



Independent School District No. 877 2017-2018 End of Year Financial Report School Board Workshop – Oct. 8, 2018

This document recaps the district's preliminary financial results for the year ended June 30, 2018. The General Fund's final revenues and expenditures came in more favorably than budgeted. The Food Service Fund showed a decrease from operations and Community Service Funds showed an increase in fund balance. The Building Construction Fund shows project payout slower than the projection at year end. The district is, again, required to show the cumulative balance for new retiree insurance contributions held in irrevocable trusts.

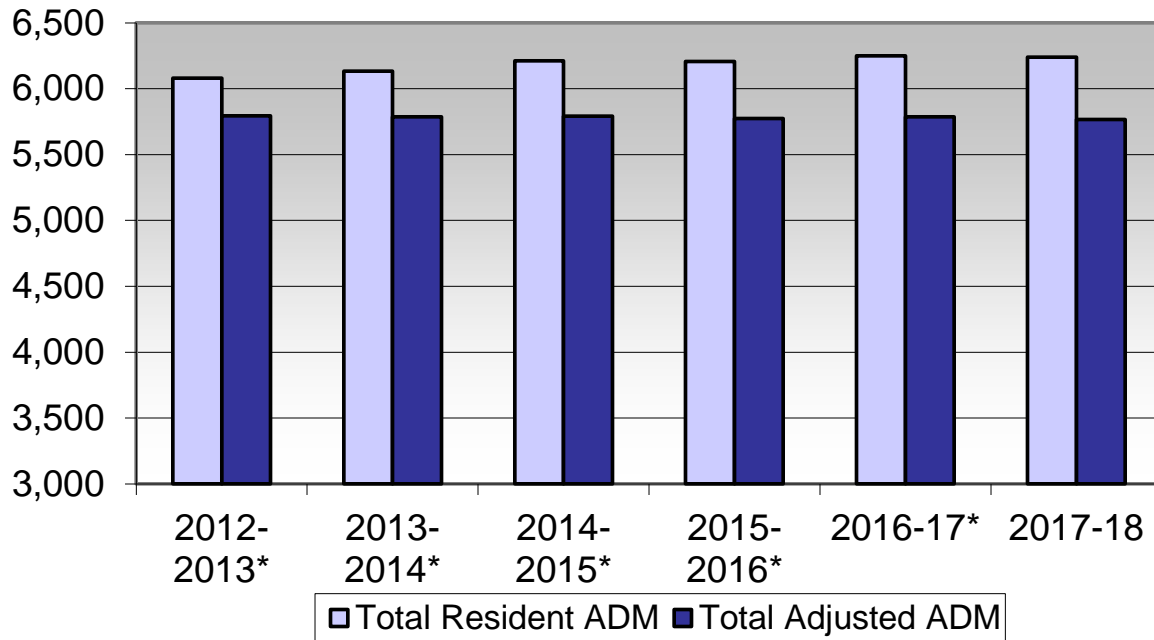
Average Daily Membership

Resident ADM includes all resident students who are enrolled in the district, educated in another district for which tuition is paid, or attending another district under enrollment options. Adjusted ADM includes resident students attending the district, nonresident enrollment option students, and nonresident tuition students. History shows that we tend to service fewer students than reside in our community. We saw our resident ADM totals decrease. Our total adjusted ADM decreased slightly from last year. This decrease comes after a slight increase last year.

	2012-13*	2013-14*	2014-15*	2015-16*	2016-17*	2017-18
Total Resident ADM	6,081	6,134	6,212	6,206	6,251	6,240
Total Adjusted ADM	5,795	5,787	5,791	5,774	5,786	5,766

