



COMPREHENSIVE ANNUAL Financial Report

For the fiscal year ended June 30, 2014



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014

INDEPENDENT SCHOOL DISTRICT NO. 199
INVER GROVE HEIGHTS, MINNESOTA

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

Prepared by
Business Office

Brady Hoffman, CPA – Director of Business Services

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INDEPENDENT SCHOOL DISTRICT NO. 199

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SECTION I

INTRODUCTORY SECTION

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District Office
2990 80th St. E.
Inver Grove Heights, MN 55076
651-306-7800
FAX 651-306-7295

December 1, 2014

Simley High School
2920 80th St. E.
Inver Grove Heights, MN 55076
651-306-7000
FAX 651-306-7016

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

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

INTRODUCTION

Hilltop Elementary
3201 68th St. E.
Inver Grove Heights, MN 55076
651-306-7400
FAX 651-306-7444

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, 2014 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.

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

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.

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

Community Education
2990 80th St. E.
Inver Grove Heights, MN 55076
651-306-7870
FAX 651-306-7295

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.

Early Learning
3203 68th St. E.
Inver Grove Heights, MN 55076
651-306-7500
FAX 651-306-7521

Spartan Kids' Care
3203 68th Street
Inver Grove Heights, MN 55076
651-306-7502
FAX 651-457-2837

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.

District Website
www.isd199.org

These financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014 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, 2014 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 (ASBO) International Certificate of Excellence in Financial Reporting Award. The financial section contains the independent auditor's report, MD&A, basic financial statements, required supplementary information, and combining and individual fund statements and schedules presented as supplemental information. The statistical section contains supplemental financial and other statistical data, generally presented on a multi-year basis.

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

THE DISTRICT'S PROFILE

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

The District operates under an elected seven-member School Board. The School Board is 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 34,189, covers an area of about 22 square miles, and enrolled 3,855 students for the 2013–2014 fiscal year. In terms of number of students, the District is Minnesota's 54th 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.

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 shown signs of improvement for many residents of the District. In the 2013–2014 school year, the District served to its students 919 fewer free meals than the prior year, a decrease of 0.56 percent.

Officials at the City of Inver Grove Heights (the City) indicated that the City has experienced an increase in construction and development activities to pre-recession levels. In anticipation of future development, the City had previously extended water and sewer service to open up the northwest area of the community for development. This expansion has resulted in the construction of a senior housing complex, a Target store, three retail strip buildings, as well as single-family homes. Income indices for the District exceed state medians but are average for the Twin Cities region.

The unemployment rate for Dakota County is currently 4.4 percent, which is a decrease from a rate of 4.8 percent a year ago. This compares favorably to both state and national average unemployment rates of 4.5 percent and 6.1 percent, respectively.

Taxable market value in the District increased from \$2,350,262,850 to \$2,374,607,550; an increase of 1.0 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 continuously monitoring the state's financial position. The state of Minnesota is projecting a \$1.233 billion positive General Fund balance for the end of the 2014–2015 biennium.

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 2010, the District had increased student growth of 1.4 percent. In fiscal year 2011, the District had a decline of 2.5 percent, or 98 students. Enrollment remained stable for 2012 at 3,770 and then increased slightly to 3,795 (0.7 percent) for fiscal year 2013. This past fiscal year, the students served increased to 3,855, or 1.6 percent. 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. For fiscal year 2014, the additional funding is capped at the greater of 26 percent of the general education formula allowance ($\$5,224 \text{ GEFA} \times .26 = \$1,358$) or the 2004 cap adjusted for inflation based on the consumer price index (CPI) ($\$1,294 \text{ 2004 cap} \times 1.2593 \text{ CPI} = \$1,630$) per resident marginal cost pupil unit. The referendum formula determines the amount of the referendum that is state aid as compared to local levy. For fiscal year 2014, 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. Despite the projection of stable enrollment, the District is anticipating a \$1,000,000 shortfall for fiscal year 2016 as a result of costs increasing at a higher rate than the state funding the District receives.

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 222,424 square feet). The average age of the five buildings is 34.17 years. In November 2013, the voters of the City approved a \$24,750,000 bond referendum for facility improvements. The bond will cover projects related to safety improvements, deferred maintenance, academic improvements, arts improvements, and athletic improvements. Also in November 2013, the District entered into a lease purchase agreement to finance the Early Learning Center addition to Hilltop Elementary.

AWARDS AND ACKNOWLEDGEMENTS

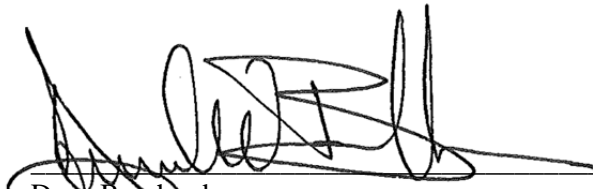
The District was one of the few school districts in Minnesota to be awarded the ASBO Certificate of Excellence in Financial Reporting for the preparation and issuance of a high-quality CAFR for the fiscal year ending June 30, 2013. This was the ninth time the District submitted its CAFR for consideration 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,

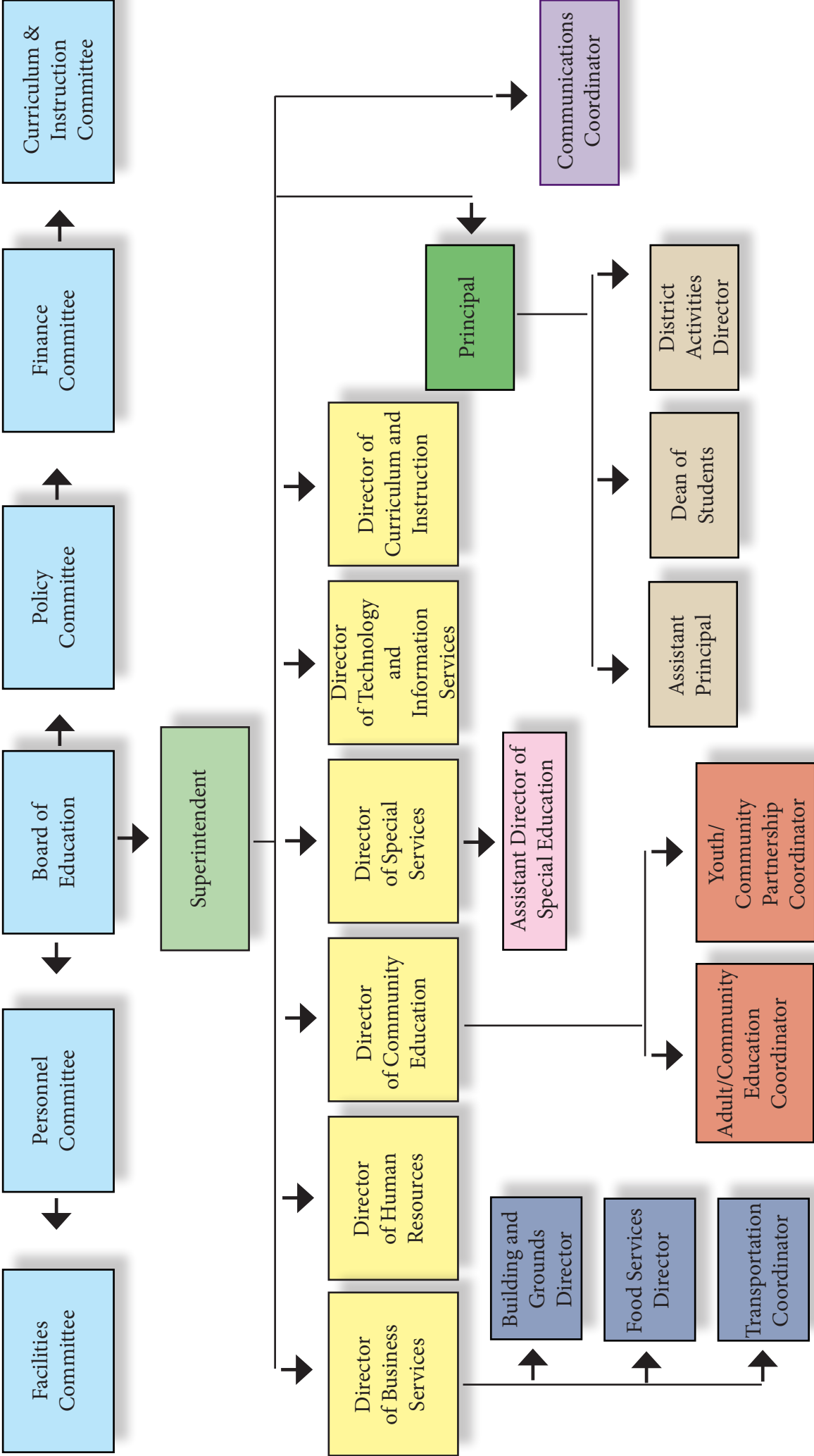


Dave Bernhardtson
Superintendent



Brady Hoffman
Director of Business Services

ISD 199
Organizational Chart



INDEPENDENT SCHOOL DISTRICT NO. 199

School Board and Administration
Year Ended June 30, 2014

SCHOOL BOARD

Position on School Board
During 2013–2014

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

ADMINISTRATION

Dave Bernhardson	Superintendent (Effective July 1, 2014)
Brady Hoffman, CPA	Director of Business Services (Effective August 1, 2014)

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, 2013*

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



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

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SECTION II

FINANCIAL SECTION

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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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

Prior Year Comparative Information

We have previously audited the District's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 21, 2013. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 1, 2014

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INDEPENDENT SCHOOL DISTRICT NO. 199

Management's Discussion and Analysis Fiscal Year Ended June 30, 2014

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, 2014. 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, 2014 by \$23,314,355 (net position). The unrestricted portion of net position was \$9,711,965. The District also had \$4,815,014 of net position available to meet its ongoing obligations, but restricted for specific uses. Total net position increased \$1,217,722 from current year activities.

At June 30, 2014, the District's governmental funds reported a combined ending fund balance of \$35,646,320, an increase of \$21,713,072 from the prior year. This increase was primarily the result of the District issuing \$24.75 million of general obligation building bonds in 2014, as the majority of the proceeds remain unspent and are restricted for future building construction in the Capital Projects – Building Construction Fund at year-end.

The District's General Fund, its primary operating fund, closed the fiscal year with an unassigned fund balance of \$4,888,185, which represents approximately 11.4 percent of annual General Fund expenditures based on fiscal 2014 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 nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following types of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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, 2014 and 2013		
	2014	2013
Assets		
Current and other assets	\$ 65,681,981	\$ 37,686,450
Capital assets, net of depreciation	51,155,268	46,559,383
Total assets	\$ 116,837,249	\$ 84,245,833
Liabilities		
Current and other liabilities	\$ 7,421,974	\$ 4,960,281
Long-term liabilities, including due within one year	74,510,890	49,146,570
Total liabilities	\$ 81,932,864	\$ 54,106,851
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 11,590,030	\$ 8,042,349
Net position		
Net investment in capital assets	\$ 8,787,376	\$ 8,200,160
Restricted	4,815,014	4,477,781
Unrestricted	9,711,965	9,418,692
Total net position	\$ 23,314,355	\$ 22,096,633

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 \$1,217,722 during the year ended June 30, 2014, with all categories of net position increasing over the prior year. The increases in the current and other assets and long-term liabilities are mainly due to the building bonds issued during the 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, 2014 and 2013		
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 2,807,391	\$ 3,052,341
Operating grants and contributions	6,933,645	6,180,347
General revenues		
Property taxes	9,167,712	12,001,469
General grants and aids	28,483,217	25,919,822
Other	1,739,661	1,145,560
Total revenues	<u>49,131,626</u>	<u>48,299,539</u>
Expenses		
Administration	1,692,441	1,446,535
District support services	1,367,090	1,303,225
Elementary and secondary regular instruction	17,186,229	17,460,869
Vocational education instruction	214,654	177,379
Special education instruction	7,214,834	7,562,831
Instructional support services	3,100,949	2,481,273
Pupil support services	3,776,803	3,445,482
Sites and buildings	5,366,312	4,878,372
Fiscal and other fixed cost programs	122,697	154,018
Food service	1,789,311	1,648,479
Community service	2,192,959	2,052,248
Unallocated depreciation	1,257,548	1,266,355
Interest on long-term debt	2,632,077	2,329,636
Total expenses	<u>47,913,904</u>	<u>46,206,702</u>
Change in net position	1,217,722	2,092,837
Net position – beginning	<u>22,096,633</u>	<u>20,003,796</u>
Net position – ending	<u><u>\$ 23,314,355</u></u>	<u><u>\$ 22,096,633</u></u>

