<u>\$ 7,373,873</u>	<u>\$11,921,617</u>	<u>\$13,703,434</u>	<u>\$17,030,074</u>	<u>\$20,003,796</u>	<u>\$22,096,633</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Expenses				
Administration	\$ 1,506,222	\$ 1,476,669	\$ 1,744,068	\$ 1,568,141
District support services	867,658	960,767	969,215	1,028,908
Elementary and secondary regular instruction	15,519,245	14,925,614	16,438,321	15,941,838
Vocational education instruction	125,145	132,070	160,949	213,260
Special education instruction	6,840,966	6,798,512	7,189,364	7,738,399
Instructional support services	1,998,336	2,036,782	2,557,678	2,315,947
Pupil support services	2,654,854	2,861,403	2,935,944	2,861,214
Sites and buildings	4,014,781	3,673,839	4,743,900	7,337,423
Fiscal and other fixed cost programs	166,037	172,638	170,317	168,440
Food service	1,552,857	1,668,026	1,622,843	1,682,282
Community service	1,892,069	1,890,187	1,833,799	2,000,399
Unallocated depreciation	646,728	654,740	640,108	593,763
Interest on long-term debt	814,911	777,574	2,005,456	1,757,200
Total governmental activities expenses	38,599,809	38,028,821	43,011,962	45,207,214
Program revenues				
Charges for services				
Administration and district support services	52,821	48,460	41,867	49,564
Elementary and secondary regular instruction	149,909	146,467	177,424	16,040
Special education instruction	366,264	631,040	601,019	492,229
Pupil support services	39,961	39,305	32,798	219,827
Sites and buildings	193,963	141,791	180,364	161,876
Food service	1,072,126	1,071,400	1,019,316	1,043,878
Community service	1,368,637	1,453,798	1,570,873	1,399,290
Operating grants and contributions	6,150,347	6,181,590	6,186,655	5,846,537
Capital grants and contributions	—	—	—	—
Total governmental activities program revenues	9,394,028	9,713,851	9,810,316	9,229,241
Net (expense) revenue	(29,205,781)	(28,314,970)	(33,201,646)	(35,977,973)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	5,821,753	4,842,108	3,640,097	6,030,960
Property taxes, levied for community service	312,345	381,960	133,702	311,020
Property taxes, levied for debt service	1,104,525	1,301,087	391,896	2,344,447
General grants and aids	21,633,328	21,971,430	24,040,267	23,347,968
Other general revenues	412,969	330,115	424,092	466,095
Investment earnings (loss)	399,106	556,395	1,741,818	1,719,471
Total general revenues and other changes in net position	29,684,026	29,383,095	30,371,872	34,219,961
Change in net position	\$ 478,245	\$ 1,068,125	\$ (2,829,774)	\$ (1,758,012)