*Source: *School District Profiles*

Average Daily Membership



*Source: School District Profiles

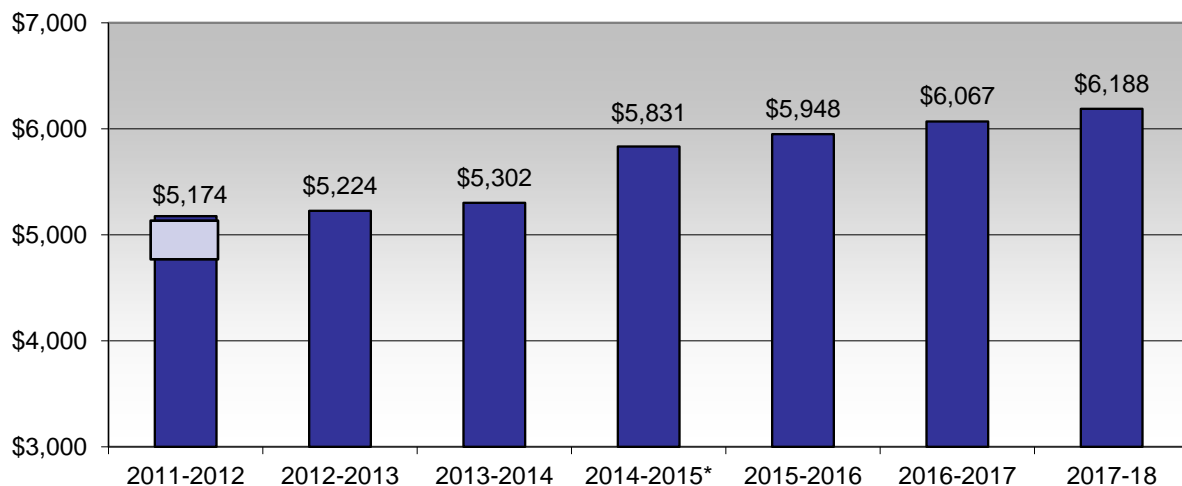
General Education Revenue

The largest source of revenue for the district is basic General Education Revenue. Total basic General Education Revenue is calculated by multiplying the formula allowance by the number of pupil units for which a school is entitled. Pupil units are calculated using a weighting system applied to the average daily membership (WADM's). During the 2009 Legislative session, the basic General Education formula was frozen for the next two years. In addition, part of the 2009-2010 basic General Education formula was back-filled with federal stabilization dollars. The legislature did increase the formula by about 1% for 2011-12 and 2012-13, 1.49% for 2013-14, 1.5% for 2014-15, 2.01% for 2015-16, 2.00% for 2016-17, and 1.99% for 2017-18.

	2012-2013	2013-14	2014-15*	2015-16	2016-17	2017-18
General Education Formula Allowance	\$5,224	\$5,302	\$ 5,831	\$ 5,948	\$ 6,067	\$ 6,188
Percent Increase From Prior Year	0.97%	1.49%	9.98%	2.01%	2.00%	1.99%

*The 2013 Legislature changed pupil unit weighting and increased the formula. The net increase in \$ per student was \$79 or 1.5%

General Education Aid Per Pupil



*The 2013 Legislature changed pupil unit weighting and increased the formula. The net increase in \$ per student was \$79 or 1.5%

Independent School District No. 877 2017-2018 End of Year Financial Report School Board Workshop – Oct. 8, 2018

General Fund - Revenue

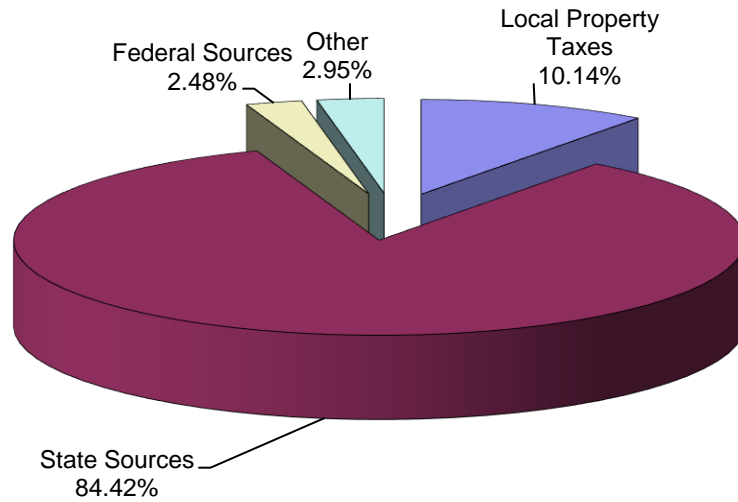
In the General Fund, revenues net of other funding sources came in over budget by \$126,584, which is a .2% variance. We recognized more tax revenue than anticipated due to a change in total state aid credits. We saw more special education aid than anticipated for the current year and from the final payout for last year. General education revenue came in slightly below budget. Federal revenue was down when compared to budgeted totals due to lower expenditure totals. Most federal programs planned to carryover over entitlements from this year to next year in anticipation of lower entitlement projections for 2018-19.

