

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



**MAHTOMEDI PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT 832**  
**[www.mahtomedi.k12.mn.us](http://www.mahtomedi.k12.mn.us)**

**1520 Mahtomedi Avenue, Mahtomedi, MN 55115**  
**651-407-2000**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2019

**INDEPENDENT SCHOOL DISTRICT NO. 832**  
**MAHTOMEDI, MINNESOTA**

1520 Mahtomedi Avenue  
Mahtomedi, MN 55115

Prepared by  
Finance Department

William Menozzi • Director of Business Services

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INDEPENDENT SCHOOL DISTRICT NO. 832

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SECTION I – INTRODUCTORY SECTION





District Office  
1520 Mahtomedi Avenue  
Mahtomedi, MN 55115-1907  
651-407-2000  
Fax: 651-407-2025  
[www.mahtomedi.k12.mn.us](http://www.mahtomedi.k12.mn.us)

November 6, 2019

To the School Board, Citizens, and Employees of Independent School District No. 832:

State law requires that every public school district publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Malloy, Montague, Karnowski, Radosevich & Co. P.A., Certified Public Accountants, have issued an unmodified ("clean") opinion on Independent School District No. 832's (the District) financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

The management's discussion and analysis (MD&A) immediately following the independent auditor's report provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

#### **PROFILE OF THE ENTITY AND ITS SERVICES**

The District was incorporated in 1950 and serves all or parts of nine communities on the northeastern edge of the Minneapolis/St. Paul metropolitan area. The District is governed by an elected six-member School Board. The School Board members are elected at large in even-numbered years. Members serve alternating four-year terms.

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 programs, special education programs, and career/vocational education. Food service and transportation are provided as supporting programs. The community education program in the District includes early childhood and family education programs, an adult basic education program, and a variety of classes for lifelong learning experiences for children and adults.

Mahtomedi High School is consistently rated a top 10 high school in Minnesota by U.S. News and World Report. The District is also highly rated in Minnesota Comprehensive Assessments in math, science, reading, and other achievement data. We strive to deliver an educational system dedicated to continuous improvement that defines excellence.

The District served approximately 3,281 students in grades K–12 for the 2018–2019 school year and is projecting similar enrollment for the 2019–2020 school year. We operate two elementary schools (K–2) and (3–5), one middle school (6–8), one high school (9–12), and a transitions program for 18–21-year-old students. An early childhood family education program serves families with young children, from birth to age five. The average age of the District’s buildings is approximately 45 years. Building ages include 1930s District Education Center, 1960s O.H. Anderson Elementary, 1970s High School, 1990s Middle School, and 2010s Wildwood Elementary.

The District is on the eastern shore of White Bear Lake in a scenic area between White Bear Lake Schools and Stillwater Schools in the northeast metro. The District covers approximately 28 square miles. The District encompasses all or parts of nine communities, including: Dellwood, Grant, Hugo, Lake Elmo, Mahtomedi, Oakdale, Pine Springs, White Bear Lake, and Willernie. The total district population is estimated at 15,000.

The mission of the Mahtomedi School District, the unified community of courageous hearts and curious minds dedicated to inspiring personal excellence, is to ensure that each student is a bold agent of learning who successfully pursues their passions while advancing the greater good, through a vital system distinguished by:

- Environments that inspire curiosity
- An inclusive learning community
- An array of exceptional learning experiences
- Teaching and learning that imparts a global view
- Culture of empathy that empowers the whole person

All finance and budgetary decisions made as a district are assessed through our mission and belief statements.

The District strives to develop learners who are innovative, creative, and prepared for a rapidly changing world. Expectations are high and students of all abilities are challenged, supported, and motivated at every level—from early childhood through high school. Students regularly earn top awards and recognitions in academics, and performing and visual arts programs. Student athletes also consistently appear in state competitions.