2008	2009	2010	2011	2012	2013
\$ 1,267,400	\$ 1,568,100	\$ 1,410,292	\$ 1,413,246	\$ 1,571,141	\$ 1,446,535
1,026,514	1,028,899	996,250	951,640	1,063,783	1,303,225
16,638,409	16,499,940	16,389,973	16,281,999	16,436,834	17,460,869
411,009	392,126	389,560	324,273	174,094	177,379
8,388,707	7,398,059	7,313,624	7,577,765	7,396,600	7,562,831
2,370,339	2,541,338	2,361,213	2,499,693	2,480,524	2,481,273
2,971,179	3,189,324	3,293,788	3,420,588	3,302,748	3,445,482
8,226,708	5,583,255	4,511,048	4,599,496	4,911,665	4,878,372
102,736	80,594	86,525	90,121	78,415	154,018
1,678,391	1,690,081	1,716,313	1,708,253	1,766,823	1,648,479
2,021,807	2,120,802	2,240,630	2,215,072	1,942,620	2,052,248
690,032	1,137,350	1,130,667	1,128,902	1,137,795	1,266,355
1,715,119	1,931,424	2,253,696	2,211,874	2,190,369	2,329,636
47,508,350	45,161,292	44,093,579	44,422,922	44,453,411	46,206,702
3,849	—	—	—	—	—
169,842	157,396	144,052	165,337	176,353	173,884
328,464	590,234	429,820	312,294	260,796	287,407
143,485	164,525	147,858	192,874	153,817	153,669
188,387	175,842	161,396	161,895	168,303	129,048
980,081	1,007,980	953,106	868,675	844,226	832,278
1,488,458	1,451,597	1,522,329	1,544,349	1,382,837	1,476,055
6,622,615	5,642,691	6,286,933	6,416,700	6,591,869	6,180,347
—	—	—	—	127,140	—
9,925,181	9,190,265	9,645,494	9,662,124	9,705,341	9,232,688
(37,583,169)	(35,971,027)	(34,448,085)	(34,760,798)	(34,748,070)	(36,974,014)
6,374,827	7,349,291	6,928,603	9,562,072	7,155,582	7,191,177
216,873	215,590	322,935	534,266	444,587	506,407
2,548,573	2,664,904	3,360,096	3,397,061	4,073,847	4,303,885
24,160,613	24,939,865	24,903,135	22,943,298	25,739,132	25,919,822
308,398	410,537	518,200	375,119	558,391	408,392
675,039	542,895	196,933	1,275,622	(249,747)	737,168
34,284,323	36,123,082	36,229,902	38,087,438	37,721,792	39,066,851
<u>\$ (3,298,846)</u>	<u>\$ 152,055</u>	<u>\$ 1,781,817</u>	<u>\$ 3,326,640</u>	<u>\$ 2,973,722</u>	<u>\$ 2,092,837</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax			
	General Purpose	Community Service	Debt Service	Total
2004	\$ 5,821,753	\$ 312,345	\$ 1,104,525	\$ 7,238,623
2005	4,842,108	381,960	1,301,087	6,525,155
2006	3,640,097	133,702	391,896	4,165,695
2007	6,030,960	311,020	2,344,447	8,686,427
2008	6,374,827	216,873	2,548,573	9,140,273
2009	7,349,291	215,590	2,664,904	10,229,785
2010	6,928,603	322,935	3,360,096	10,611,634
2011	9,562,072	534,266	3,397,061	13,493,399
2012	7,155,582	444,587	4,073,847	11,674,016
2013	7,191,177	506,407	4,303,885	12,001,469

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved	\$ 3,784,571	\$ 3,511,886	\$ 2,579,813	\$ 2,277,612
Unreserved	2,867,159	2,903,381	2,914,956	2,989,523
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	<u>\$ 6,651,730</u>	<u>\$ 6,415,267</u>	<u>\$ 5,494,769</u>	<u>\$ 5,267,135</u>
All other governmental funds				
Reserved	\$ 7,235,445	\$ 7,304,816	\$ 654,956	\$ 579,176
Unreserved, reported in				
Special revenue funds	1,018,890	988,125	962,888	671,948
Capital projects funds	—	—	31,541,268	11,109,687
Debt service funds	603,023	686,172	306,832	347,678
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Unassigned, reported in				
Special revenue funds	—	—	—	—
Total all other governmental funds	<u>\$ 8,857,358</u>	<u>\$ 8,979,113</u>	<u>\$ 33,465,944</u>	<u>\$ 12,708,489</u>