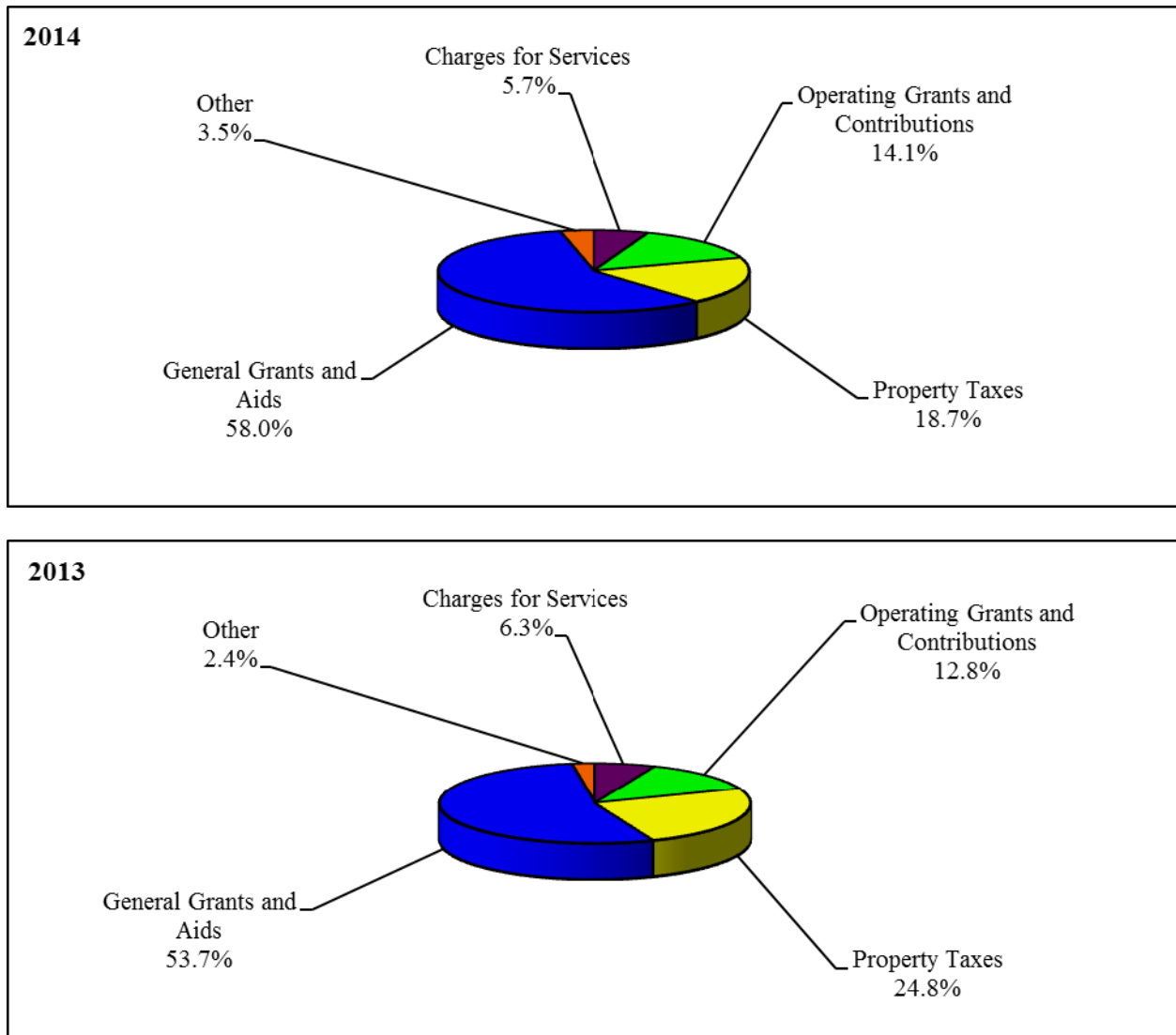
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues in fiscal 2014 increased \$832,087. The majority of this increase was due to an increase in enrollment, additional integration funding, and an increase in investment income in the revocable other post-employment benefits (OPEB) trust.

Total expenses for fiscal year 2014 increased \$1,707,202, or about 3.7 percent, from the previous year. The majority of this can be attributed to cost of living increases for salaries along with step and lane changes. The District also experienced an increase in repair and maintenance costs during fiscal 2014.

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

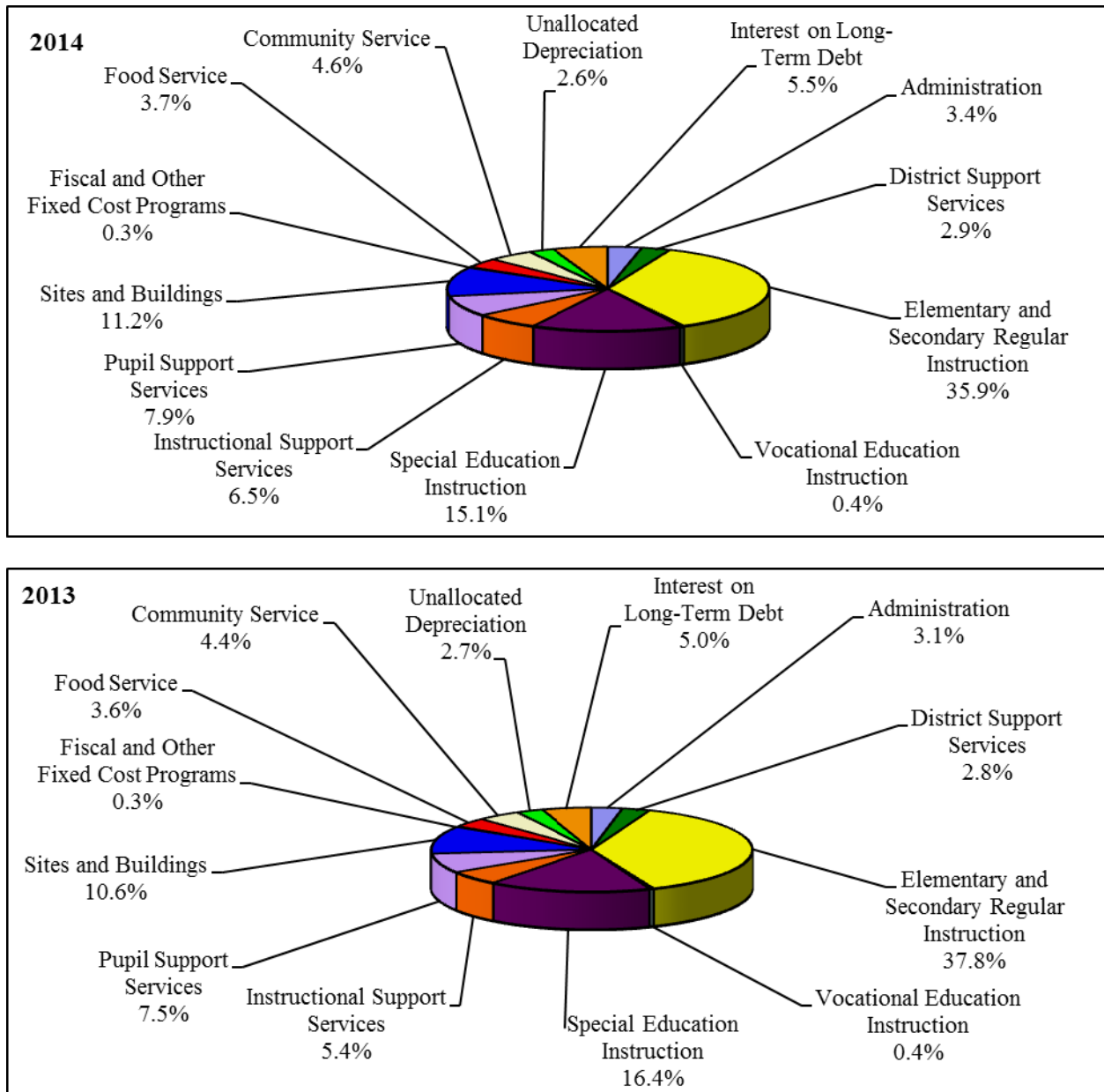
Figure A – Sources of Revenue for Fiscal Years 2014 and 2013



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 2014 and 2013



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3 Governmental Fund Balances as of June 30, 2014 and 2013				
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Total Percent Change</u>
Major funds				
General	\$ 11,616,416	\$ 11,620,442	\$ (4,026)	–
Capital Projects –				
Building Construction	21,440,826	–	21,440,826	100.0%
Debt Service	1,222,332	943,048	279,284	29.6%
Nonmajor funds				
Food Service Special Revenue	1,313,759	1,206,290	107,469	8.9%
Community Service Special Revenue	<u>52,987</u>	<u>163,468</u>	<u>(110,481)</u>	<u>(67.6%)</u>
Total governmental funds	<u>\$ 35,646,320</u>	<u>\$ 13,933,248</u>	<u>\$ 21,713,072</u>	155.8%

The fund balance of the General Fund was consistent with the prior year. The Capital Projects – Building Construction Fund increased significantly as a result of the \$24.75 million of general obligation building bonds being issued in 2014 with the majority of the proceeds being unspent at year-end. The increase in the Debt Service Fund was also due to the issuance of the \$24.75 million of general obligation building bonds as a portion of the proceeds are to pay initial interest payments due August 1, 2014 and August 1, 2015. The Food Service Special Revenue Fund increase was attributable to lower than expected supply and materials expenditures, which were under budget by \$101,605. The decrease in the Community Service Special Revenue Fund was the result of lower than expected revenues due to school closings for inclement weather causing tuition and fees revenue to be under budget by \$138,371.

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>\$ 40,022,215</u>	<u>\$ 40,022,215</u>	<u>\$ –</u>	<u>–</u>
Expenditures	<u>\$ 40,703,405</u>	<u>\$ 40,703,405</u>	<u>\$ –</u>	<u>–</u>
Other sources	<u>\$ 297,065</u>	<u>\$ 297,065</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. The District amended the budget during the year, but did not change the total appropriations.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	2014 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue	\$ 39,884,219	\$ (137,996)	(0.3%)	\$ 583,705	1.5%
Expenditures	42,755,028	\$ 2,051,623	5.0%	\$ 3,204,120	8.1%
Other financing sources	<u>2,866,783</u>	\$ 2,569,718	865.0%	\$ 2,531,144	754.1%
Net change in fund balances	<u><u>\$ (4,026)</u></u>				

General Fund revenues were \$137,996 under the final budget for fiscal year 2014. State aid revenue was \$84,030 over budget while property taxes were \$114,302 under budget. Revenue from other local sources, including gifts, reimbursements from other districts, and medical assistance reimbursements, were \$189,257 lower than budget.

General Fund expenditures were \$2,051,623 over budget, primarily due capital asset additions financed through a \$2.5 million capital lease. The District did not include the proceeds (other financing sources) or the expenditures related to the lease in its budget.

Capital Projects – Building Construction Fund

The District established the Capital Projects – Building Construction Fund in fiscal 2014 to account for the proceeds and capital expenditures related to the issuance of \$24.75 million of general obligation building bonds. The year-end fund balance of \$21,440,826 is restricted for future building construction costs.

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 \$1,222,332, an increase of \$279,284.

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, 2014 and 2013:

Table 6 Capital Assets			
	2014	2013	Increase (Decrease)
Land	\$ 421,200	\$ 421,200	\$ –
Buildings and improvements	64,560,035	64,354,838	205,197
Furniture and equipment	2,513,718	2,341,660	172,058
Construction in progress	5,533,542	–	5,533,542
Less accumulated depreciation	<u>(21,873,227)</u>	<u>(20,558,315)</u>	<u>(1,314,912)</u>
Total	<u>\$ 51,155,268</u>	<u>\$ 46,559,383</u>	<u>\$ 4,595,885</u>
Depreciation expense	<u>\$ 1,375,912</u>	<u>\$ 1,370,628</u>	<u>\$ 5,284</u>

The changes presented in the table above reflect the initial construction as part of the \$24.75 million of general obligation building bonds and \$2.5 million of additions financed through a capital lease.

Long-Term Liabilities

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

Table 7 Outstanding Long-Term Liabilities			
	2014	2013	Increase (Decrease)
General obligation bonds payable	\$ 69,140,000	\$ 46,625,000	\$ 22,515,000
Premiums on bonds payable	993,433	573,605	419,828
Discounts on bonds payable	(33,304)	(35,435)	2,131
Special assessments payable	81,250	93,750	(12,500)
Capital leases payable	2,834,366	215,881	2,618,485
Severance payable	1,175,982	1,187,220	(11,238)
Net pension obligation	<u>319,163</u>	<u>486,549</u>	<u>(167,386)</u>
Total	<u>\$ 74,510,890</u>	<u>\$ 49,146,570</u>	<u>\$ 25,364,320</u>

The District issued \$24.75 million of general obligation building bonds for the betterment of school facilities. The District also entered into a capital lease agreement for the acquisition of computer equipment valued at \$404,183 and a capital lease agreement for an early learning center addition for \$2,458,600.