In comparison to last year, total General Fund revenue net of other funding sources increased by \$1,904,359. Revenue from Local Property Taxes was higher by \$444,665 due to the increase in the Long-Term Facility Maintenance program, and the shift in state aid credits causing an early recognition of levy revenue. Revenue from state sources was higher by \$1,532,414 due to an increase in the general education revenue formula, higher special education aid, and the increase in aid from the second year of the LTFM program. Revenue from Federal Sources increased \$153,502 due to higher entitlements and use of carryover funds. We also had to reclassify E-rate funds to a federal source rather than a local source. Local sources decreased \$226,223 primarily from the reclassification of the E-rate funds, lower due from other districts for shared staff that were hired in-house this year, increased interest earnings, lower third party billing collections, and a decrease in donations.

	2017-2018				
	2016-2017	Revised	2017-2018	\$ Budget	% Budget
	Actual	Budget	Actual	Variance	Variance
Revenue					
Local Property Taxes	\$6,083,981	\$6,372,211	\$6,528,647	\$156,436	2.45%
State Sources	\$52,807,290	\$54,136,174	\$54,339,704	\$203,530	0.38%
Federal Sources	\$1,445,879	\$1,774,980	\$1,599,381	(\$175,599)	-9.89%
Other	\$2,125,451	\$1,957,012	\$1,899,229	(\$57,783)	-2.95%
Total	\$62,462,602	\$64,240,377	\$64,366,961	\$126,584	0.20%

***Independent School District No. 877
2017-2018 End of Year Financial Report
School Board Workshop – Oct. 8, 2018***

2017-2018 General Fund Revenue By Source



Independent School District No. 877

2017-2018 End of Year Financial Report

School Board Workshop – Oct. 8, 2018

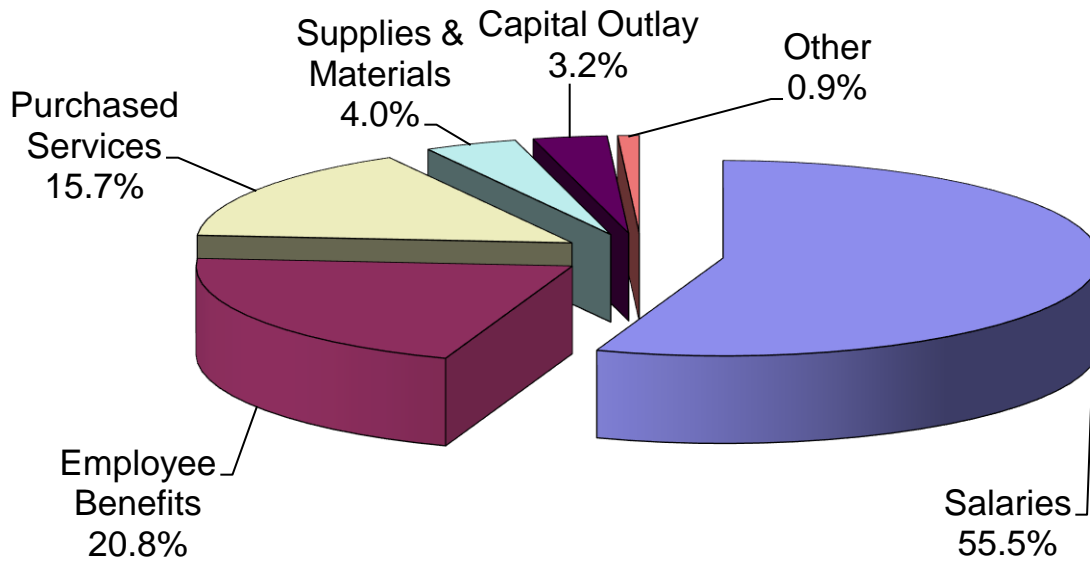
General Fund – Expenditures by Object

In the General Fund, expenditures net of other funding uses were under budget by \$675,336 or 1.02%. The district had lower than anticipated expenditures for teachers, ESP and custodial staff. Employee benefits came in under budget primarily due to lower than anticipated health insurance costs and the district's portion of TRA, FICA, and PERA being under budget. Those benefits are calculated as a percentage of salary. In the Purchased Services category, we had lower tuition costs than budgeted. Repairs and maintenance costs were less than budgeted. We had higher than budgeted professional fees and utility costs. Most of the overage in the Supplies and Materials category came from the purchased of technology related items. The savings in the Other Expenditures category is due to lower dues, fees, and tax assessments than anticipated.