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

2008	2009	2010	2011	2012	2013
\$ 2,094,736	\$ 1,103,635	\$ 2,145,632	\$ —	\$ —	\$ —
2,724,191	4,801,090	5,774,808	—	—	—
—	—	—	96,952	132,061	156,185
—	—	—	1,694,849	2,732,525	2,424,347
—	—	—	3,477,118	3,587,226	4,129,697
—	—	—	4,722,067	5,083,385	4,910,213
<u>\$ 4,818,927</u>	<u>\$ 5,904,725</u>	<u>\$ 7,920,440</u>	<u>\$ 9,990,986</u>	<u>\$ 11,535,197</u>	<u>\$ 11,620,442</u>
\$ 502,077	\$ 342,687	\$ 117,264	\$ —	\$ —	\$ —
699,750	783,702	949,039	—	—	—
2,273,852	193,387	166,822	—	—	—
498,963	590,200	623,086	—	—	—
—	—	—	38,024	38,159	53,387
—	—	—	4,272,215	1,949,259	2,259,419
—	—	—	(15,201)	—	—
<u>\$ 3,974,642</u>	<u>\$ 1,909,976</u>	<u>\$ 1,856,211</u>	<u>\$ 4,295,038</u>	<u>\$ 1,987,418</u>	<u>\$ 2,312,806</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Local sources				
Taxes	\$ 7,261,072	\$ 6,515,876	\$ 4,180,980	\$ 8,672,109
Investment earnings	399,106	524,619	1,676,304	1,637,890
Other	3,656,650	3,906,782	4,047,754	3,848,799
State sources	26,068,679	26,152,864	28,287,342	27,297,876
Federal sources	1,714,996	1,955,750	1,939,579	1,896,629
Total revenues	39,100,503	39,055,891	40,131,959	43,353,303
Expenditures				
Current				
Administration	1,504,648	1,488,699	1,475,273	1,640,986
District support services	865,114	957,265	958,308	1,031,478
Elementary and secondary regular instruction	15,278,136	15,564,164	15,203,414	15,438,015
Vocational education instruction	125,145	132,070	160,949	213,260
Special education instruction	6,926,654	6,924,290	7,252,145	7,762,976
Instructional support services	1,998,337	2,042,778	2,556,829	2,311,834
Pupil support services	2,614,666	2,799,914	2,996,724	2,878,685
Sites and buildings	4,164,862	3,687,982	4,789,336	4,796,627
Fiscal and other fixed cost programs	166,037	172,638	170,317	168,440
Food service	1,543,191	1,614,168	1,599,683	1,634,090
Community service	1,888,769	1,878,801	1,835,889	1,873,041
Capital outlay	3,834	88,981	2,568,122	22,083,398
Debt service				
Principal	1,039,800	1,093,187	643,917	724,855
Interest and fiscal charges	816,597	774,662	1,598,826	1,780,707
Total expenditures	38,935,790	39,219,599	43,809,732	64,338,392
Excess of revenues over (under) expenditures	164,713	(163,708)	(3,677,773)	(20,985,089)
Other financing sources (uses)				
Transfers in	—	—	—	—
Transfers out	(1,500,000)	—	—	—
Sale of capital assets	450,000	—	—	—
Bonds issued	—	—	33,000,000	—
Capital leases	169,518	49,000	159,924	—
Premiums on bonds issued	—	—	784,182	—
Discounts on bonds issued	—	—	—	—
Payments to refund bonds	—	—	(6,700,000)	—
Total other financing sources (uses)	(880,482)	49,000	27,244,106	—
Net change in fund balances	\$ (715,769)	\$ (114,708)	\$ 23,566,333	\$ (20,985,089)
Debt service as a percentage of noncapital expenditures	4.8%	4.8%	5.4%	5.9%

2008	2009	2010	2011	2012	2013
\$ 9,108,006	\$ 10,196,250	\$ 10,609,388	\$ 13,453,639	\$ 11,728,856	\$ 11,972,988
606,139	162,672	27,024	30,196	9,663	19,222
3,841,302	4,229,261	4,247,921	3,905,729	3,894,796	3,775,555
28,745,668	28,146,841	25,781,668	26,081,228	29,195,998	29,351,454
1,807,223	2,164,565	5,037,240	2,993,584	2,912,070	2,433,893
44,108,338	44,899,589	45,703,241	46,464,376	47,741,383	47,553,112
1,448,291	1,950,035	1,381,411	1,369,667	1,506,391	1,612,578
1,067,131	1,160,932	982,611	944,729	1,058,242	1,296,135
16,281,280	21,084,417	16,383,527	16,057,579	16,202,886	17,142,676
411,009	486,383	383,786	320,750	172,127	175,070
8,401,644	9,038,200	7,159,504	7,491,184	7,328,521	7,483,176
2,418,803	3,135,025	2,331,760	2,474,662	2,456,551	2,463,443
2,955,188	3,633,832	3,259,511	3,411,187	3,316,172	3,446,495
4,882,944	5,440,052	4,468,467	4,569,602	5,850,073	5,582,440
102,736	80,594	86,525	90,121	78,415	154,018
1,678,522	1,849,531	1,646,175	1,642,749	1,679,588	1,639,183
2,006,623	2,440,545	2,164,896	2,177,391	1,923,328	2,031,991
9,121,987	2,162,373	106,699	4,261,912	2,530,042	5,700
823,611	1,172,424	1,222,782	1,548,894	2,331,479	2,248,698
1,750,502	1,739,514	2,327,376	2,280,597	2,280,768	2,196,515
53,350,271	55,373,857	43,905,030	48,641,024	48,714,583	47,478,118
(9,241,933)	(10,474,268)	1,798,211	(2,176,648)	(973,200)	74,994
—	—	—	165,890	—	—
—	—	—	(165,890)	—	—
29,878	17,600	13,835	4,500	5,500	7,100
—	9,220,000	—	10,635,000	—	—
—	380,000	149,904	—	204,291	328,539
—	—	—	172,018	—	—
—	(92,200)	—	(40,497)	—	—
—	—	—	(4,085,000)	—	—
29,878	9,525,400	163,739	6,686,021	209,791	335,639
\$ (9,212,055)	\$ (948,868)	\$ 1,961,950	\$ 4,509,373	\$ (763,409)	\$ 410,633
5.8%	5.5%	8.1%	8.6%	10.2%	9.5%