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	\$ 2,374,607,550
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 356,191,133</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 \$78 per pupil in fiscal year 2014 to \$5,302. The Legislature has added the equivalent of \$105, or 2.0 percent, per pupil to the basic formula allowance for fiscal year 2015.

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.

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 CAFR or need additional financial information, contact the Business Office, Independent School District No. 199, 2990 – 80th Street East, Inver Grove Heights, Minnesota 55076.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Governmental Activities	
	2014	2013
Assets		
Cash and temporary investments	\$ 43,317,133	\$ 16,487,881
Receivables		
Current taxes	6,915,544	6,611,440
Delinquent taxes	154,609	163,185
Accounts and interest receivable	529,133	116,090
Due from other governmental units	3,643,827	4,495,576
Inventory	49,999	53,387
Prepaid items	150,524	156,185
Restricted assets – temporarily restricted		
Cash and investments for other post-employment benefits	10,362,613	9,529,759
Cash and investments for construction	554,934	–
Net other post-employment benefits asset	3,665	72,947
Capital assets		
Not depreciated	5,954,742	421,200
Depreciated, net of accumulated depreciation	45,200,526	46,138,183
Total capital assets, net of accumulated depreciation	51,155,268	46,559,383
Total assets	\$ 116,837,249	\$ 84,245,833
Liabilities		
Salaries payable	\$ 1,698,692	\$ 1,651,504
Accounts and contracts payable	3,636,094	2,222,093
Accrued interest payable	1,292,981	894,175
Due to other governmental units	199,157	150,948
Unearned revenue	595,050	41,561
Long-term liabilities		
Due within one year	3,268,593	2,428,283
Due in more than one year	71,242,297	46,718,287
Total long-term liabilities	74,510,890	49,146,570
Total liabilities	81,932,864	54,106,851
Deferred inflows of resources		
Property taxes levied for subsequent year	11,590,030	8,042,349
Net position		
Net investment in capital assets	8,787,376	8,200,160
Restricted for		
Capital asset acquisition	2,288,436	2,398,205
Debt service	–	103,700
Food service	1,313,759	1,206,290
Community service	58,817	169,237
Other post-employment benefits	1,146,278	574,207
Other purposes (state funding restrictions)	7,724	26,142
Unrestricted	9,711,965	9,418,692
Total net position	23,314,355	22,096,633
Total liabilities, deferred inflows of resources, and net position	\$ 116,837,249	\$ 84,245,833

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Functions/Programs	Expenses	2014		2013	
				Net (Expense)	Net (Expense)
				Revenue and	Revenue and
				Changes in	Changes in
		Program Revenues		Net Position	Net Position
		Charges for	Operating	Governmental	Governmental
		Services	Grants and	Activities	Activities
			Contributions		
Governmental activities					
Administration	\$ 1,692,441	\$ —	\$ —	\$ (1,692,441)	\$ (1,446,535)
District support services	1,367,090	—	—	(1,367,090)	(1,303,225)
Elementary and secondary regular instruction	17,186,229	170,300	549,147	(16,466,782)	(16,646,235)
Vocational education instruction	214,654	—	28,510	(186,144)	(177,379)
Special education instruction	7,214,834	307,058	4,295,997	(2,611,779)	(3,205,311)
Instructional support services	3,100,949	—	429,173	(2,671,776)	(2,287,561)
Pupil support services	3,776,803	92,698	141,565	(3,542,540)	(3,159,001)
Sites and buildings	5,366,312	40,292	—	(5,326,020)	(4,749,324)
Fiscal and other fixed cost programs	122,697	—	—	(122,697)	(154,018)
Food service	1,789,311	817,497	1,065,681	93,867	160,914
Community service	2,192,959	1,379,546	423,572	(389,841)	(410,348)
Unallocated depreciation expense	1,257,548	—	—	(1,257,548)	(1,266,355)
Interest on long-term debt	2,632,077	—	—	(2,632,077)	(2,329,636)
Total governmental activities	<u>\$ 47,913,904</u>	<u>\$ 2,807,391</u>	<u>\$ 6,933,645</u>	(38,172,868)	(36,974,014)
General revenues					
Taxes					
Property taxes, levied for general purposes				4,675,431	7,191,177
Property taxes, levied for community service				261,765	506,407
Property taxes, levied for debt service				4,230,516	4,303,885
General grants and aids				28,483,217	25,919,822
Other general revenues				647,393	408,392
Investment earnings				1,092,268	737,168
Total general revenues				<u>39,390,590</u>	<u>39,066,851</u>
Change in net position				1,217,722	2,092,837
Net position – beginning				<u>22,096,633</u>	<u>20,003,796</u>
Net position – ending				<u>\$ 23,314,355</u>	<u>\$ 22,096,633</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 13,612,923	\$ 22,560,430	\$ 3,741,333
Cash and investments held by trustee	554,934	–	–
Receivables			
Current taxes	3,654,141	–	3,021,793
Delinquent taxes	95,934	–	52,845
Accounts and interest	67,846	414,835	–
Due from other governmental units	3,569,988	–	24,824
Inventory	–	–	–
Prepaid items	149,699	–	–
	<u>\$ 21,705,465</u>	<u>\$ 22,975,265</u>	<u>\$ 6,840,795</u>
Liabilities			
Salaries payable	\$ 1,617,575	\$ –	\$ –
Accounts and contracts payable	2,038,354	1,534,439	–
Due to other governmental units	199,157	–	–
Due to other funds	–	–	–
Unearned revenue	554,934	–	–
Total liabilities	<u>4,410,020</u>	<u>1,534,439</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	5,583,095	–	5,565,618
Unavailable revenue – delinquent taxes	95,934	–	52,845
Total deferred inflows of resources	<u>5,679,029</u>	<u>–</u>	<u>5,618,463</u>
Fund balances			
Nonspendable	149,699	–	–
Restricted	2,283,187	21,440,826	1,222,332
Assigned	4,295,345	–	–
Unassigned	4,888,185	–	–
Total fund balances	<u>11,616,416</u>	<u>21,440,826</u>	<u>1,222,332</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,705,465</u>	<u>\$ 22,975,265</u>	<u>\$ 6,840,795</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2014	2013
\$ 1,606,696	\$ 41,521,382	\$ 14,694,104
–	554,934	–
239,610	6,915,544	6,611,440
5,830	154,609	163,185
46,452	529,133	116,090
49,015	3,643,827	4,495,576
49,999	49,999	53,387
825	150,524	156,185
<u>\$ 1,998,427</u>	<u>\$ 53,519,952</u>	<u>\$ 26,289,967</u>
\$ 81,117	\$ 1,698,692	\$ 1,651,504
63,301	3,636,094	2,222,093
–	199,157	150,948
–	–	85,079
40,116	595,050	41,561
<u>184,534</u>	<u>6,128,993</u>	<u>4,151,185</u>
441,317	11,590,030	8,042,349
5,830	154,609	163,185
<u>447,147</u>	<u>11,744,639</u>	<u>8,205,534</u>
50,824	200,523	209,572
1,315,922	26,262,267	4,683,766
–	4,295,345	4,129,697
–	4,888,185	4,910,213
<u>1,366,746</u>	<u>35,646,320</u>	<u>13,933,248</u>
<u>\$ 1,998,427</u>	<u>\$ 53,519,952</u>	<u>\$ 26,289,967</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2014</u>	<u>2013</u>
Total fund balances – governmental funds	\$ 35,646,320	\$ 13,933,248
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	73,028,495	67,117,698
Accumulated depreciation	(21,873,227)	(20,558,315)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds	(69,140,000)	(46,625,000)
Special assessments payable	(81,250)	(93,750)
Capital leases	(2,834,366)	(215,881)
(Premiums) discounts on bonds	(960,129)	(538,170)
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.		
	10,666,884	9,807,793
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(1,292,981)	(894,175)
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>154,609</u>	<u>163,185</u>
Total net position – governmental activities	<u>\$ 23,314,355</u>	<u>\$ 22,096,633</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, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 4,682,086	\$ –	\$ 4,232,498
Investment earnings	17,171	12,973	3,598
Other	1,269,801	–	–
State sources	32,542,181	–	388
Federal sources	1,372,980	–	–
Total revenue	<u>39,884,219</u>	<u>12,973</u>	<u>4,236,484</u>
Expenditures			
Current			
Administration	1,708,563	–	–
District support services	1,360,469	–	–
Elementary and secondary regular instruction	17,164,911	–	–
Vocational education instruction	212,314	–	–
Special education instruction	7,138,434	–	–
Instructional support services	3,077,640	–	–
Pupil support services	3,838,459	–	–
Sites and buildings	7,867,523	–	–
Fiscal and other fixed cost programs	122,697	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	3,240,255	–
Debt service			
Principal	256,798	–	2,235,000
Interest and fiscal charges	7,220	–	2,301,561
Total expenditures	<u>42,755,028</u>	<u>3,240,255</u>	<u>4,536,561</u>
Excess (deficiency) of revenue over expenditures	(2,870,809)	(3,227,282)	(300,077)
Other financing sources			
Debt issued	–	24,668,108	81,892
Premium on debt issued	–	–	497,469
Capital lease	2,862,783	–	–
Sale of capital assets	4,000	–	–
Total other financing sources	<u>2,866,783</u>	<u>24,668,108</u>	<u>579,361</u>
Net change in fund balances	(4,026)	21,440,826	279,284
Fund balances			
Beginning of year	<u>11,620,442</u>	<u>–</u>	<u>943,048</u>
End of year	<u>\$ 11,616,416</u>	<u>\$ 21,440,826</u>	<u>\$ 1,222,332</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2014	2013
\$ 261,704	\$ 9,176,288	\$ 11,972,988
1,631	35,373	19,222
2,197,043	3,466,844	3,775,555
504,330	33,046,899	29,351,454
984,923	2,357,903	2,433,893
3,949,631	48,083,307	47,553,112
—	1,708,563	1,612,578
—	1,360,469	1,296,135
—	17,164,911	17,142,676
—	212,314	175,070
—	7,138,434	7,483,176
—	3,077,640	2,463,443
—	3,838,459	3,446,495
—	7,867,523	5,582,440
—	122,697	154,018
1,742,822	1,742,822	1,639,183
2,169,621	2,169,621	2,031,991
40,200	3,280,455	5,700
—	2,491,798	2,248,698
—	2,308,781	2,196,515
3,952,643	54,484,487	47,478,118
(3,012)	(6,401,180)	74,994
—	24,750,000	—
—	497,469	—
—	2,862,783	328,539
—	4,000	7,100
—	28,114,252	335,639
(3,012)	21,713,072	410,633
1,369,758	13,933,248	13,522,615
\$ 1,366,746	\$ 35,646,320	\$ 13,933,248

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2014	2013
Total net change in fund balances – governmental funds	\$ 21,713,072	\$ 410,633
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	5,971,797	833,661
Depreciation expense	(1,375,912)	(1,370,628)
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.		
	(27,612,783)	(328,539)
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.		
	859,091	408,890
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	2,235,000	2,055,000
Special assessments payable	12,500	12,500
Capital leases	244,298	181,198
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.		
	(398,806)	22,880
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.		
	(421,959)	(156,001)
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.		
	(8,576)	28,481
Change in net position – governmental activities	<u>\$ 1,217,722</u>	<u>\$ 2,092,837</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 7,108,608	\$ 4,796,388	\$ 4,682,086	\$ (114,302)
Investment earnings	12,500	12,500	17,171	4,671
Other	1,440,250	1,459,058	1,269,801	(189,257)
State sources	29,956,849	32,458,151	32,542,181	84,030
Federal sources	1,504,008	1,296,118	1,372,980	76,862
Total revenue	40,022,215	40,022,215	39,884,219	(137,996)
Expenditures				
Current				
Administration	1,677,689	1,742,265	1,708,563	(33,702)
District support services	1,234,409	1,374,399	1,360,469	(13,930)
Elementary and secondary regular instruction	17,749,098	17,911,012	17,164,911	(746,101)
Vocational education instruction	104,179	104,179	212,314	108,135
Special education instruction	7,534,605	7,251,616	7,138,434	(113,182)
Instructional support services	3,062,577	3,058,577	3,077,640	19,063
Pupil support services	3,432,357	3,465,241	3,838,459	373,218
Sites and buildings	5,556,491	5,421,366	7,867,523	2,446,157
Fiscal and other fixed cost programs	102,000	122,000	122,697	697
Debt service				
Principal	230,000	245,000	256,798	11,798
Interest and fiscal charges	20,000	7,750	7,220	(530)
Total expenditures	40,703,405	40,703,405	42,755,028	2,051,623
Excess (deficiency) of revenue over expenditures	(681,190)	(681,190)	(2,870,809)	(2,189,619)
Other financing sources				
Capital lease	—	—	2,862,783	2,862,783
Sale of capital assets	5,000	5,000	4,000	(1,000)
Transfers in	292,065	292,065	—	(292,065)
Total other financing sources	297,065	297,065	2,866,783	2,569,718
Net change in fund balances	\$ (384,125)	\$ (384,125)	(4,026)	\$ 380,099
Fund balances				
Beginning of year			11,620,442	
End of year			\$ 11,616,416	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2014	2013
Assets		
Current assets		
Cash and temporary investments	\$ 1,795,751	\$ 1,793,777
Due from other funds	–	85,079
Total current assets	1,795,751	1,878,856
Noncurrent assets		
Restricted assets – temporarily restricted		
Cash and cash equivalents	4,362,870	3,905,164
Investments	5,999,743	5,624,595
Total restricted assets – temporarily restricted	10,362,613	9,529,759
Net other-post employment benefits asset	3,665	72,947
Total assets	12,162,029	11,481,562
Liabilities		
Current liabilities		
Severance benefits payable	41,024	74,385
Long-term liabilities		
Severance benefits payable	1,134,958	1,112,835
Net pension obligation	319,163	486,549
Total long-term liabilities	1,454,121	1,599,384
Total liabilities	1,495,145	1,673,769
Net position		
Restricted for other post-employment benefit liabilities	10,366,278	9,687,785
Unrestricted	300,606	120,008
Total net position	\$ 10,666,884	\$ 9,807,793