The General Fund expenditures net of other uses increased \$2,784,282 or 4.43% from the previous year. The increase was primarily due to the increases of the LTFM program, utility costs, staff travel, tuition costs, textbook purchases, technology purchases, and inflationary increases as a part of our employee contracts. Capital and other expense totals were down primarily due to having to reclassify the expenditures to the supplies and materials categories for some technology purchases. This is the fifth year of using the OPEB Trust and the Trust paid for a net cost of \$899,000 that would have otherwise been in the General Fund.

		2017-2018			
	2016-2017	Revised	2017-2018	\$ Budget	% Budget
	Actual	Budget	Actual	Variance	Variance
Expenditures					
Salaries	\$35,692,543	\$36,805,831	\$36,416,491	\$389,340	-1.06%
Employee Benefits	\$12,367,674	\$13,939,587	\$13,652,227	\$287,360	-2.06%
Purchased Services	\$9,670,814	\$10,364,832	\$10,292,283	\$72,549	-0.70%
Supplies & Materials	\$2,222,604	\$2,466,043	\$2,622,893	(\$156,850)	6.36%
Capital Outlay	\$2,293,780	\$2,107,830	\$2,086,909	\$20,921	-0.99%
Other	\$641,190	\$664,101	\$602,085	\$62,016	-9.34%
Total	\$62,888,606	\$66,348,224	\$65,672,888	\$675,336	-1.02%

2017-18 General Fund Expenditures By Object



Independent School District No. 877 2017-2018 End of Year Financial Report School Board Workshop – Oct. 8, 2018

General Fund - Fund Balance

With total revenues ending at \$64,371,663 and total expenditures at \$65,672,888, the General Fund's overall fund balance decreased \$1,301,225 to \$16,069,736 as of June 30, 2018. The Unassigned/Nonspendable fund balance decreased \$1,408,491. To be consistent in our reporting, the district's fund balance policy is calculated with the Non-spendable and Unassigned Fund Balance totals.

	2014-15	2015-16	2016-17	2017-18
Restricted Fund Balance				
Health & Safety	(\$137,329)	(\$64,860)	(\$16,495)	\$0
Operating Capital	\$624,964	\$614,501	\$698,826	\$734,140
Staff Development	\$67,063	\$62,695	\$10,568	\$0
Teacher Development	\$110,131	\$103,247	\$103,247	\$103,247
Medical Assistance			\$89,096	\$124,412
Long-term Facilities Maintenance			\$104,729	(\$150,913)
Deferred Maintenance	\$730	\$0	\$0	\$0
	<u>\$665,558</u>	<u>\$715,582</u>	<u>\$989,971</u>	<u>\$810,886</u>
Committed Fund Balance				
Severance Ins Premiums	\$4,062,933	\$4,165,436	\$3,495,768	\$3,420,225
Assigned Fund Balance				
Carryover	\$211,124	\$355,597	\$342,530	\$301,526
Student Activities	\$317,703	\$356,604	\$399,324	\$360,853
Dental Insurance	\$199,667	\$146,525	\$181,325	\$221,656
Capital/Technology	\$385,973	\$654,759	\$1,058,629	\$1,459,667
Third Party Special Ed	\$493,734	\$560,353	\$560,353	\$560,353
	<u>\$1,608,202</u>	<u>\$2,073,838</u>	<u>\$2,542,161</u>	<u>\$2,904,056</u>
Nonspendable Fund Balance	\$331,689	\$262,876	\$369,130	\$504,348
Unassigned Fund Balance	<u>\$9,943,210</u>	<u>\$9,738,999</u>	<u>\$9,973,931</u>	<u>\$8,430,221</u>
Total Fund Balance	<u>\$16,611,591</u>	<u>\$16,956,732</u>	<u>\$17,370,962</u>	<u>\$16,069,736</u>