## **LOCAL ECONOMY**

According to census information from the Washington County website, the county continued to experience growth, increasing 8.9 percent since 2010. The Washington County’s estimated population in 2018 was 259,201, making it the fifth largest county in the state of Minnesota, housing approximately 4.6 percent of the state’s population and approximately 7.9 percent of the Twin Cities metropolitan area’s population. According to the Metropolitan Council, as reported on the county’s website, Washington County’s population is expected to continue to grow. By the year 2040, the county’s population is projected to increase to 330,200.

Source data from the U.S. Census Bureau shows that the median household income in 2017 for Washington County was \$89,598 as compared to \$58,476 for the state of Minnesota. Source data from the U.S. Census Bureau shows that the per capita income in 2017 for Washington County was \$41,591.

The poverty rate of Washington County continues to be low. Source data from the 2017 American Community Survey, as reported on the county’s website, shows that 4.2 percent of Washington County’s family population was below the federal poverty level.

## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES**

In November 2018, the taxpayers within the District generously approved a revoke and replace to the District's General Fund operating levy. The new authority has 3 tiers over 10 years as outlined below:

- \$1,020 per pupil for taxes payable in 2019 through 2021
- \$1,295 per pupil for taxes payable in 2022 through 2024
- \$1,570 per pupil for taxes payable in 2025 through 2028

The intention of the tiered levy authority is to maintain and enhance class sizes and programming over the longer term. We also need to ensure that revenues are sufficient to meet projected expenditures and to maintain a reasonable amount in reserve to cover any unforeseen expenditures and to maintain compliance with School Board-approved Fund Balance Policy (Policy 714).

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

## **RELEVANT FINANCIAL POLICIES**

The District has adopted several financial policies, which were not significantly changed in the current year. The District is required to adopt an annual budget prior to the start of the fiscal year. Legal budgetary control is at the fund level. For the 2018–2019 fiscal year, the District adopted a General Fund budget estimating revenues and other financing sources to be \$39.50 million versus expenditures of \$39.46 million. In January, the District revised its General Fund budget reflecting updated enrollment and expenditure estimates to project revenues and other financing sources of \$39.38 million versus expenditures of \$40.11 million.

School Board Policy 714 states the School Board shall strive to maintain a minimum unassigned General Fund balance of 8 percent of total General Fund expenditures. Similar to prior years, the District will not be in compliance with our School Board-approved policy at June 30, 2019. As such, the District has implemented the following procedures in accordance with Policy 714 for the 2019–2020 fiscal year:

- A. No new programs will be added at the District level unless matched by a like revenue source;
- B. Allocations such as textbooks, supplies, etc., shall be frozen; and
- C. The District will review other measures, which will not immediately affect the delivery of programs, but could have a cost savings. The District may take measures to either generate additional revenues or reduce expenditures through budget cuts or a combination of both.

One of the guiding principles of the November operating referendum is to build financial stability through deficit reduction in accordance with letter C. above.

## **AWARDS AND ACKNOWLEDGEMENTS**

The District is honored to submit its Comprehensive Annual Financial Report for the fiscal year 2018–2019 to the Association of School Business Officials International for consideration of the Certificate of Excellence in Financial Reporting. The 2017–2018 fiscal year was the first time in district history that the District has achieved this prestigious award.