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2014</u>	<u>2013</u>
Operating revenue		
Charges for services	\$ 862,632	\$ 812,211
Operating expenses		
Severance benefits	30,947	79,935
Pension benefits	299,696	311,137
Other post-employment benefits	729,793	730,195
Total operating expenses	<u>1,060,436</u>	<u>1,121,267</u>
Operating income (loss)	(197,804)	(309,056)
Nonoperating revenues		
Investment earnings	<u>1,056,895</u>	<u>717,946</u>
Change in net position	859,091	408,890
Net position		
Beginning of year	<u>9,807,793</u>	<u>9,398,903</u>
End of year	<u>\$ 10,666,884</u>	<u>\$ 9,807,793</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2014	2013
Cash flows from operating activities		
Receipts from assessments made to governmental funds	\$ 947,711	\$ 812,211
Benefit payments	(1,169,778)	(1,154,205)
Net cash flows from operating activities	(222,067)	(341,994)
Cash flows from investing activities		
Purchase of investments	(3,883,657)	(5,333,048)
Sales and maturities of investments	3,508,509	5,466,182
Interest and dividends on investments	1,056,895	717,946
Net cash flows from investing activities	681,747	851,080
Net change in cash and cash equivalents	459,680	509,086
Cash and cash equivalents		
Beginning of year	5,698,941	5,189,855
End of year	\$ 6,158,621	\$ 5,698,941
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (197,804)	\$ (309,056)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Due from other funds	85,079	—
Net pension obligation	(167,386)	202,612
Net other post-employment benefits asset	69,282	31,595
Severance benefits payable	(11,238)	(267,145)
Net cash flows from operating activities	\$ (222,067)	\$ (341,994)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Employee Benefits Trust Fund	BEST Foundation Agency Fund
Assets		
Cash and temporary investments	\$ 62,369	<u>\$ 1,402,691</u>
Liabilities		
Due to plan participants	41,024	\$ -
Due to fiscal agent	-	42,232
Due to BEST Foundation	-	<u>1,360,459</u>
Total liabilities	<u>41,024</u>	<u>\$ 1,402,691</u>
Net position		
Held in trust for flexible benefits and other purposes	<u>\$ 21,345</u>	

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

	Employee Benefits Trust Fund
Additions	
Plan member contributions	\$ 237,202
Deductions	
Flexible benefits to plan members	<u>228,089</u>
Change in net position	9,113
Net position	
Beginning of year	<u>12,232</u>
End of year	<u>\$ 21,345</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Basic Financial Statements June 30, 2014

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, 2014, the District paid TIES \$762,474 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 financial statements.

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

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

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

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.

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

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, 2014 exceeded budgeted appropriations by \$2,051,623 in the General Fund. The additional expenditures were financed with other financing sources (capital leases) not anticipated in the budget.

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 the Capital Projects – Building Construction Fund and all trust funds are allocated directly to those funds.

Restricted cash and investments include balances held in segregated accounts established for specific purposes. Cash and investments held by trustee in the General Fund represent capital lease proceeds held in an escrow account for future capital project costs. The cash and investments are reported as restricted assets in the government-wide financial statements. In the OPEB Internal Service Fund, restricted assets are reported for assets held in a revocable trust established to finance the District’s liability for post-employment insurance benefits. Earnings from these investments are allocated directly to those funds.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Due from the Minnesota Department of Education	\$ 3,360,054
Due from other Minnesota school districts	104,789
Due from Dakota County and other	<u>178,984</u>
Total due from other governmental units	<u>\$ 3,643,827</u>

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,123,513 of the property tax levy collectible in 2014 as revenue to the District in fiscal year 2013–2014. The remaining portion of the taxes collectible in 2014 is recorded as 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 2014.

R. Use of Estimates

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

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

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

U. 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, 2013, 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.

V. Future Change in Accounting Standards

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 36,290,089
Investments	19,399,637
Petty cash	<u>10,014</u>
Total	<u><u>\$ 55,699,740</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 43,317,133
Temporarily restricted – cash and investments for OPEB	10,362,613
Temporarily restricted – cash and investments for construction	554,934
Statement of Fiduciary Net Position	
Cash and temporary investments – Employee Benefits Trust Fund	62,369
Cash and temporary investments – Agency Fund	<u>1,402,691</u>
Total	<u><u>\$ 55,699,740</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 \$36,290,089, while the balance on the bank records was \$36,266,025. At June 30, 2014, 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. treasury securities	N/A	N/A	\$ –	\$ 550,000	\$ –	\$ –	\$ –	\$ 550,000
U.S. agency securities	AA	S&P	–	–	133,649	–	–	133,649
Corporate obligations	AAA	S&P	–	–	128,751	–	–	128,751
Corporate obligations	AA	S&P	–	–	204,847	–	–	204,847
Corporate obligations	A	S&P	–	228,734	2,087,834	90,216	23,019	2,429,803
Corporate obligations	BBB	S&P	–	–	16,045	–	–	16,045
Corporate obligations	A	Moody's	–	114,215	634,119	20,699	13,162	782,195
Corporate obligations	Baa	Moody's	–	147,167	21,545	–	–	168,712
Corporate obligations	B	Moody's	–	–	47,407	58,699	–	106,106
Negotiable certificates of deposit	N/R	N/A	–	1,494,376	248,502	–	–	1,742,878
Equities	N/R	N/A	2,011,961	N/A	N/A	N/A	N/A	2,011,961
Mortgage backed securities	AAA	S&P	–	–	100,305	–	–	100,305
Real asset mutual funds	N/R	N/A	1,088,807	N/A	N/A	N/A	N/A	1,088,807
Real estate investment trusts	N/A	N/A	22,329	N/A	N/A	N/A	N/A	22,329
Investment pools/mutual funds	N/R	N/R	9,281,780	N/A	N/A	N/A	N/A	9,281,780
Investment pools/mutual funds	AAA	S&P	631,469	N/A	N/A	N/A	N/A	631,469
Total investments								<u>\$ 19,399,637</u>

N/A – Not Applicable

N/R – Not Rated

The amount in investment pools/mutual funds includes \$7,313,110 invested in the MNTrust Investment Shares Portfolio, which is an external investment pool regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The District's investment in this fund 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, 2014 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	–	5,533,542	–	5,533,542
Total capital assets, not depreciated	421,200	5,533,542	–	5,954,742
Capital assets, depreciated				
Buildings and improvements	64,354,838	205,197	–	64,560,035
Furniture and equipment	2,341,660	233,058	(61,000)	2,513,718
Total capital assets, depreciated	66,696,498	438,255	(61,000)	67,073,753
Less accumulated depreciation for				
Buildings and improvements	(18,951,091)	(1,222,628)	–	(20,173,719)
Furniture and equipment	(1,607,224)	(153,284)	61,000	(1,699,508)
Total accumulated depreciation	(20,558,315)	(1,375,912)	61,000	(21,873,227)
Net capital assets, depreciated	46,138,183	(937,657)	–	45,200,526
Total capital assets, net	\$ 46,559,383	\$ 4,595,885	\$ –	\$ 51,155,268

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

Elementary and secondary regular instruction	\$ 9,230
Pupil support services	90,615
Sites and buildings	15,843
Food service	2,676
Unallocated depreciation expense	1,257,548
Total depreciation expense	\$ 1,375,912

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	08/01/2014– 02/01/2026	\$ 27,670,000
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	08/01/2014– 02/01/2017	2,040,000
2011A Alternative Facilities Bonds	02/16/2011	0.50–4.00%	\$ 6,690,000	02/01/2015– 02/01/2026	5,460,000
2014A Building Bonds	02/06/2014	3.00–5.00%	\$ 24,750,000	02/01/2015– 02/01/2033	24,750,000
Total general obligation bonds payable					<u>\$ 69,140,000</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 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.

The District entered into a capital lease agreement for computer equipment. The lease bears an interest rate of 2.85 percent, and requires equal annual payments through July 30, 2015. 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.

The District entered into a capital lease agreement to finance a building addition at Hilltop Elementary School. The lease bears an interest rate of 3.95 percent, and requires equal semiannual payments through January 15, 2029. The addition has been capitalized (currently in construction in progress) at a value of \$2,458,600, equal to the present value of the future lease payments. 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
2015	\$ 2,865,000	\$ 3,004,291	\$ 12,500	\$ 4,469	\$ 350,069	\$ 121,520
2016	2,530,000	2,908,150	12,500	3,782	263,542	95,388
2017	2,630,000	2,805,525	12,500	3,094	133,657	86,413
2018	2,810,000	2,696,958	12,500	1,506	138,988	81,081
2019	2,930,000	2,581,820	12,500	1,719	144,533	75,537
2020–2024	16,620,000	10,947,300	18,750	1,375	996,649	286,464
2025–2029	19,730,000	6,832,180	–	–	806,928	110,657
2030–2033	19,025,000	1,866,262	–	–	–	–
	<u>\$ 69,140,000</u>	<u>\$ 33,642,486</u>	<u>\$ 81,250</u>	<u>\$ 15,945</u>	<u>\$ 2,834,366</u>	<u>\$ 857,060</u>

E. Changes in Long-Term Liabilities

	June 30, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
General obligation bonds payable	\$ 46,625,000	\$ 24,750,000	\$ 2,235,000	\$ 69,140,000	\$ 2,865,000
Premiums	573,605	497,469	77,641	993,433	–
Discounts	(35,435)	–	(2,131)	(33,304)	–
Special assessments payable	93,750	–	12,500	81,250	12,500
Capital leases payable	215,881	2,862,783	244,298	2,834,366	350,069
Severance payable	1,187,220	42,185	53,423	1,175,982	41,024
Net pension obligation (Note 7)	486,549	299,696	467,082	319,163	–
	<u>\$ 49,146,570</u>	<u>\$ 28,452,133</u>	<u>\$ 3,087,813</u>	<u>\$ 74,510,890</u>	<u>\$ 3,268,593</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, 2014, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 49,999	\$ 49,999
Prepaid items	149,699	–	–	825	150,524
Total nonspendable	149,699	–	–	50,824	200,523
Restricted					
Deferred maintenance	1,078,253	–	–	–	1,078,253
Operating capital	1,197,210	–	–	–	1,197,210
Career and technical programs	7,724	–	–	–	7,724
Building construction	–	21,440,826	–	–	21,440,826
General debt service	–	–	1,115,671	–	1,115,671
OPEB bonds debt service	–	–	106,661	–	106,661
Food service	–	–	–	1,263,760	1,263,760
Community education	–	–	–	25,647	25,647
Early childhood and family education	–	–	–	7,712	7,712
School readiness	–	–	–	18,803	18,803
Total restricted	2,283,187	21,440,826	1,222,332	1,315,922	26,262,267
Assigned					
Next year's budget	235,424	–	–	–	235,424
Third party billing	389,921	–	–	–	389,921
Separation and severance	1,350,000	–	–	–	1,350,000
Curriculum adoption	500,000	–	–	–	500,000
Program carryover	45,000	–	–	–	45,000
Other capital projects	1,775,000	–	–	–	1,775,000
Total assigned	4,295,345	–	–	–	4,295,345
Unassigned					
Health and safety restricted account deficit	(126,433)	–	–	–	(126,433)
Unassigned	5,014,618	–	–	–	5,014,618
Total unassigned	4,888,185	–	–	–	4,888,185
Total	\$ 11,616,416	\$ 21,440,826	\$ 1,222,332	\$ 1,366,746	\$ 35,646,320

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance (excluding any restricted account deficits) of 8 percent of the annual projected expenditures. At June 30, 2014, the unassigned fund balance of the General Fund was 12.1 percent of General Fund expenditures budgeted for the subsequent year.