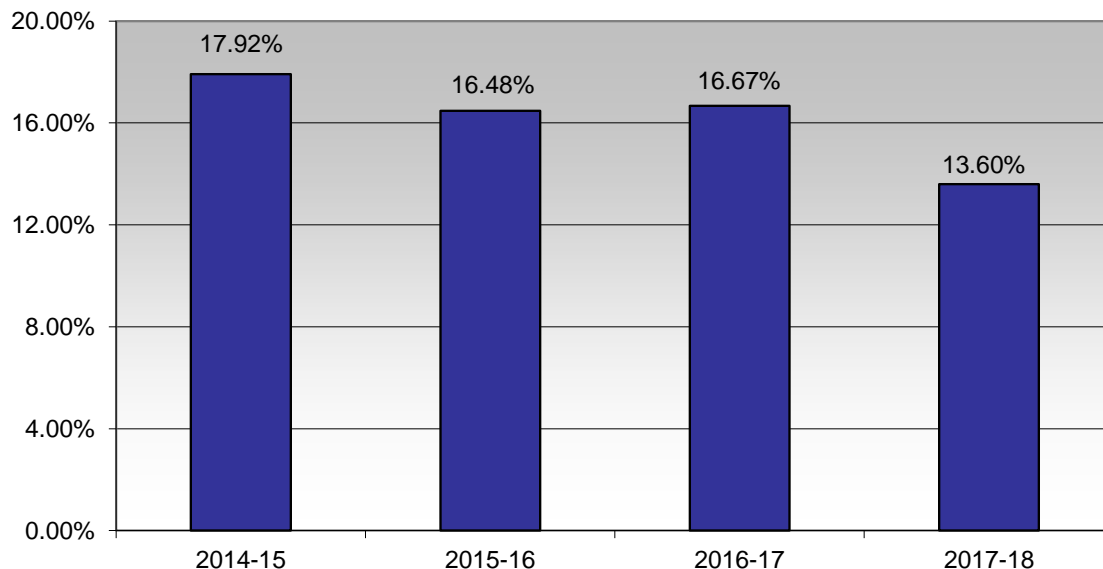
Independent School District No. 877 2017-2018 End of Year Financial Report School Board Workshop – Oct. 8, 2018

General Fund - Fund Balance

The unassigned/unrestricted fund balance decreased to \$8,934,570 as of June 30, 2018 or 13.6% of expenditures. This is a 3.07% decrease from the prior year. The district has maintained its conservative budget approach to help maintain financial stability going forward. The fund balance percentage is slightly above the parameters of our fund balance policy of 8-12% and will buy the district some time before future action is needed.

	2014-15	2015-16	2016-17	2017-18
Nonspendable Fund Balance	\$331,689	\$262,876	\$369,130	\$504,348
Unassigned Fund Balance	\$9,943,210	\$9,738,999	\$9,973,931	\$8,430,221
	<u>\$10,274,898</u>	<u>\$10,001,876</u>	<u>\$10,343,061</u>	<u>\$8,934,570</u>
 Total General Fund Expenditures	 <u>\$57,341,013</u>	 <u>\$60,679,188</u>	 <u>\$62,048,814</u>	 <u>\$65,672,888</u>
 Fund Balance as a % of Total General Fund Expenditures	 <u>17.92%</u>	 <u>16.48%</u>	 <u>16.67%</u>	 <u>13.60%</u>

**Fund Balance as a % of
Total General Fund Expenditures**



Independent School District No. 877

2017-2018 End of Year Financial Report

School Board Workshop – Oct. 8, 2018

Food Service – Fund 02

In the Food Service Fund, expenditures exceeded revenues causing the fund balance to decrease by \$85,918. Food Service revenues were under budget by \$212,621 and the expenditures were under budget by \$55,992.

Total breakfast and lunch meals served to students decreased from 760,696 to 725,240. The Food Service Fund had increases in the local, state, and federal meal reimbursement rates to increase revenue. The increase in rates was offset by the reduced meal counts. In addition, we received \$39,144 less in commodities from the prior year. Ala carte sales were down slightly by \$3,419. The number of free and reduced meals in 2017-18 was 37.06% of the meals served versus 37.62% of the meals served in 2016-2017. Food service revenues from all sources were down \$167,314 from the previous year. Expenditures were up \$218,710 from the previous year. Labor costs in total were \$123,686 higher than the prior year. All other costs were \$95,024 higher than the prior year.