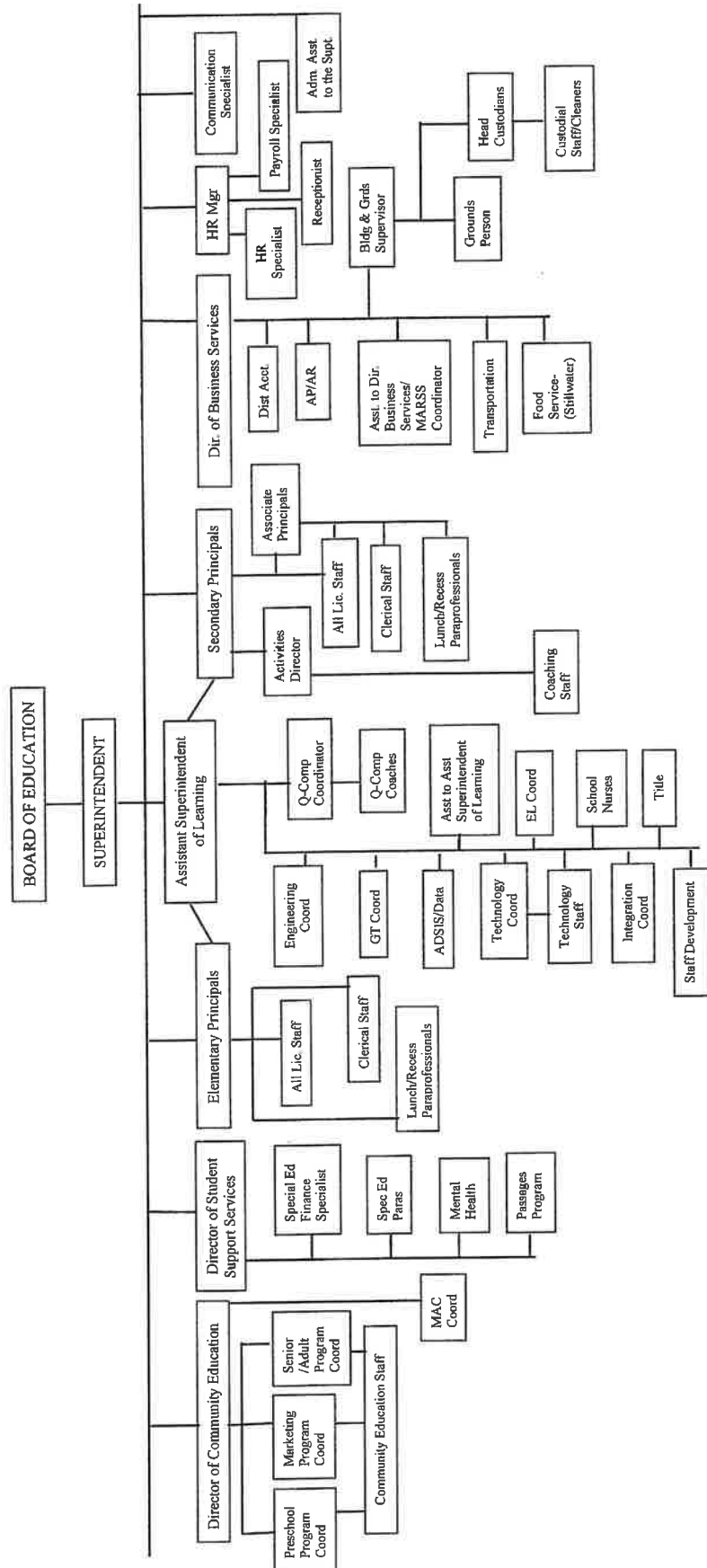
The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Business and District Office. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the School Board for their unfailing support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bill Menozzi". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Bill Menozzi  
Director of Business Services

**CITIZENS OF MAHTOMEDI PUBLIC SCHOOLS**  
**RESPONSIBILITY/ACCOUNTABILITY/SUPERVISION ORGANIZATIONAL CHART**



**INDEPENDENT SCHOOL DISTRICT NO. 832**

**School Board and Administration  
as of June 30, 2019**

**SCHOOL BOARD**

Dr. Lucy Payne  
Julie McGraw  
Stacey Stout  
Mike Chevalier  
Kevin Donovan  
Judith Schwartz

<u>Position</u>
Chairperson
Clerk/Vice Chair
Treasurer
Director
Director
Director

**ADMINISTRATION**

Barbara Duffrin  
William Menozzi

Superintendent of Schools  
Director of Business Services





**ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**

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

**Mahtomedi Public Schools ISD #832**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for  
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Tom Wohlleber'.