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax				Total
	General Fund	Community Service Special Revenue Fund	Debt Service Fund		
2004	\$ 5,838,866	\$ 312,550	\$ 1,109,656	\$	7,261,072
2005	4,834,638	382,639	1,298,599		6,515,876
2006	3,649,858	133,282	397,840		4,180,980
2007	6,024,276	310,490	2,337,343		8,672,109
2008	6,355,797	215,430	2,536,779		9,108,006
2009	7,323,012	215,327	2,657,911		10,196,250
2010	6,932,013	323,818	3,353,557		10,609,388
2011	9,535,438	532,823	3,385,378		13,453,639
2012	7,197,208	445,434	4,086,214		11,728,856
2013	7,175,770	504,826	4,292,392		11,972,988

INDEPENDENT SCHOOL DISTRICT NO. 199

Tax Capacities and Estimated Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacities			
	Fiscal Disparities			
	Agricultural	Non-Agricultural	Contribution	Distribution
2004	\$ 78,201	\$ 23,037,037	\$ (2,233,100)	\$ 2,381,264
2005	119,659	25,837,109	(2,381,465)	2,416,504
2006	135,971	29,650,251	(2,553,746)	2,615,750
2007	102,354	32,506,513	(2,750,325)	2,818,984
2008	90,937	33,970,218	(3,166,165)	3,303,563
2009	103,720	34,600,216	(3,502,411)	3,645,662
2010	100,890	32,486,454	(3,760,334)	3,860,888
2011	89,207	30,733,443	(3,813,453)	4,128,921
2012	83,825	28,562,147	(3,714,033)	3,574,158
2013	80,016	27,179,844	(3,666,211)	3,250,870

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

Source: School Tax Report from the Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

<u>Tax Collection Year</u>	<u>ISD No. 199</u>	<u>City of Inver Grove Heights</u>	<u>Dakota County</u>	<u>Other</u>	<u>Total</u>
2004	10.032	39.904	30.300	4.925	85.161
2005	7.793	37.347	28.267	4.907	78.314
2006	17.796	35.546	26.318	4.616	84.276
2007	16.607	36.514	25.127	4.416	82.664
2008	19.764	37.403	25.184	4.393	86.744
2009	19.303	37.878	25.821	4.328	87.330
2010	21.795	41.757	27.269	4.421	95.242
2011	24.679	43.169	29.149	4.644	101.641
2012	28.363	44.883	31.426	5.021	109.693
2013	27.556	46.312	33.421	5.341	112.630

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

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

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

Source: Dakota County Auditor

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Taxpayers
Current Year and Eight Years Ago