Fund 02	2016-17 Actual	2017-18 Revised Budget	2017-18 Actual	\$ Budget Variance	% Budget Variance
Revenue					
State Sources	\$160,639	\$162,310	\$160,069	\$2,241	1.38%
Federal Sources	\$1,269,559	\$1,287,519	\$1,142,623	\$144,896	11.25%
Sales to Students/Adults	\$1,730,105	\$1,755,781	\$1,690,297	\$65,484	3.73%
Total	\$3,160,304	\$3,205,610	\$2,992,989	\$212,621	6.63%
Expenditures					
Salaries	\$1,066,847	\$1,119,502	\$1,107,212	\$12,290	1.10%
Employee Benefits	\$479,223	\$557,022	\$562,544	(\$5,522)	-0.99%
Purchased Services	\$150,827	\$186,957	\$161,591	\$25,366	13.57%
Supplies & Materials	\$1,153,719	\$1,258,002	\$1,234,315	\$23,687	1.88%
Capital Outlay	\$8,395	\$5,000	\$4,773	\$227	4.53%
Other	\$1,186	\$8,416	\$8,472	(\$56)	-0.66%
Total	\$2,860,198	\$3,134,899	\$3,078,907	\$55,992	1.79%
				Actual change in Fund Balance	Change from Budget
Fund Balance	\$557,504	\$628,215	\$471,586	(\$85,918)	(\$156,629)

Independent School District No. 877

2017-2018 End of Year Financial Report

School Board Workshop – Oct. 8, 2018

Community Service – Fund 04

The Community Service Fund saw increases in the general Community Education and ECFE fund balances. The fund saw decreases in School Readiness and the unassigned fund balances. Revenues came in under budget by \$34,619 or .92% while expenditures were under budget by \$167,454 or 4.36%. While revenue for most programs in total remained similar to last year, Little KidKare revenue was down due to the mid-year program closure. We saw reduction in expenditures from all programs of \$282,317 from last year. The majority of the savings in expenditures came from reduced costs in the KidKare and Little KidKare programs. KidKare showed a profit of \$131,945 while Little KidKare had a net loss of \$79,699. The total Community Service Fund balance was a negative \$276,101 or an increase of \$40,575 on June 30, 2018.

Fund 04	2016-2017 Actual	2017-2018 Revised Budget	2017-2018 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Local Property Taxes	\$460,243	\$491,497	\$484,481	\$7,016	1.43%
State Sources	\$565,479	\$526,033	\$503,517	\$22,516	4.28%
Tuition, Fees, & Misc.	\$2,805,272	\$2,737,021	\$2,731,935	\$5,086	0.19%
Total	\$3,830,995	\$3,754,551	\$3,719,932	\$34,619	0.92%

Expenditures					
Salaries	\$2,606,591	\$2,526,448	\$2,382,167	\$144,281	5.71%
Employee Benefits	\$751,452	\$756,172	\$750,133	\$6,039	0.80%
Purchased Services	\$310,718	\$324,235	\$325,605	(\$1,370)	-0.42%
Supplies & Materials	\$259,622	\$200,760	\$195,709	\$5,051	2.52%
Capital Outlay	\$13,019	\$26,300	\$13,297	\$13,003	49.44%
Other	\$14,203	\$6,827	\$6,377	\$450	6.59%
Total	\$3,955,605	\$3,840,742	\$3,673,288	\$167,454	4.36%

Fund Balance Change	Beg. Balance	Proj. Balance	Actual Balance	Net Change
Community Education	(\$325,599)	(\$439,508)	(\$300,928)	\$24,671
ECFE	\$28,167	\$61,537	\$86,893	\$58,726
School Readiness	(\$8,565)	(\$5,388)	(\$35,658)	(\$27,093)
Adult Basic Education	\$12,345	\$12,991	\$12,345	\$0
Unassigned/Nonspendable	(\$23,026)	(\$32,501)	(\$38,754)	(\$15,728)
Fund Balance Totals	(\$316,676)	(\$402,867)	(\$276,101)	\$40,575

Independent School District No. 877 2017-2018 End of Year Financial Report School Board Workshop – Oct. 8, 2018

Building Construction – Fund 6

The Building Construction Fund tracks the revenues and expenditures from the bond issue passed on November 4, 2014. The project started in 2014-15 and is scheduled to be completed in 2019-20. Revenues for this year represented the advertising donations, Erate funds, and interest earned during the year and totaled \$75,661. Expenditures for work completed as of the end of the year totaled \$4,213,641. The total Building Construction Fund balance was \$2,002,700 on June 30, 2018, which was a decrease of \$4,137,980.