**Tom Wohlleber, CSRM**  
President

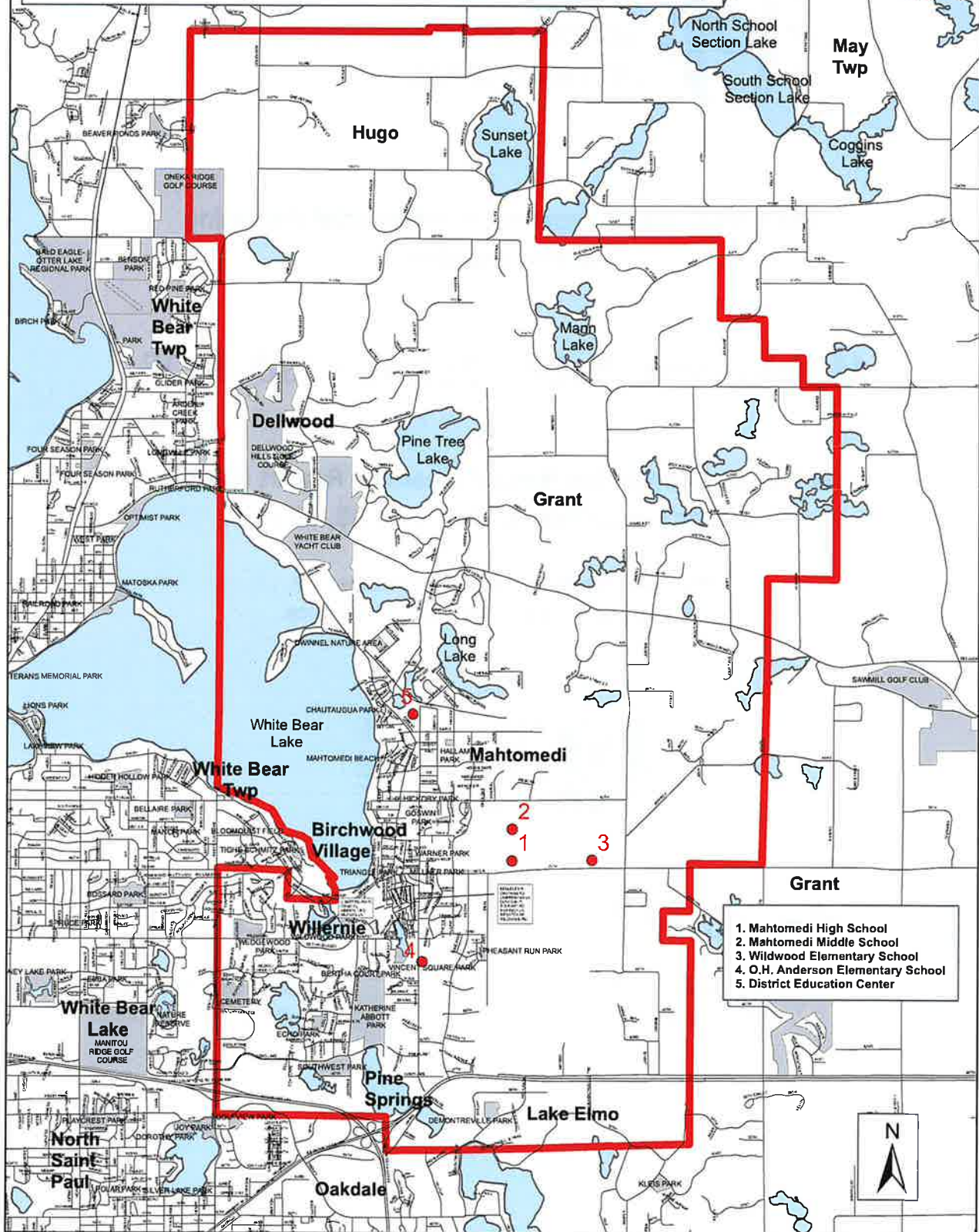
A handwritten signature in black ink, reading 'Siobhán McMahon'.