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. The plan does not issue a publically available financial report.

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 these assets are held in a revocable trust, 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	(3,647)
Adjustment to ARC	4,576
Annual OPEB cost (expense)	<u>729,793</u>
Contributions made	<u>660,511</u>
Increase in net OPEB obligation	69,282
Net OPEB asset – beginning of year	<u>(72,947)</u>
Net OPEB asset – end of year	<u><u>\$ (3,665)</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, 2012	\$ (41,387)	\$ 785,356	\$ 848,511	108.0%	\$ (104,542)
June 30, 2013	\$ (104,542)	\$ 730,195	\$ 698,600	95.7%	\$ (72,947)
June 30, 2014	\$ (72,947)	\$ 729,793	\$ 660,511	90.5%	\$ (3,665)

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. The plan does not issue a publically available financial report.

Plan benefits are summarized as follows:

Teacher Pension Benefits – Teachers hired before July 1, 1997 that meet certain years of service and/or age requirements are eligible to receive an additional retirement incentive benefit. Teachers accumulate five days of credit for each full year of service to the District (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	20,678
Adjustment to ARC	(48,168)
Annual pension cost (expense)	<u>299,696</u>
Contributions made	<u>467,082</u>
Increase in net pension obligation	(167,386)
Net pension obligation – beginning of year	<u>486,549</u>
Net pension obligation – end of year	<u><u>\$ 319,163</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, 2012	\$ 168,304	\$ 310,369	\$ 194,736	62.7%	\$ 283,937
June 30, 2013	\$ 283,937	\$ 311,137	\$ 108,525	34.9%	\$ 486,549
June 30, 2014	\$ 486,549	\$ 299,696	\$ 467,082	155.9%	\$ 319,163

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 Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

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

Tier I

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

With these provisions:

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

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 4.0 to 5.4 percent per year.

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

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

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

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

B. Funding Policy

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

The District's contributions for the years ended June 30, 2014, 2013, and 2012 were \$1,208,032, \$1,118,923, and \$1,018,124, 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 increased by 0.5 percent on July 1 of each year of the four-year period, ending in 2014. Beginning July 1, 2014, TRA Coordinated Plan employee and employer contribution rates will each be 7.5 percent.

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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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.

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 2014. In fiscal 2014, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to the GERP for the years ended June 30, 2014, 2013, and 2012 were \$429,735, \$409,864, and \$385,453, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statutes.

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

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established a Flexible Benefit Plan (FBP). The 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 the 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 the FBP during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the FBP, whether or not such contributions have been made.

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

Amounts withheld for medical reimbursement and 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 the FBP and income attributable to that property is solely the property of the FBP and is equal to that of general creditors of the District in an amount equal to the eligible healthcare and 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 payments 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, 2014, 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 payments 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, 2014, the District paid rent of \$247,000 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.

E. Construction Contracts

At June 30, 2014, the District had commitments totaling approximately \$4.3 million under various construction contracts for which the work was not yet completed.

NOTE 11 – SUBSEQUENT EVENTS

A. Refunding Bonds

In July 2014, the District issued \$24,320,000 of General Obligation School Building Refunding Bonds, Series 2014B. The bonds bear interest rates ranging from 4.0 to 5.0 percent, and have a final maturity date of February 1, 2026. The proceeds of the issue will be used to refund, in advance of their stated maturities, the 2016 through 2026 maturities of the District's General Obligation School Building Bonds, Series 2005A, on their August 1, 2015 call date. This crossover refunding will reduce District's future total debt service payments by \$2,259,793, and result in a present value savings of \$1,965,025.

B. Capital Lease – Computer Equipment

In August 2014, the District entered into a capital lease agreement for computer equipment valued at \$319,554. The lease bears an interest rate of 2.65 percent, and requires equal annual payments through July 17, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 199

Required Supplementary Information
Schedules of Funding Progress
June 30, 2014

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, 2014

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 1,342,734	\$ 263,962	\$ 1,606,696
Receivables			
Current taxes	–	239,610	239,610
Delinquent taxes	–	5,830	5,830
Accounts and interest	–	46,452	46,452
Due from other governmental units	28,482	20,533	49,015
Inventory	49,999	–	49,999
Prepaid items	–	825	825
Total assets	<u>\$ 1,421,215</u>	<u>\$ 577,212</u>	<u>\$ 1,998,427</u>
Liabilities			
Salaries payable	\$ 28,799	\$ 52,318	\$ 81,117
Accounts and contracts payable	38,541	24,760	63,301
Unearned revenue	40,116	–	40,116
Total liabilities	<u>107,456</u>	<u>77,078</u>	<u>184,534</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	–	441,317	441,317
Unavailable revenue – delinquent taxes	–	5,830	5,830
Total deferred inflows of resources	<u>–</u>	<u>447,147</u>	<u>447,147</u>
Fund balances			
Nonspendable	49,999	825	50,824
Restricted	1,263,760	52,162	1,315,922
Total fund balances	<u>1,313,759</u>	<u>52,987</u>	<u>1,366,746</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,421,215</u>	<u>\$ 577,212</u>	<u>\$ 1,998,427</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 261,704	\$ 261,704
Investment earnings	1,417	214	1,631
Other	817,497	1,379,546	2,197,043
State sources	80,758	423,572	504,330
Federal sources	984,923	—	984,923
Total revenue	1,884,595	2,065,036	3,949,631
Expenditures			
Current			
Food service	1,742,822	—	1,742,822
Community service	—	2,169,621	2,169,621
Capital outlay	34,304	5,896	40,200
Total expenditures	1,777,126	2,175,517	3,952,643
Net change in fund balances	107,469	(110,481)	(3,012)
Fund balances			
Beginning of year	1,206,290	163,468	1,369,758
End of year	\$ 1,313,759	\$ 52,987	\$ 1,366,746

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 13,612,923	\$ 10,508,823
Cash and investments held by trustee	554,934	–
Receivables		
Current taxes	3,654,141	3,946,584
Delinquent taxes	95,934	102,589
Accounts and interest	67,846	55,535
Due from other governmental units	3,569,988	4,414,550
Prepaid items	<u>149,699</u>	<u>156,185</u>
Total assets	<u><u>\$ 21,705,465</u></u>	<u><u>\$ 19,184,266</u></u>
Liabilities		
Salaries payable	\$ 1,617,575	\$ 1,570,168
Accounts and contracts payable	2,038,354	2,167,570
Due to other governmental units	199,157	120,427
Due to other funds	–	82,868
Unearned revenue	<u>554,934</u>	<u>–</u>
Total liabilities	<u>4,410,020</u>	<u>3,941,033</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	5,583,095	3,520,202
Unavailable revenue – delinquent taxes	<u>95,934</u>	<u>102,589</u>
Total deferred inflows of resources	<u>5,679,029</u>	<u>3,622,791</u>
Fund balances (deficits)		
Nonspendable for prepaid items	149,699	156,185
Restricted for deferred maintenance	1,078,253	1,051,025
Restricted for health and safety	–	83,217
Restricted for operating capital	1,197,210	1,263,963
Restricted for career and technical programs	7,724	14,856
Restricted for employee benefits	–	11,286
Assigned for next year's budget	235,424	384,125
Assigned for third party billing	389,921	211,822
Assigned for separation and severance	1,350,000	1,500,000
Assigned for curriculum adoption	500,000	500,000
Assigned for program carryover	45,000	–
Assigned for other capital projects	1,775,000	1,533,750
Unassigned – health and safety restricted account deficit	(126,433)	–
Unassigned	<u>5,014,618</u>	<u>4,910,213</u>
Total fund balances	<u><u>11,616,416</u></u>	<u><u>11,620,442</u></u>
Total liabilities, deferred inflows resources, and fund balances	<u><u>\$ 21,705,465</u></u>	<u><u>\$ 19,184,266</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 4,796,388	\$ 4,682,086	\$ (114,302)	\$ 7,175,770
Investment earnings	12,500	17,171	4,671	17,256
Other	1,459,058	1,269,801	(189,257)	1,459,821
State sources	32,458,151	32,542,181	84,030	29,116,420
Federal sources	1,296,118	1,372,980	76,862	1,531,247
Total revenue	40,022,215	39,884,219	(137,996)	39,300,514
Expenditures				
Current				
Administration				
Salaries	1,249,223	1,263,750	14,527	1,187,881
Employee benefits	364,643	347,060	(17,583)	336,432
Purchased services	62,652	47,959	(14,693)	39,458
Supplies and materials	15,097	8,347	(6,750)	17,571
Other expenditures	50,650	41,447	(9,203)	31,236
Total administration	1,742,265	1,708,563	(33,702)	1,612,578
District support services				
Salaries	408,853	423,475	14,622	433,866
Employee benefits	150,946	139,349	(11,597)	154,176
Purchased services	470,500	453,851	(16,649)	534,094
Supplies and materials	26,900	21,410	(5,490)	20,590
Capital expenditures	310,000	315,470	5,470	152,883
Other expenditures	7,200	6,914	(286)	526
Total district support services	1,374,399	1,360,469	(13,930)	1,296,135
Elementary and secondary regular instruction				
Salaries	12,480,964	11,680,279	(800,685)	11,796,992
Employee benefits	4,275,389	3,992,384	(283,005)	4,093,722
Purchased services	615,236	702,934	87,698	527,599
Supplies and materials	522,223	769,044	246,821	688,520
Capital expenditures	6,700	6,718	18	14,729
Other expenditures	10,500	13,552	3,052	21,114
Total elementary and secondary regular instruction	17,911,012	17,164,911	(746,101)	17,142,676

(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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	72,498	149,643	77,145	146,069
Employee benefits	21,546	21,709	163	21,011
Purchased services	135	31,610	31,475	810
Supplies and materials	10,000	1,915	(8,085)	7,180
Capital expenditures	—	7,437	7,437	—
Total vocational education instruction	104,179	212,314	108,135	175,070
Special education instruction				
Salaries	4,727,773	4,885,236	157,463	5,039,533
Employee benefits	1,570,708	1,535,306	(35,402)	1,586,018
Purchased services	821,986	611,740	(210,246)	758,314
Supplies and materials	125,149	101,471	(23,678)	92,091
Capital expenditures	6,000	796	(5,204)	7,150
Other expenditures	—	3,885	3,885	70
Total special education instruction	7,251,616	7,138,434	(113,182)	7,483,176
Instructional support services				
Salaries	2,200,434	2,078,023	(122,411)	1,627,604
Employee benefits	431,254	492,033	60,779	463,645
Purchased services	313,539	468,473	154,934	311,882
Supplies and materials	113,350	39,111	(74,239)	56,209
Other expenditures	—	—	—	4,103
Total instructional support services	3,058,577	3,077,640	19,063	2,463,443
Pupil support services				
Salaries	1,156,006	1,214,078	58,072	1,151,475
Employee benefits	342,126	335,652	(6,474)	329,555
Purchased services	1,728,834	2,027,681	298,847	1,697,096
Supplies and materials	141,850	160,867	19,017	174,080
Capital expenditures	95,425	99,425	4,000	93,308
Other expenditures	1,000	756	(244)	981
Total pupil support services	3,465,241	3,838,459	373,218	3,446,495

(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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,231,979	1,292,988	61,009	1,256,981
Employee benefits	395,112	385,695	(9,417)	395,622
Purchased services	1,583,871	1,555,915	(27,956)	1,710,293
Supplies and materials	758,850	601,928	(156,922)	623,612
Capital expenditures	1,409,660	3,992,042	2,582,382	1,595,932
Other expenditures	41,894	38,955	(2,939)	—
Total sites and buildings	5,421,366	7,867,523	2,446,157	5,582,440
Fiscal and other fixed cost programs				
Purchased services	122,000	122,697	697	154,018
Debt service				
Principal	245,000	256,798	11,798	193,698
Interest and fiscal charges	7,750	7,220	(530)	1,179
Total debt service	252,750	264,018	11,268	194,877
Total expenditures	40,703,405	42,755,028	2,051,623	39,550,908
Excess (deficiency) of revenue over expenditures	(681,190)	(2,870,809)	(2,189,619)	(250,394)
Other financing sources				
Capital lease	—	2,862,783	2,862,783	328,539
Sale of capital assets	5,000	4,000	(1,000)	7,100
Transfers in	292,065	—	(292,065)	—
Total other financing sources	297,065	2,866,783	2,569,718	335,639
Net change in fund balances	\$ (384,125)	(4,026)	\$ 380,099	85,245
Fund balances				
Beginning of year		11,620,442		11,535,197
End of year		\$ 11,616,416		\$ 11,620,442