Fund 6	2016-2017 Actual	2017-2018 Revised Budget	2017-2018 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Interest Revenue	\$154,582	\$140,000	\$110,678	(\$29,322)	-20.94%
Other	\$235,732	(\$77,156)	(\$76,742)	\$414	-0.54%
Donations	\$122,906	\$119,000	\$41,725	(\$77,275)	-64.94%
Bond Proceeds	\$0	\$0	\$0	\$0	0.00%
Total	\$513,219	\$181,844	\$75,661	(\$106,183)	-58.39%
Expenditures					
Construction Costs	\$12,710,713	\$4,984,300	\$4,213,641	(\$770,659)	-15.46%
Total	\$12,710,713	\$4,984,300	\$4,213,641	(\$770,659)	-15.46%
Fund Balance					
	Beg. Balance	Proj. Balance	Actual Balance	Net Change	
	\$6,140,680	\$1,338,224	\$2,002,700	(\$4,137,980)	

***Independent School District No. 877
2017-2018 End of Year Financial Report
School Board Workshop – Oct. 8, 2018***

Health Reimbursement Account Trust – Fund 18

The district created a sunset clause in the teachers' contract and the administrators' contract, and some individual contracts for recently hired positions. Individuals hired after the sunset date in their respective contracts are no longer eligible for the grandfathered post-retirement insurance benefits. The new provisions require the district to make an up-front contribution to the employee's HRA account upon hire and an annual contribution to the employee's HRA account for each year of service. Each contract has a contribution limit for the individual employee. These funds are held in an irrevocable trust with Mid-America through National Insurance Services. The employees have to meet certain vesting requirements before they can access these funds. As a result of these new contract provisions, we are required to show the cumulative balance of contributions plus any accrued interest in these trust accounts for those individuals eligible for this new program. The actual payments to the trust are already included in the General Fund expenditures shown previously in this report. This will also be the case in future years. The balances shown represent cumulative contributions and interest earned on those individual accounts as of the end of the fiscal year. The balance in the accounts was \$1,610,918 on June 30, 2018, which was an increase of \$284,950.

Fund 18	2016-2017 Actual	2017-2018 Revised Budget	2017-2018 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Interest Revenue	\$17,030	\$20,000	\$18,149	(\$1,851)	-9.26%
District Contributions	\$260,537	\$330,446	\$266,802	(\$63,644)	-19.26%
Total	\$277,568	\$350,446	\$284,950	(\$65,496)	-18.69%
Expenditures					
Transfers Out	\$0	\$0	\$0	\$0	0.00%
Total	\$0	\$0	\$0	\$0	0.00%
Fund Balance	Beg. Balance	Proj. Balance	Actual Balance	Net Change	
	\$1,325,967	\$1,676,413	\$1,610,918	\$284,950	

Independent School District No. 877 2017-2018 End of Year Financial Report School Board Workshop – Oct. 8, 2018

OPEB Irrevocable Trust Fund – Fund 45

During the 2009-2010 school year, the district issued \$10.845 million in OPEB Bonds and at the same time, created an irrevocable trust with Bremer Bank to fund the district's post-employment benefits. The debt payments and property tax levy revenue are recorded in Debt Service Fund 47, and the trust activity is recorded in Fund 45.

The district started using the Trust in the 2012-2013 year to cover post-employment obligations and has done so each year since. The interest earnings and dividends recognized each year represent the change in the financial markets and any distributions out of the Trust. Retiree contributions represent the employee share of retiree insurance costs. The district had slightly higher retiree HRA contributions than projected. The amount held in trust for OPEB as of June 30, 2018 was \$13,297,904 and decreased in total value by \$184,285.

Fund 45	2016-2017 Actual	2017-2018 Revised Budget	2017-2018 Actual	\$ Budget Variance
Revenue				
Interest and Dividends	\$1,075,117	\$600,000	\$788,773	\$188,773
Retiree Contributions	\$224,624	\$280,754	\$269,040	(\$11,714)
Investment Expenses	(\$70,927)	(\$80,000)	(\$73,964)	\$6,036
Total	\$1,228,814	\$800,754	\$983,849	\$183,095
Expenditures				
Health Insurance	\$536,716	\$643,808	\$738,112	\$94,304
Life Insurance	\$7,561	\$9,211	\$7,416	(\$1,795)
Dental Insurance	\$41,057	\$50,466	\$52,524	\$2,058
Contributions to HRA	\$425,546	\$464,349	\$370,083	(\$94,266)
Total	\$1,010,879	\$1,167,834	\$1,168,134	\$300
Net Assets	Beg. Balance \$13,482,189	Proj. Balance \$13,115,109	Actual Balance \$13,297,904	Net Change (\$184,285)