**Siobhán McMahon, CAE**  
Chief Operating Officer



# MAHTOMEDI

INDEPENDENT SCHOOL DISTRICT #832



SECTION II – FINANCIAL SECTION





#### PRINCIPALS

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

### INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 832  
Mahtomedi, Minnesota

#### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 832 (the District) as of and for the year ended June 30, 2019, 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, 2019, 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 (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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

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

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

### **Prior Year Comparative Information**

We have previously audited the District's 2018 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 6, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
November 6, 2019

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## INDEPENDENT SCHOOL DISTRICT NO. 832

### Management's Discussion and Analysis Fiscal Year Ended June 30, 2019

This section of Independent School District No. 832's (the District) Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the District's CAFR.

#### FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2019 by \$14,951,780 (net position deficit). The District's total net position increased by \$9,591,032 during the fiscal year ended June 30, 2019.
- At June 30, 2019, the District's governmental funds reported a combined ending fund balance of \$5,159,142, a decrease of \$141,838 from the prior year.
- The District's General Fund unassigned fund balance (excluding restricted account deficits) decreased from \$1,781,691 to \$1,683,097 during fiscal year 2019.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

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

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (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 can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

**Governmental Funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial 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 financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

**Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to others. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations. 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. 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.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

<b>Table 1</b> <b>Summary Statement of Net Position</b> <b>as of June 30, 2019 and 2018</b>		
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 21,588,920	\$ 20,931,934
Capital assets, net of depreciation	67,616,021	69,593,777
<b>Total assets</b>	<b>\$ 89,204,941</b>	<b>\$ 90,525,711</b>
<b>Deferred outflows of resources</b>		
Pension and OPEB plan deferments	\$ 3,079,304	\$ 40,055,654
<b>Liabilities</b>		
Current and other liabilities	\$ 3,908,857	\$ 3,427,111
Long-term liabilities, including due within one year	76,643,329	126,786,929
<b>Total liabilities</b>	<b>\$ 80,552,186</b>	<b>\$ 130,214,040</b>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 14,019,315	\$ 12,917,862
OPEB plan deferments	156,276	91,400
Pension plan deferments	12,508,248	11,900,875
<b>Total deferred inflows of resources</b>	<b>\$ 26,683,839</b>	<b>\$ 24,910,137</b>
<b>Net position</b>		
Net investment in capital assets	\$ 18,587,875	\$ 17,152,606
Restricted	1,592,858	1,614,396
Unrestricted	(35,132,513)	(43,309,814)
<b>Total net position</b>	<b>\$ (14,951,780)</b>	<b>\$ (24,542,812)</b>

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

Total net position increased by \$9,591,032, which is mostly due to the change in pension plan liabilities and deferments. The increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being depreciated and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans also contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