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 1,342,734	\$ 1,241,666
Receivables		
Due from other governmental units	28,482	–
Inventory	<u>49,999</u>	<u>53,387</u>
Total assets	<u><u>\$ 1,421,215</u></u>	<u><u>\$ 1,295,053</u></u>
Liabilities		
Salaries payable	\$ 28,799	\$ 24,923
Accounts and contracts payable	38,541	25,669
Due to other funds	–	821
Unearned revenue	<u>40,116</u>	<u>37,350</u>
Total liabilities	107,456	88,763
Fund balances		
Nonspendable for inventories	49,999	53,387
Restricted for food service	<u>1,263,760</u>	<u>1,152,903</u>
Total fund balances	<u><u>1,313,759</u></u>	<u><u>1,206,290</u></u>
Total liabilities and fund balances	<u><u>\$ 1,421,215</u></u>	<u><u>\$ 1,295,053</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 600	\$ 1,417	\$ 817	\$ 1,718
Other – primarily meal sales	790,113	817,497	27,384	833,016
State sources	75,906	80,758	4,852	74,471
Federal sources	921,409	984,923	63,514	902,646
Total revenue	<u>1,788,028</u>	<u>1,884,595</u>	<u>96,567</u>	<u>1,811,851</u>
Expenditures				
Current				
Salaries	578,365	597,693	19,328	602,608
Employee benefits	192,713	217,480	24,767	217,670
Purchased services	78,200	95,845	17,645	66,519
Supplies and materials	931,690	830,085	(101,605)	750,978
Other expenditures	4,650	1,719	(2,931)	1,408
Capital outlay	25,000	34,304	9,304	–
Total expenditures	<u>1,810,618</u>	<u>1,777,126</u>	<u>(33,492)</u>	<u>1,639,183</u>
Net change in fund balances	<u>\$ (22,590)</u>	107,469	<u>\$ 130,059</u>	172,668
Fund balances				
Beginning of year		<u>1,206,290</u>		<u>1,033,622</u>
End of year		<u>\$ 1,313,759</u>		<u>\$ 1,206,290</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 263,962	\$ 143,903
Receivables		
Current taxes	239,610	287,337
Delinquent taxes	5,830	5,769
Accounts and interest	46,452	60,555
Due from other governmental units	20,533	57,557
Prepaid items	<u>825</u>	<u>—</u>
Total assets	<u><u>\$ 577,212</u></u>	<u><u>\$ 555,121</u></u>
Liabilities		
Salaries payable	\$ 52,318	\$ 56,413
Accounts and contracts payable	24,760	28,854
Due to other governmental units	—	30,521
Due to other funds	—	1,390
Unearned revenue	<u>—</u>	<u>4,211</u>
Total liabilities	<u>77,078</u>	<u>121,389</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	441,317	264,495
Unavailable revenue – delinquent taxes	<u>5,830</u>	<u>5,769</u>
Total deferred inflows of resources	<u>447,147</u>	<u>270,264</u>
Fund balances		
Nonspendable for prepaid items	825	—
Restricted for community education programs	25,647	128,736
Restricted for early childhood family education programs	7,712	15,110
Restricted for school readiness	<u>18,803</u>	<u>19,622</u>
Total fund balances	<u>52,987</u>	<u>163,468</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 577,212</u></u>	<u><u>\$ 555,121</u></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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 232,015	\$ 261,704	\$ 29,689	\$ 504,826
Investment earnings	1,000	214	(786)	–
Other – primarily tuition and fees	1,517,917	1,379,546	(138,371)	1,482,718
State sources	427,523	423,572	(3,951)	159,970
Total revenue	2,178,455	2,065,036	(113,419)	2,147,514
Expenditures				
Current				
Salaries	1,005,373	1,092,782	87,409	920,688
Employee benefits	255,217	299,773	44,556	233,136
Purchased services	823,397	604,482	(218,915)	799,271
Supplies and materials	72,055	68,564	(3,491)	72,355
Other expenditures	6,219	104,020	97,801	6,541
Capital outlay	16,194	5,896	(10,298)	5,700
Total expenditures	2,178,455	2,175,517	(2,938)	2,037,691
Net change in fund balances	\$ –	(110,481)	\$ (110,481)	109,823
Fund balances				
Beginning of year		163,468		53,645
End of year		\$ 52,987		\$ 163,468

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Assets	
Cash and temporary investments	\$ 22,560,430
Receivables	
Accounts and interest	<u>414,835</u>
Total assets	<u><u>\$ 22,975,265</u></u>
Liabilities	
Accounts and contracts payable	\$ 1,534,439
Fund balances	
Restricted for building construction	<u>21,440,826</u>
Total liabilities and fund balances	<u><u>\$ 22,975,265</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Local sources			
Investment earnings	\$ 5,000	\$ 12,973	\$ 7,973
Expenditures			
Capital outlay			
Purchased services	1,417,000	738,537	(678,463)
Capital expenditures	<u>2,680,000</u>	<u>2,501,718</u>	<u>(178,282)</u>
Total expenditures	<u>4,097,000</u>	<u>3,240,255</u>	<u>(856,745)</u>
Excess (deficiency) of revenue over expenditures	(4,092,000)	(3,227,282)	864,718
Other financing sources			
Debt issued	<u>24,668,108</u>	<u>24,668,108</u>	<u>—</u>
Net change in fund balances	<u><u>\$ 20,576,108</u></u>	21,440,826	<u><u>\$ 864,718</u></u>
Fund balances			
Beginning of year		<u>—</u>	
End of year		<u><u>\$ 21,440,826</u></u>	

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INDEPENDENT SCHOOL DISTRICT NO. 199

Debt Service Fund
Balance Sheet
as of June 30, 2014
(With Comparative Totals as of June 30, 2013)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2014	2013
Assets				
Cash and temporary investments	\$ 3,286,523	\$ 454,810	\$ 3,741,333	\$ 2,799,712
Receivables				
Current taxes	2,603,939	417,854	3,021,793	2,377,519
Delinquent taxes	45,655	7,190	52,845	54,827
Due from other governmental units	21,215	3,609	24,824	23,469
Total assets	<u>\$ 5,957,332</u>	<u>\$ 883,463</u>	<u>\$ 6,840,795</u>	<u>\$ 5,255,527</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 4,796,006	\$ 769,612	\$ 5,565,618	\$ 4,257,652
Unavailable revenue – delinquent taxes	45,655	7,190	52,845	54,827
Total deferred inflows of resources	<u>4,841,661</u>	<u>776,802</u>	<u>5,618,463</u>	<u>4,312,479</u>
Fund balances				
Restricted for debt service	<u>1,115,671</u>	<u>106,661</u>	<u>1,222,332</u>	<u>943,048</u>
Total deferred inflows of resources and fund balances	<u>\$ 5,957,332</u>	<u>\$ 883,463</u>	<u>\$ 6,840,795</u>	<u>\$ 5,255,527</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
		Actual		
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total
Revenue				
Local sources				
Property taxes	\$ 4,257,843	\$ 3,613,819	\$ 618,679	\$ 4,232,498
Investment earnings	1,500	3,142	456	3,598
State sources	—	359	29	388
Total revenue	4,259,343	3,617,320	619,164	4,236,484
Expenditures				
Debt service				
Principal	2,235,000	2,235,000	—	2,235,000
Interest	2,126,198	1,512,875	613,323	2,126,198
Fiscal charges and other	175,814	175,363	—	175,363
Total expenditures	4,537,012	3,923,238	613,323	4,536,561
Excess (deficiency) of revenue over expenditures	(277,669)	(305,918)	5,841	(300,077)
Other financing sources				
Debt issued	81,892	81,892	—	81,892
Premium on debt issued	497,469	497,469	—	497,469
Total other financing sources	579,361	579,361	—	579,361
Net change in fund balances	\$ 301,692	273,443	5,841	279,284
Fund balances				
Beginning of year		842,228	100,820	943,048
End of year		\$ 1,115,671	\$ 106,661	\$ 1,222,332

	2013	
Over (Under) Budget	Actual	
\$ (25,345)	\$ 4,292,392	
2,098	248	
388	593	
(22,859)	4,293,233	
—	2,055,000	
—	2,193,536	
(451)	1,800	
(451)	4,250,336	
(22,408)	42,897	
—	—	
—	—	
—	—	
\$ (22,408)	42,897	
	900,151	
	\$ 943,048	

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2014	2013
Assets				
Current assets				
Cash and temporary investments	\$ 1,795,751	\$ –	\$ 1,795,751	\$ 1,793,777
Due from other funds	–	–	–	85,079
Total current assets	1,795,751	–	1,795,751	1,878,856
Noncurrent assets				
Restricted assets – temporarily restricted				
Cash and cash equivalents	–	4,362,870	4,362,870	3,905,164
Investments	–	5,999,743	5,999,743	5,624,595
Total restricted assets – temporarily restricted	–	10,362,613	10,362,613	9,529,759
Net other post-employment benefit asset	–	3,665	3,665	72,947
Total assets	1,795,751	10,366,278	12,162,029	11,481,562
Liabilities				
Current liabilities				
Severance benefits payable	41,024	–	41,024	74,385
Long-term liabilities				
Severance benefits payable	1,134,958	–	1,134,958	1,112,835
Net pension obligation	319,163	–	319,163	486,549
Total long-term liabilities	1,454,121	–	1,454,121	1,599,384
Total liabilities	1,495,145	–	1,495,145	1,673,769
Net position				
Restricted for other post-employment liabilities	–	10,366,278	10,366,278	9,687,785
Unrestricted	300,606	–	300,606	120,008
Total net position	\$ 300,606	\$ 10,366,278	\$ 10,666,884	\$ 9,807,793

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2014	2013
Operating revenue				
Contributions from governmental funds	\$ 509,267	\$ 353,365	\$ 862,632	\$ 812,211
Operating expenses				
Severance benefits	30,947	—	30,947	79,935
Pension benefits	299,696	—	299,696	311,137
Other post-employment benefits	—	729,793	729,793	730,195
Total operating expenses	<u>330,643</u>	<u>729,793</u>	<u>1,060,436</u>	<u>1,121,267</u>
Operating income (loss)	178,624	(376,428)	(197,804)	(309,056)
Nonoperating revenues				
Investment earnings	<u>1,974</u>	<u>1,054,921</u>	<u>1,056,895</u>	<u>717,946</u>
Change in net position	180,598	678,493	859,091	408,890
Net position				
Beginning of year	<u>120,008</u>	<u>9,687,785</u>	<u>9,807,793</u>	<u>9,398,903</u>
End of year	<u>\$ 300,606</u>	<u>\$ 10,366,278</u>	<u>\$ 10,666,884</u>	<u>\$ 9,807,793</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Severance and Pension Benefits Fund	Other Post-Employment Benefits Fund	Totals	
			2014	2013
Cash flows from operating activities				
Receipts from assessments made to governmental funds	\$ 509,267	\$ 438,444	\$ 947,711	\$ 812,211
Benefit payments	(509,267)	(660,511)	(1,169,778)	(1,154,205)
Net cash flows from operating activities	–	(222,067)	(222,067)	(341,994)
Cash flows from investing activities				
Purchases of investments	–	(3,883,657)	(3,883,657)	(5,333,048)
Sales and maturities of investments	–	3,508,509	3,508,509	5,466,182
Interest and dividends on investments	1,974	1,054,921	1,056,895	717,946
Net cash flows from investing activities	1,974	679,773	681,747	851,080
Net change in cash and cash equivalents	1,974	457,706	459,680	509,086
Cash and cash equivalents				
Beginning of year	1,793,777	3,905,164	5,698,941	5,189,855
End of year	\$ 1,795,751	\$ 4,362,870	\$ 6,158,621	\$ 5,698,941
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 178,624	\$ (376,428)	\$ (197,804)	\$ (309,056)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Due from other funds	–	85,079	85,079	–
Net pension obligation	(167,386)	–	(167,386)	202,612
Net other post-employment benefits asset	–	69,282	69,282	31,595
Severance benefits payable	(11,238)	–	(11,238)	(267,145)
Net cash flows from operating activities	\$ –	\$ (222,067)	\$ (222,067)	\$ (341,994)

INDEPENDENT SCHOOL DISTRICT NO. 199

Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2014

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
BEST Foundation				
Assets				
Cash and temporary investments	\$ 1,327,349	\$ 322,519	\$ 247,177	\$ 1,402,691
Liabilities				
Due to fiscal agent	\$ 42,884	\$ 42,232	\$ 42,884	\$ 42,232
Due to BEST Foundation	1,284,465	196,768	120,774	1,360,459
Total liabilities	\$ 1,327,349	\$ 239,000	\$ 163,658	\$ 1,402,691

SECTION III

STATISTICAL SECTION

(UNAUDITED)

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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:

	<u>Page</u>
Financial Trends	72
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	81
These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.	
Debt Capacity	88
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	94
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	98
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			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 9,484,215	\$ 9,599,138	\$ 8,703,834	\$ 5,638,108
Restricted	4,276,132	3,507,716	2,757,107	2,403,846
Unrestricted	1,400,158	(676,123)	(788,222)	(668,081)
Total governmental activities net position	<u>\$15,160,505</u>	<u>\$12,430,731</u>	<u>\$10,672,719</u>	<u>\$ 7,373,873</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 5,096,314	\$ 5,009,958	\$ 4,944,787	\$ 6,978,207	\$ 8,200,160	\$ 8,787,376
2,367,912	3,382,349	3,574,911	4,082,980	4,477,781	4,815,014
<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>9,711,965</u>
<u><u>\$11,921,617</u></u>	<u><u>\$13,703,434</u></u>	<u><u>\$17,030,074</u></u>	<u><u>\$ 20,003,796</u></u>	<u><u>\$22,096,633</u></u>	<u><u>\$23,314,355</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Expenses				
Administration	\$ 1,476,669	\$ 1,744,068	\$ 1,568,141	\$ 1,267,400
District support services	960,767	969,215	1,028,908	1,026,514
Elementary and secondary regular instruction	14,925,614	16,438,321	15,941,838	16,638,409
Vocational education instruction	132,070	160,949	213,260	411,009
Special education instruction	6,798,512	7,189,364	7,738,399	8,388,707
Instructional support services	2,036,782	2,557,678	2,315,947	2,370,339
Pupil support services	2,861,403	2,935,944	2,861,214	2,971,179
Sites and buildings	3,673,839	4,743,900	7,337,423	8,226,708
Fiscal and other fixed cost programs	172,638	170,317	168,440	102,736
Food service	1,668,026	1,622,843	1,682,282	1,678,391
Community service	1,890,187	1,833,799	2,000,399	2,021,807
Unallocated depreciation	654,740	640,108	593,763	690,032
Interest on long-term debt	777,574	2,005,456	1,757,200	1,715,119
Total governmental activities expenses	38,028,821	43,011,962	45,207,214	47,508,350
Program revenues				
Charges for services				
Administration and district support services	48,460	41,867	49,564	3,849
Elementary and secondary regular instruction	146,467	177,424	16,040	169,842
Special education instruction	631,040	601,019	492,229	328,464
Pupil support services	39,305	32,798	219,827	143,485
Sites and buildings	141,791	180,364	161,876	188,387
Food service	1,071,400	1,019,316	1,043,878	980,081
Community service	1,453,798	1,570,873	1,399,290	1,488,458
Operating grants and contributions	6,181,590	6,186,655	5,846,537	6,622,615
Capital grants and contributions	—	—	—	—
Total governmental activities program revenues	9,713,851	9,810,316	9,229,241	9,925,181
Net (expense) revenue	(28,314,970)	(33,201,646)	(35,977,973)	(37,583,169)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	4,842,108	3,640,097	6,030,960	6,374,827
Property taxes, levied for community service	381,960	133,702	311,020	216,873
Property taxes, levied for debt service	1,301,087	391,896	2,344,447	2,548,573
General grants and aids	21,971,430	24,040,267	23,347,968	24,160,613
Other general revenues	330,115	424,092	466,095	308,398
Investment earnings (loss)	556,395	1,741,818	1,719,471	675,039
Total general revenues and other changes in net position	29,383,095	30,371,872	34,219,961	34,284,323
Change in net position	\$ 1,068,125	\$ (2,829,774)	\$ (1,758,012)	\$ (3,298,846)

2009	2010	2011	2012	2013	2014
\$ 1,568,100	\$ 1,410,292	\$ 1,413,246	\$ 1,571,141	\$ 1,446,535	\$ 1,692,441
1,028,899	996,250	951,640	1,063,783	1,303,225	1,367,090
16,499,940	16,389,973	16,281,999	16,436,834	17,460,869	17,186,229
392,126	389,560	324,273	174,094	177,379	214,654
7,398,059	7,313,624	7,577,765	7,396,600	7,562,831	7,214,834
2,541,338	2,361,213	2,499,693	2,480,524	2,481,273	3,100,949
3,189,324	3,293,788	3,420,588	3,302,748	3,445,482	3,776,803
5,583,255	4,511,048	4,599,496	4,911,665	4,878,372	5,366,312
80,594	86,525	90,121	78,415	154,018	122,697
1,690,081	1,716,313	1,708,253	1,766,823	1,648,479	1,789,311
2,120,802	2,240,630	2,215,072	1,942,620	2,052,248	2,192,959
1,137,350	1,130,667	1,128,902	1,137,795	1,266,355	1,257,548
1,931,424	2,253,696	2,211,874	2,190,369	2,329,636	2,632,077
45,161,292	44,093,579	44,422,922	44,453,411	46,206,702	47,913,904
—	—	—	—	—	—
157,396	144,052	165,337	176,353	173,884	170,300
590,234	429,820	312,294	260,796	287,407	307,058
164,525	147,858	192,874	153,817	153,669	92,698
175,842	161,396	161,895	168,303	129,048	40,292
1,007,980	953,106	868,675	844,226	832,278	817,497
1,451,597	1,522,329	1,544,349	1,382,837	1,476,055	1,379,546
5,642,691	6,286,933	6,416,700	6,591,869	6,180,347	6,933,645
—	—	—	127,140	—	—
9,190,265	9,645,494	9,662,124	9,705,341	9,232,688	9,741,036
(35,971,027)	(34,448,085)	(34,760,798)	(34,748,070)	(36,974,014)	(38,172,868)
7,349,291	6,928,603	9,562,072	7,155,582	7,191,177	4,675,431
215,590	322,935	534,266	444,587	506,407	261,765
2,664,904	3,360,096	3,397,061	4,073,847	4,303,885	4,230,516
24,939,865	24,903,135	22,943,298	25,739,132	25,919,822	28,483,217
410,537	518,200	375,119	558,391	408,392	647,393
542,895	196,933	1,275,622	(249,747)	737,168	1,092,268
36,123,082	36,229,902	38,087,438	37,721,792	39,066,851	39,390,590
\$ 152,055	\$ 1,781,817	\$ 3,326,640	\$ 2,973,722	\$ 2,092,837	\$ 1,217,722

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax			
	General Purpose	Community Service	Debt Service	Total
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
2014	4,675,431	261,765	4,230,516	9,167,712

Note: Legislative changes in the “tax shift” impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. These changes were offset by an adjustment to state aid payments of an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved	\$ 3,511,886	\$ 2,579,813	\$ 2,277,612	\$ 2,094,736
Unreserved	2,903,381	2,914,956	2,989,523	2,724,191
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	<u>\$ 6,415,267</u>	<u>\$ 5,494,769</u>	<u>\$ 5,267,135</u>	<u>\$ 4,818,927</u>
All other governmental funds				
Reserved	\$ 7,304,816	\$ 654,956	\$ 579,176	\$ 502,077
Unreserved, reported in				
Special revenue funds	988,125	962,888	671,948	699,750
Capital projects funds	—	31,541,268	11,109,687	2,273,852
Debt service funds	686,172	306,832	347,678	498,963
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Unassigned, reported in				
Special revenue funds	—	—	—	—
Total all other governmental funds	<u>\$ 8,979,113</u>	<u>\$ 33,465,944</u>	<u>\$ 12,708,489</u>	<u>\$ 3,974,642</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.

2009	2010	2011	2012	2013	2014
\$ 1,103,635	\$ 2,145,632	\$ —	\$ —	\$ —	\$ —
4,801,090	5,774,808	—	—	—	—
—	—	96,952	132,061	156,185	149,699
—	—	1,694,849	2,732,525	2,424,347	2,283,187
—	—	3,477,118	3,587,226	4,129,697	4,295,345
—	—	4,722,067	5,083,385	4,910,213	4,888,185
<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>	<u>\$ 11,616,416</u>
\$ 342,687	\$ 117,264	\$ —	\$ —	\$ —	\$ —
783,702	949,039	—	—	—	—
193,387	166,822	—	—	—	—
590,200	623,086	—	—	—	—
—	—	38,024	38,159	53,387	50,824
—	—	4,272,215	1,949,259	2,259,419	23,979,080
—	—	(15,201)	—	—	—
<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>	<u>\$ 24,029,904</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Local sources				
Taxes	\$ 6,515,876	\$ 4,180,980	\$ 8,672,109	\$ 9,108,006
Investment earnings	524,619	1,676,304	1,637,890	606,139
Other	3,906,782	4,047,754	3,848,799	3,841,302
State sources	26,152,864	28,287,342	27,297,876	28,745,668
Federal sources	1,955,750	1,939,579	1,896,629	1,807,223
Total revenues	39,055,891	40,131,959	43,353,303	44,108,338
Expenditures				
Current				
Administration	1,488,699	1,475,273	1,640,986	1,448,291
District support services	957,265	958,308	1,031,478	1,067,131
Elementary and secondary regular instruction	15,564,164	15,203,414	15,438,015	16,281,280
Vocational education instruction	132,070	160,949	213,260	411,009
Special education instruction	6,924,290	7,252,145	7,762,976	8,401,644
Instructional support services	2,042,778	2,556,829	2,311,834	2,418,803
Pupil support services	2,799,914	2,996,724	2,878,685	2,955,188
Sites and buildings	3,687,982	4,789,336	4,796,627	4,882,944
Fiscal and other fixed cost programs	172,638	170,317	168,440	102,736
Food service	1,614,168	1,599,683	1,634,090	1,678,522
Community service	1,878,801	1,835,889	1,873,041	2,006,623
Capital outlay	88,981	2,568,122	22,083,398	9,121,987
Debt service				
Principal	1,093,187	643,917	724,855	823,611
Interest and fiscal charges	774,662	1,598,826	1,780,707	1,750,502
Total expenditures	39,219,599	43,809,732	64,338,392	53,350,271
Excess of revenues over (under) expenditures	(163,708)	(3,677,773)	(20,985,089)	(9,241,933)
Other financing sources (uses)				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Sale of capital assets	—	—	—	29,878
Bonds issued	—	33,000,000	—	—
Capital leases	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)	49,000	27,244,106	—	29,878
Net change in fund balances	\$ (114,708)	\$ 23,566,333	\$ (20,985,089)	\$ (9,212,055)
Debt service as a percentage of noncapital expenditures	4.8%	5.4%	5.9%	5.8%

2009	2010	2011	2012	2013	2014
\$ 10,196,250	\$ 10,609,388	\$ 13,453,639	\$ 11,728,856	\$ 11,972,988	\$ 9,176,288
162,672	27,024	30,196	9,663	19,222	35,373
4,229,261	4,247,921	3,905,729	3,894,796	3,775,555	3,466,844
28,146,841	25,781,668	26,081,228	29,195,998	29,351,454	33,046,899
2,164,565	5,037,240	2,993,584	2,912,070	2,433,893	2,357,903
44,899,589	45,703,241	46,464,376	47,741,383	47,553,112	48,083,307
1,950,035	1,381,411	1,369,667	1,506,391	1,612,578	1,708,563
1,160,932	982,611	944,729	1,058,242	1,296,135	1,360,469
21,084,417	16,383,527	16,057,579	16,202,886	17,142,676	17,164,911
486,383	383,786	320,750	172,127	175,070	212,314
9,038,200	7,159,504	7,491,184	7,328,521	7,483,176	7,138,434
3,135,025	2,331,760	2,474,662	2,456,551	2,463,443	3,077,640
3,633,832	3,259,511	3,411,187	3,316,172	3,446,495	3,838,459
5,440,052	4,468,467	4,569,602	5,850,073	5,582,440	7,867,523
80,594	86,525	90,121	78,415	154,018	122,697
1,849,531	1,646,175	1,642,749	1,679,588	1,639,183	1,742,822
2,440,545	2,164,896	2,177,391	1,923,328	2,031,991	2,169,621
2,162,373	106,699	4,261,912	2,530,042	5,700	3,280,455
1,172,424	1,222,782	1,548,894	2,331,479	2,248,698	2,491,798
1,739,514	2,327,376	2,280,597	2,280,768	2,196,515	2,308,781
55,373,857	43,905,030	48,641,024	48,714,583	47,478,118	54,484,487
(10,474,268)	1,798,211	(2,176,648)	(973,200)	74,994	(6,401,180)
—	—	165,890	—	—	—
—	—	(165,890)	—	—	—
17,600	13,835	4,500	5,500	7,100	4,000
9,220,000	—	10,635,000	—	—	24,750,000
380,000	149,904	—	204,291	328,539	2,862,783
—	—	172,018	—	—	497,469
(92,200)	—	(40,497)	—	—	—
—	—	(4,085,000)	—	—	—
9,525,400	163,739	6,686,021	209,791	335,639	28,114,252
\$ (948,868)	\$ 1,961,950	\$ 4,509,373	\$ (763,409)	\$ 410,633	\$ 21,713,072
5.5%	8.1%	8.6%	10.2%	9.5%	9.9%