Independent School District No. 877 2017-2018 End of Year Financial Report School Board Workshop – Oct. 8, 2018

Debt Service – Funds 07 & 47

The Debt Service Fund balances for Funds 07 and 47 increased \$5,944,307 overall and are \$7,624,214 in total as of June 30, 2018. We anticipated that the payment for the refunded bond principal refunded in May 2018 would occur in this fiscal year. Due to the change in the type of refunding transaction, the accounting methodology changed after we adopted the final budget. The actual payment of the old bonds will occur during the 2018-19 fiscal year rather than in the 2017-18 fiscal year. The fund balance net of the balance restricted for the refunding was \$1,492,112 or a \$23,872 decrease. The budget variance in revenue is primarily due to increased interest earnings and the final actual bond proceeds from the bond refunding issue sale in May 2018. The variance in the Other Expenditure category totals are due to receiving a premium bid on the refunding bonds and lower than anticipated borrowing costs and the timing of the refunded bonds.

School districts are required to levy 105% of their annual debt payments to cover possible delinquent property taxes. When the fund balance reaches a certain point, the State calculates a debt excess fund balance figure and reduces the tax levy by that amount on the next year's property tax levy. All of the funds in the restricted fund balance total are restricted to meet future debt obligations of the district.

Funds 07 & 47	2016-2017 Actual	2017-2018 Revised Budget	2017-2018 Actual	\$ Budget Variance
Revenue				
Local Property Taxes	\$7,031,941	\$7,133,530	\$7,131,225	(\$2,305)
State Sources	\$541,220	\$540,490	\$540,493	\$3
Interest Revenue	\$30,472	\$32,085	\$75,624	\$43,539
Transfer In	\$0	\$0	\$0	\$0
Bond Proceeds	\$9,687,488	\$6,062,330	\$6,028,531	(\$33,799)
Total	\$17,291,121	\$13,768,435	\$13,775,872	\$7,437
Expenditures				
Principal & Interest	\$7,763,385	\$7,765,664	\$7,765,663	(\$1)
Other	\$96,026	\$101,950	\$65,902	(\$36,048)
Bond Refunding	\$9,595,633	\$5,963,857	\$0	(\$5,963,857)
Total	\$17,455,044	\$13,831,471	\$7,831,565	(\$5,999,906)
	Beg. Balance	Proj. Balance	Actual Balance	Net Change
Restricted for Bond Refunding		\$0	\$5,968,179	\$5,968,179
Restricted Fund Balance	\$1,515,984	\$1,452,948	\$1,492,112	(\$23,872)
Total Fund Balance	\$1,679,907	\$1,616,871	\$7,624,214	\$5,944,307

Independent School District No. 877 2017-2018 End of Year Financial Report School Board Workshop – Oct. 8, 2018

Student Activities

The final piece of the district's financial report pertains to student activities. The district has student activities under school board control and student activities not under school board control. If a school district has student activities not under the control of the board, the board should receive an accounting report of those funds at least once a year. The report should be supplemental to the annual audit. Below is a summary of the student activities not under board control for 2017-2018.

	Balance	Receipts and	Disbursements	Balance
	June 30, 2017	Transfers In	and Transfers Out	June 30, 2017
Class of 2017 (Graduates)	1,353.15	-	1,353.15	-
Class of 2018 (Seniors)	6,743.04	1,692.03	6,835.78	1,599.29
Class of 2019 (Juniors)	541.42	22,360.07	21,030.13	1,871.36
Class of 2020 (Sophomores)	664.73	237.13	305.24	596.62
Class of 2021 (Freshmen)	-	988.30	415.45	572.85
SH Arts Magnet	8,049.06	817.61	855.47	8,011.20
SH Bison Stampede	1,764.95	0.23	1,890.00	(124.82)
SH Business Professionals America	120.20	2,930.06	3,088.75	(38.49)
SH FFA	273.04	0.05	40.50	232.59
SH NHS	908.17	0.17	118.00	790.34
SH Student Care	5,880.66	1,161.10	3,454.06	3,587.70
SH Student Council	5,339.31	10,802.62	10,109.14	6,032.79
Total	\$ 31,637.73	\$ 40,989.37	\$ 49,495.67	\$ 23,131.43
				KleinBank CD \$ -
				KleinBank Checking 23,131.43
				\$ 23,131.43