Taxpayer	Type of Property	2013		
		Tax Capacity	Rank	Percentage of Total Tax Capacity
Great Northern Oil Company	Utility	\$ 1,604,692	1	5.89 %
Xcel Energy	Utility	1,103,840	2	4.05
Koch Refining Company (aka Flint Hills Resources)	Refining	491,498	3	1.80
ML MASA IV LP	Apartments	396,501	4	1.45
Lake Cove Village Apartments	Apartments	325,466	5	1.19
PHM Inver Grove, Inc.	Apartments	322,181	6	1.18
Vansouth Limited Partnership	Distribution center	284,646	7	1.04
Farmers Union Central Exchange	Farm supplies/services	256,006	8	0.94
Salem Green Limited Partnership	Apartments	244,927	9	0.90
Brentwood Hills Limited Partnership	Apartments	218,400	10	0.80
Private individual	Apartments	—	—	—
Total		<u>\$ 5,248,157</u>		<u>19.25 %</u>

Note: Information for years prior to 2005 is not available.

Source: Dakota County

2005		
Tax Capacity	Rank	Percentage of Total Tax Capacity
\$ 1,058,790	1	4.08 %
997,814	2	3.84
367,873	4	1.42
368,750	3	1.42
337,568	6	1.30
339,072	5	1.31
209,348	9	0.81
274,670	7	1.06
225,000	8	0.87
—	—	—
193,750	10	0.75
<u>\$ 4,372,635</u>		<u>16.86 %</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 6,153,857	\$ 6,115,456	99.38 %	\$ 34,930	\$ 6,150,386	99.94 %
2005	5,768,616	5,722,850	99.21	43,601	5,766,451	99.96
2006	8,871,333	8,788,542	99.07	75,619	8,864,161	99.92
2007	9,335,736	9,231,277	98.88	99,783	9,331,060	99.95
2008	10,433,109	10,292,351	98.65	132,246	10,424,597	99.92
2009	10,645,460	10,504,703	98.68	132,148	10,636,851	99.92
2010	11,129,562	10,980,962	98.66	127,393	11,108,355	99.81
2011	11,565,988	11,423,540	98.77	109,109	11,532,649	99.71
2012	12,066,839	11,932,610	98.89	63,978	11,996,588	99.42
2013	(1) 11,821,440	N/A	N/A	N/A	N/A	N/A

N/A – Not Applicable

(1) Only a portion of the calendar year 2013 taxes are collected by June 30, 2013. A total of \$5,210,000 of 2013 taxes were collected by June 30, 2013.

Source: Dakota County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 199

Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended June 30,	Governmental Activities				Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Other	Total Primary Government		
2004	\$ 14,850,000	\$ 346,570	\$ 206,250	\$ 15,402,820	1.46 %	502
2005	13,955,000	209,883	193,750	14,358,633	1.28	462
2006	39,805,000	188,390	181,250	40,174,640	3.36	1,248
2007	39,105,000	176,035	168,750	39,449,785	3.07	1,188
2008	38,310,000	159,924	156,250	38,626,174	2.80	1,149
2009	46,530,000	380,000	143,750	47,053,750	3.38	1,387
2010	45,380,000	469,622	131,250	45,980,872	2.83	1,349
2011	50,620,000	243,228	118,750	50,981,978	3.14	1,505
2012	48,680,000	68,540	106,250	48,854,790	4.17	1,447
2013	46,625,000	215,881	93,750	46,934,631	4.05	1,390

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

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

INDEPENDENT SCHOOL DISTRICT NO. 199

Ratio of Net General Obligation Bonded Debt
to Tax Capacity and Net General Obligation Bonded Debt per Capita
Last Ten Fiscal Years

Year Ended June 30,	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Estimated Market Value	Percentage of of Net Debt to Estimated Market Value
2004	\$ 14,850,000	\$ 7,382,990	\$ 7,467,010	\$ 1,957,405,600	0.38 %
2005	13,955,000	7,515,590	6,439,410	2,220,321,700	0.29
2006	39,805,000	306,832	39,498,168	2,554,381,600	1.55
2007	39,105,000	347,678	38,757,322	2,791,586,500	1.39
2008	38,310,000	498,963	37,811,037	2,885,381,800	1.31
2009	46,530,000	590,200	45,939,800	2,910,481,100	1.58
2010	45,380,000	623,086	44,756,914	2,697,857,700	1.66
2011	50,620,000	810,779	49,809,221	2,541,648,200	1.96
2012	48,680,000	900,151	47,779,849	2,483,223,500	1.92
2013	46,625,000	943,048	45,681,952	2,350,262,850	1.94

Sources: Tax capacity information – School Tax Report from the Minnesota Department of Education.
Population estimates from the City of Inver Grove Heights’ comprehensive annual financial report.