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax				Total
	General Fund	Community Service Special Revenue Fund	Debt Service Fund		
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
2014	4,682,086	261,704	4,232,498		9,176,288

Note: Legislative changes in the “tax shift” impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. These changes were offset by an adjustment to state aid payments of an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 199

Tax Capacities and Estimated Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacities			
	Agricultural	Non-Agricultural	Fiscal Disparities	
			Contribution	Distribution
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
2014	89,149	27,491,499	(3,620,945)	3,177,462

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

Source: School Tax Report from the Minnesota Department of Education

<u>Tax Increment</u>		<u>Total</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value</u>	<u>Percentage Total Tax Capacity of Estimated Market Value</u>
\$	(1,367,636)	\$ 24,624,171	7.793	\$ 2,220,321,700	1.11 %
	(2,010,301)	27,837,925	17.796	2,554,381,600	1.09
	(2,206,874)	30,470,652	16.607	2,791,586,500	1.09
	(2,402,315)	31,796,238	19.764	2,885,381,800	1.10
	(2,494,099)	32,353,088	19.303	2,910,481,100	1.11
	(2,380,830)	30,307,068	21.795	2,697,857,700	1.12
	(2,112,612)	29,025,506	24.679	2,541,648,200	1.14
	(1,969,109)	26,536,988	28.363	2,483,223,500	1.07
	(1,872,808)	24,971,711	27.556	2,350,262,850	1.06
	(1,631,509)	25,505,656	33.418	2,374,607,550	1.07

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INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

<u>Tax Collection Year</u>	<u>ISD No. 199</u>	<u>City of Inver Grove Heights</u>	<u>Dakota County</u>	<u>Other</u>	<u>Total</u>
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
2014	33.418	46.128	31.827	4.993	116.366

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

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

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

Source: Dakota County Auditor

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Property	2014		
		Tax Capacity	Rank	Percentage of Total Tax Capacity
Flint Hills Resources LP (aka Great Northern Oil Company)	Industrial	\$ 2,291,583	1	8.31 %
Xcel Energy	Utility	1,198,132	2	4.34
ML MASA IV LP	Apartments	457,731	3	1.66
PHM Inver Grove, Inc.	Apartments	337,874	4	1.23
Lake Cove Village Apartments	Apartments	335,105	5	1.22
Vansouth Limited Partnership	Distribution center	284,646	6	1.03
Salem Green Limited Partnership	Apartments	252,178	7	0.91
Farmers Union Central Exchange	Farm supplies/services	248,314	8	0.90
Brentwood Hills Limited Partnership	Apartments	229,321	9	0.83
Pearlwood Estates Limited	Apartments	209,303	10	0.76
Koch Refining Company (aka Flint Hills Resources)	Refining	—	—	—
Private individual	Apartments	—	—	—
Total		<u>\$ 5,844,187</u>		<u>21.19 %</u>

Source: Dakota County

2005			
Tax Capacity	Rank	Percentage of Total Tax Capacity	
\$ 1,058,790	1	4.08	%
997,814	2	3.84	
368,750	3	1.42	
339,072	5	1.31	
337,568	6	1.30	
209,348	9	0.81	
225,000	8	0.87	
274,670	7	1.06	
—	—	—	
—	—	—	
367,873	4	1.42	
193,750	10	0.75	
<u>\$ 4,372,635</u>		<u>16.86</u>	<u>%</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
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	119,273	10,411,624	99.79
2009	10,645,460	10,504,703	98.68	133,719	10,638,422	99.93
2010	11,129,562	10,980,962	98.66	138,887	11,119,849	99.91
2011	11,565,988	11,423,540	98.77	125,718	11,549,258	99.86
2012	12,066,839	11,932,610	98.89	93,996	12,026,606	99.67
2013	11,821,440	11,689,887	98.89	72,143	11,762,030	99.50
2014	(1) 12,713,543	N/A	N/A	N/A	N/A	N/A

N/A – Not Applicable

- (1) Only a portion of the calendar year 2014 taxes are collected by June 30, 2014. A total of \$5,797,999 of 2014 taxes were collected by June 30, 2014.

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		
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
2014	69,140,000	2,834,366	81,250	72,055,616	6.05	2,108

(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
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
2014	69,140,000	1,222,332	67,917,668	2,374,607,550	2.86

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>
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
34,189	1,987

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INDEPENDENT SCHOOL DISTRICT NO. 199

Direct and Overlapping Debt
June 30, 2014

<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	\$ 69,140,000	100.00 %	\$ 69,140,000
Overlapping debt			
Dakota County	42,730,000	6.33	2,702,972
City of Inver Grove Heights	28,530,069	71.59	20,424,619
City of Rosemount	13,715,000	7.39	1,014,032
City of South St. Paul	7,747,500	0.80	61,965
Metropolitan Council	196,680,000	0.72	1,424,553
Total overlapping debt			<u>25,628,141</u>
Total direct and overlapping debt			<u>\$ 94,768,141</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			
	2005	2006	2007	2008
Debt limit	\$ 333,048,255	\$ 383,157,240	\$ 418,737,975	\$ 432,807,270
Total net debt applicable to limit	6,439,410	39,498,168	38,757,322	37,811,037
Legal debt margin	<u>\$ 326,608,845</u>	<u>\$ 855,178,153</u>	<u>\$ 379,980,653</u>	<u>\$ 394,996,233</u>
Total net debt applicable to the limit as a percentage of debt limit	1.93%	10.31%	9.26%	8.74%

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

2009	2010	2011	2012	2013	2014
\$ 436,572,165	\$ 404,678,655	\$ 381,247,230	\$ 372,483,525	\$ 352,539,428	\$ 356,191,133
45,939,800	44,756,914	49,809,221	47,779,849	45,681,952	67,917,668
<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>	<u>\$ 288,273,465</u>
10.52%	11.06%	13.06%	12.83%	12.96%	19.07%

Legal Debt Margin Calculation for Fiscal Year 2014

Market value	\$ 2,374,607,550
Debt limit (15% of market value)	356,191,133
Debt applicable to limit	
General obligation bonds	69,140,000
Less amount set aside for repayment of general obligation debt	<u>(1,222,332)</u>
Total net debt applicable to limit	<u>67,917,668</u>
Legal debt margin	<u>\$ 288,273,465</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Inver Grove Heights (1)				School Enrollment
	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	
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	3,770
2012	33,774	1,170,302,874	34,651	6.2	3,770
2013	33,774	1,159,022,358	34,317	5.3	3,795
2014	34,189	1,190,529,358	34,822	4.7	3,855

(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 Nine Years Ago

Employer	2014		
	Employees	Rank	Percentage of Total City Employment
Cenex/CHS Cooperatives	880	1	9.01 %
City of Inver Grove Heights	600	2	6.14
Independent School District No. 199	451	3	4.62
Inver Hills Community College	425	4	4.35
Gertens	400	5	4.10
Travel Tags	315	6	3.22
Evergreen Industries	300	7	3.07
Total Construction	250	8	2.56
Wal-Mart	220	9	2.25
Cub Foods	160	10	1.64
Allied Waste Services (aka BFI Waste Services)	—		—
Southview Chevrolet	—		—
Iner Grove Ford	—		—
Total	4,001		40.96 %

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
472	2	2.35
343	4	1.72
—	—	—
350	3	1.76
300	5	1.50
—	—	—
270	6	1.36
—	—	—
140	7	0.70
135	8	0.68
100	10	0.50
<u>3,240</u>		<u>16.24 %</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
District directors/superintendent	1	1	1	1	1	1	1	1	1	1
Principals	7	7	7	7	7	7	7	8	9	9
Teachers	256	257	255	254	248	240	232	228	239	245
Coordinators, supervisors, specialists, and technical support	48	48	48	48	47	46	46	46	44	43
Paraprofessionals	79	79	81	83	84	84	86	88	88	85
Food service	28	27	27	22	24	24	23	23	22	22
Custodians	26	26	26	25	23	23	23	23	24	27
Community education leads and assistants	27	24	24	24	24	24	24	25	20	19
Total	472	469	469	464	458	449	442	442	447	451

- (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			
	2005	2006	2007	2008
Standardized tests				
MCA reading (1)				
Grade 3	81 %	81 %	82 %	76 %
Grade 5	83	83	78	81
Grade 7	74	74	67	59
Grade 10	85	85	73	74
MCA math (1)				
Grade 3	79	79	76	75
Grade 5	82	82	64	73
Grade 7	75	75	60	61
Grade 11	88	88	44	51
ACT				
Average composite score	21.5	21.5	22.3	22.7
Graduation data				
District graduation rates	97	97	97	97
State graduation rate	90	90	N/A	N/A
Post graduation student survey				
Four-year college/university	48	48	47	52
Two-year college	19	19	27	25
Vocational/technical college	16	16	16	15
Employment	7	7	5	2
Military	3	3	2	1
No response/undecided	7	7	3	5
	100 %	100 %	100 %	100 %

N/A – Not Available

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

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

2009	2010	2011	2012	2013	2014
82 %	72 %	81 %	81 %	59 %	61 %
81	80	89	79	71	72
58	66	75	73	58	44
33	76	74	74	56	62
81	77	78	81	77	75
69	68	68	63	67	72
60	69	58	54	64	46
50	48	56	42	52	51
23.1	23.4	22.6	23.6	23.4	23.8
98	97	95	85	89	90
N/A	N/A	N/A	77	N/A	N/A
50	47	51	55	57	51
28	23	27	30	23	33
14	11	7	4	5	4
1	3	4	1	4	5
3	5	3	4	4	3
4	11	8	6	7	4
100 %	100 %	100 %	100 %	100 %	100 %

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INDEPENDENT SCHOOL DISTRICT NO. 199

School Facilities
as of June 30, 2014

<u>Facility</u>	<u>Year Constructed</u>	<u>Years of Addition</u>	<u>Grades Housed</u>	<u>Square Footage</u>
Simley High School	1971	1998	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 2014	K–5	92,793
Pine Bend Elementary School	1958	1960 1991 2009	K–5	73,425
Salem Hills Elementary School	1953	1964 1986 1987 1988 2009 2014	K–5	56,206

Source: The District's Buildings and Grounds Department

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2005	2006	2007	2008
Administration	\$ 390	\$ 391	\$ 430	\$ 387
District support services	251	254	271	285
Elementary and secondary regular instruction	4,073	4,028	4,049	4,351
Vocational education instruction	35	43	56	110
Special education instruction	1,812	1,922	2,036	2,245
Instructional support services	535	677	606	646
Pupil support services	733	794	755	790
Sites and buildings	965	1,269	1,258	1,305
Fiscal and other fixed cost programs	45	45	44	27
Food service	422	424	429	449
Community service	492	486	491	536
Capital outlay	23	680	5,792	2,438
Debt service	489	594	657	688
Total expenditures	<u>\$ 10,264</u>	<u>\$ 11,608</u>	<u>\$ 16,873</u>	<u>\$ 14,257</u>
Average daily membership	<u>3,821</u>	<u>3,774</u>	<u>3,813</u>	<u>3,742</u>

Note: Includes all governmental fund expenditures.

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

2009	2010	2011	2012	2013	2014
\$ 512	\$ 357	\$ 363	\$ 400	\$ 425	\$ 443
305	254	251	281	342	353
5,531	4,237	4,259	4,298	4,517	4,453
128	99	85	46	46	55
2,371	1,851	1,987	1,944	1,972	1,852
822	603	656	652	649	798
953	843	905	880	908	996
1,427	1,156	1,212	1,552	1,471	2,041
21	22	24	21	41	32
485	426	436	446	432	452
640	570	578	510	535	563
567	17	1,130	671	2	851
764	918	1,016	1,223	1,171	1,245
<u>\$ 14,526</u>	<u>\$ 11,354</u>	<u>\$ 12,902</u>	<u>\$ 12,922</u>	<u>\$ 12,511</u>	<u>\$ 14,133</u>
<u>3,812</u>	<u>3,867</u>	<u>3,770</u>	<u>3,770</u>	<u>3,795</u>	<u>3,855</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	
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	83.65	252.92	1,745.84	1,712.86	3,795.27	4,373.86
2014	76.62	281.67	1,747.31	1,749.79	3,855.39	4,431.97

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 2005 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	1.115	1.060	1.300

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	
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
2014	229,536	31,177	163,363	424,076	2,417

Year Ended June 30,	Student Regular Lunch Prices			
	Regular Priced Lunches		Reduced Price Lunches	Adult Lunches
	Elementary	Secondary		
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
2014	1.80	1.90/1.95	0.40	3.35

Source: The District's Food Service Department

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