<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
30,708	\$ 243
31,053	207
32,193	1,227
33,195	1,168
33,608	1,125
33,917	1,354
34,086	1,313
33,880	1,470
33,774	1,415
33,774	1,353

INDEPENDENT SCHOOL DISTRICT NO. 199

Direct and Overlapping Debt
June 30, 2013

<u>Governmental Unit</u>	<u>Gross Bonded Debt Outstanding</u>	<u>Percent Allocable to ISD No. 199</u>	<u>Portion Allocable to ISD No. 199</u>
Independent School District No. 199	\$ 46,625,000	100.00 %	\$ 46,625,000
Overlapping debt			
Dakota County	387,698,737	6.45	25,006,569
City of Inver Grove Heights	50,030,273	64.25	32,144,450
City of Rosemount	18,860,000	5.78	1,090,108
City of South St. Paul	16,497,241	0.52	85,786
Metropolitan Council	422,390,000	0.70	2,956,730
Total overlapping debt			<u>61,283,643</u>
Total direct and overlapping debt			<u>\$ 107,908,643</u>

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

Source: Dakota County

INDEPENDENT SCHOOL DISTRICT NO. 199

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Debt limit	\$ 293,610,840	\$ 333,048,255	\$ 383,157,240	\$ 418,737,975
Total net debt applicable to limit	<u>7,467,010</u>	<u>6,439,410</u>	<u>39,498,168</u>	<u>38,757,322</u>
Legal debt margin	<u>\$ 286,143,830</u>	<u>\$ 326,608,845</u>	<u>\$ 855,178,153</u>	<u>\$ 379,980,653</u>
Total net debt applicable to the limit as a percentage of debt limit	2.54%	1.93%	10.31%	9.26%

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

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

2008	2009	2010	2011	2012	2013
\$ 432,807,270	\$ 436,572,165	\$ 404,678,655	\$ 381,247,230	\$ 372,483,525	\$ 352,539,428
37,811,037	45,939,800	44,756,914	49,809,221	47,779,849	45,681,952
<u>\$ 394,996,233</u>	<u>\$ 390,632,365</u>	<u>\$ 359,921,741</u>	<u>\$ 331,438,009</u>	<u>\$ 324,703,676</u>	<u>\$ 306,857,476</u>
8.74%	10.52%	11.06%	13.06%	12.83%	12.96%

Legal Debt Margin Calculation for Fiscal Year 2013

Market value	\$ 2,350,262,850
Debt limit (15% of market value)	352,539,428
Debt applicable to limit	
General obligation bonds	46,625,000
Less amount set aside for repayment of general obligation debt	<u>(943,048)</u>
Total net debt applicable to limit	<u>45,681,952</u>
Legal debt margin	<u>\$ 306,857,476</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Inver Grove Heights (1)				School Enrollment
	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	
2004	30,708	\$1,053,130,860	\$ 34,295	4.3 %	3,888
2005	31,053	1,120,330,134	36,078	3.9	3,821
2006	32,193	1,196,420,652	37,164	3.6	3,774
2007	33,195	1,286,339,445	38,751	3.6	3,813
2008	33,608	1,379,070,672	41,034	4.2	3,742
2009	33,917	1,391,750,178	41,034	5.0	3,812
2010	34,086	1,623,345,750	47,625	7.4	3,867
2011	33,880	1,621,598,440	47,863	7.3	3,766
2012	33,774	1,170,302,874	34,651	6.2	3,770
2013	33,774	1,159,022,358	34,317	5.3	3,794

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

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Employers
Current Year and Eight Years Ago

Employer	2013		
	Employees	Rank	Percentage of Total City Employment
Cenex/CHS Cooperatives	800	1	8.19 %
City of Inver Grove Heights	600	2	6.15
Evergreen Industries	500	3	5.48
Inver Hills Community College	484	4	5.12
Gertens	475	5	4.96
Independent School District No. 199	442	6	4.87
Travel Tags	350	7	3.58
Total Construction	250	8	2.56
Wal-Mart	220	9	2.25
Allied Waste Services (aka BFI Waste Services)	145	10	0.71
Southview Chevrolet	—	—	—
Inver Grove Ford	—	—	—
Total	4,266		43.87 %

Note: Information prior to 2005 is not available.

Source: Minnesota Department of Employment and Economic Development

2005		
Employees	Rank	Percentage of Total City Employment
1,000	1	5.02 %
130	9	0.65
300	5	1.50
343	4	1.72
—	—	—
472	2	2.35
350	3	1.76
—	—	—
270	6	1.36
140	7	0.70
135	8	0.68
100	10	0.50
3,240		16.24 %

INDEPENDENT SCHOOL DISTRICT NO. 199

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
District directors/superintendent	1	1	1	1	1	1	1	1	1	1
Principals	7	7	7	7	7	7	7	7	8	9
Teachers	254	256	257	255	254	248	240	232	228	239
Coordinators, supervisors, specialists, and technical support	48	48	48	48	48	47	46	46	46	44
Paraprofessionals	72	79	79	81	83	84	84	86	88	88
Food service	29	28	27	27	22	24	24	23	23	22
Custodians	26	26	26	26	25	23	23	23	23	24
Community education leads and assistants	28	27	24	24	24	24	24	24	25	20
Total	465	472	469	469	464	458	449	442	442	447

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

Source: The District's Human Resources Department

INDEPENDENT SCHOOL DISTRICT NO. 199

Operating Indicators
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Standardized tests				
MCA reading (1)				
Grade 3	75 %	81 %	81 %	82 %
Grade 5	77	83	83	78
Grade 7	69	74	74	67
Grade 10	87	85	85	73
MCA math (1)				
Grade 3	74	79	79	76
Grade 5	77	82	82	64
Grade 7	63	75	75	60
Grade 11	81	88	88	44
ACT				
Average composite score	22.6	21.5	21.5	22.3
Graduation data				
District graduation rates	98	97	97	97
State graduation rate	89	90	90	N/A
Post graduation student survey				
Four-year college/university	48	48	48	47
Two-year college	23	19	19	27
Vocational/technical college	18	16	16	16
Employment	4	7	7	5
Military	2	3	3	2
No response/undecided	5	7	7	3
	100 %	100 %	100 %	100 %

N/A – Not Available

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

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

2008	2009	2010	2011	2012	2013
76 %	82 %	72 %	81 %	81 %	59 %
81	81	80	89	79	71
59	58	66	75	73	58
74	33	76	74	74	56
75	81	77	78	81	77
73	69	68	68	63	67
61	60	69	58	54	64
51	50	48	56	42	52
22.7	23.1	23.4	22.6	23.6	23.4
97	98	97	95	85	89
N/A	N/A	N/A	N/A	77	N/A
52	50	47	51	55	57
25	28	23	27	30	23
15	14	11	7	4	5
2	1	3	4	1	4
1	3	5	3	4	4
5	4	11	8	6	7
100 %	100 %	100 %	100 %	100 %	100 %

INDEPENDENT SCHOOL DISTRICT NO. 199

School Facilities
as of June 30, 2013

Facility	Year Constructed	Years of Addition	Grades Housed	Square Footage
Simley High School	1971	1998	7–12	192,836
Inver Grove Heights Middle School	1959	1962 1967 1980 1990 1997 2009	6–8	314,970
Hilltop Elementary School	1964	1968 2007	K–5	83,611
Pine Bend Elementary School	1958	1960 1991 2009	K–5	73,425
Salem Hills Elementary School	1953	1964 1986 1987 1988 2009	K–5	51,596

Source: The District's Buildings and Grounds Department

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2004	2005	2006	2007
Administration	\$ 387	\$ 390	\$ 391	\$ 430
District support services	223	251	254	271
Elementary and secondary regular instruction	3,930	4,073	4,028	4,049
Vocational education instruction	32	35	43	56
Special education instruction	1,782	1,812	1,922	2,036
Instructional support services	514	535	677	606
Pupil support services	672	733	794	755
Sites and buildings	1,071	965	1,269	1,258
Fiscal and other fixed cost programs	43	45	45	44
Food service	397	422	424	429
Community service	486	492	486	491
Capital outlay	1	23	680	5,792
Debt service	477	489	594	657
Total expenditures	<u>\$ 10,014</u>	<u>\$ 10,264</u>	<u>\$ 11,608</u>	<u>\$ 16,873</u>
Average daily membership	<u>3,888</u>	<u>3,821</u>	<u>3,774</u>	<u>3,813</u>

Note: Includes all governmental fund expenditures.

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

2008	2009	2010	2011	2012	2013
\$ 387	\$ 512	\$ 357	\$ 363	\$ 400	\$ 425
285	305	254	251	281	342
4,351	5,531	4,237	4,259	4,298	4,518
110	128	99	85	46	46
2,245	2,371	1,851	1,987	1,944	1,972
646	822	603	656	652	649
790	953	843	905	880	908
1,305	1,427	1,156	1,212	1,552	1,471
27	21	22	24	21	41
449	485	426	436	446	432
536	640	570	578	510	536
2,438	567	17	1,130	671	2
688	764	918	1,016	1,223	1,172
<u>\$ 14,257</u>	<u>\$ 14,526</u>	<u>\$ 11,354</u>	<u>\$ 12,902</u>	<u>\$ 12,922</u>	<u>\$ 12,514</u>
<u>3,742</u>	<u>3,812</u>	<u>3,867</u>	<u>3,770</u>	<u>3,770</u>	<u>3,794</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic Statistics – Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2004	55.96	262.87	1,641.44	1,927.26	3,887.53	4,498.28
2005	47.54	231.75	1,659.18	1,882.03	3,820.50	4,434.85
2006	53.07	254.66	1,617.59	1,848.33	3,773.65	4,364.85
2007	59.41	206.90	1,672.27	1,874.39	3,812.97	4,442.62
2008	62.32	219.58	1,662.39	1,797.82	3,742.11	4,350.75
2009	61.77	237.74	1,739.35	1,773.42	3,812.28	4,414.52
2010	65.48	259.72	1,805.21	1,737.01	3,867.42	4,454.46
2011	59.66	208.52	1,756.67	1,744.78	3,769.63	4,376.90
2012	78.34	260.90	1,706.14	1,724.71	3,770.09	4,346.02
2013	84.56	252.92	2,321.51	1,134.97	3,793.96	4,372.02

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2004 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
Fiscal 2008 through 2013	1.250	1.000	0.612	1.115	1.060	1.300

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Meals Served and Pricing
Last Ten Fiscal Years

Year Ended June 30,	Lunches Served to Students				Lunches Served to Adults
	Regular Priced Lunches	Reduced Price Lunches	Free Lunches	Total	
2004	300,887	30,584	79,048	410,519	10,808
2005	305,327	27,769	80,901	413,997	10,740
2006	298,181	25,547	88,633	412,361	10,974
2007	306,726	30,683	97,896	435,305	10,679
2008	314,251	31,132	101,052	446,435	11,984
2009	307,039	31,513	113,241	451,793	10,282
2010	291,276	34,367	140,101	465,744	8,537
2011	275,733	38,955	148,044	462,732	6,540
2012	258,418	32,004	160,118	450,540	4,188
2013	227,401	31,518	164,282	423,201	3,233

Year Ended June 30,	Student Regular Lunch Prices			
	Regular Priced Lunches		Reduced Price Lunches	Adult Lunches
	Elementary	Secondary		
2004	\$ 1.40	\$ 1.50/1.55	\$ 0.40	\$ 2.55
2005	1.40	1.50/1.55	0.40	2.55
2006	1.40	1.50/1.55	0.40	2.55
2007	1.50	1.60/1.65	0.40	2.70
2008	1.50	1.60/1.65	0.40	2.70
2009	1.65	1.75/1.80	0.40	2.85
2010	1.65	1.75/1.80	0.40	3.00
2011	1.65	1.75/1.80	0.40	3.10
2012	1.70	1.80/1.85	0.40	3.15
2013	1.80	1.90/1.95	0.40	3.25

Source: The District's Food Service Department