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

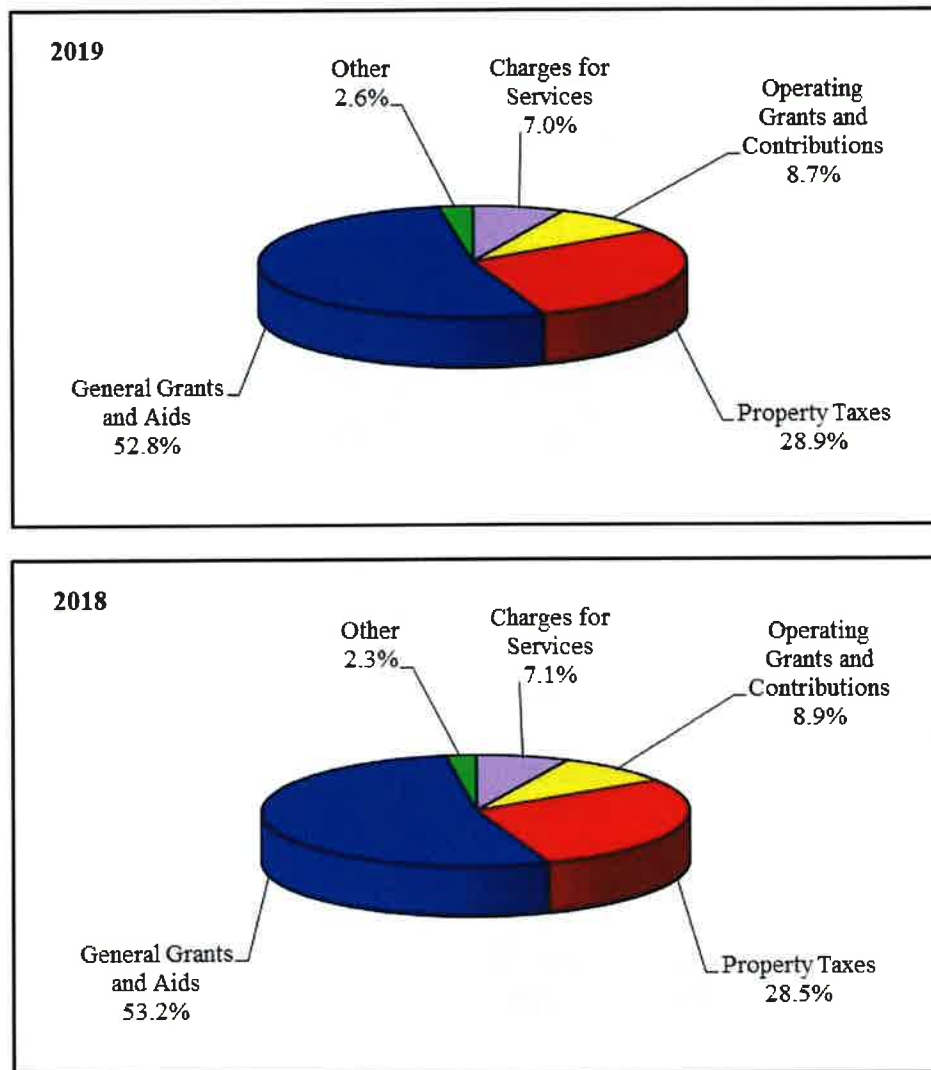
<b>Table 2</b> <b>Summary Statement of Activities</b> <b>for the Years Ended June 30, 2019 and 2018</b>		
	2019	2018
Revenues		
Program revenues		
Charges for services	\$ 3,299,675	\$ 3,352,733
Operating grants and contributions	4,104,156	4,241,381
General revenues		
Property taxes	13,660,067	13,523,086
General grants and aids	24,919,668	25,232,775
Other	1,223,882	1,094,703
Total revenues	47,207,448	47,444,678
Expenses		
Administration	1,318,479	2,402,693
District support services	1,383,764	1,511,534
Elementary and secondary regular instruction	13,688,037	27,200,155
Vocational education instruction	559,872	1,122,590
Special education instruction	5,454,302	9,191,728
Instructional support services	1,411,241	1,985,912
Pupil support services	2,999,858	3,553,250
Sites and buildings	4,749,556	5,221,236
Fiscal and other fixed cost programs	130,465	123,860
Food service	1,301,930	1,350,209
Community service	2,091,177	2,384,050
Depreciation not allocated to other functions	1,125,891	1,125,891
Interest and fiscal charges	1,401,844	1,439,989
Total expenses	37,616,416	58,613,097
Change in net position	9,591,032	(11,168,419)
Net position – beginning	(24,542,812)	(13,374,393)
Net position – ending	\$ (14,951,780)	\$ (24,542,812)

This format is similar to the fund financial statements except that this 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.

The decrease in expenditures relates to the change in the District's share of pension plan obligations previously mentioned.

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

**Figure A – Sources of Revenues for Fiscal Years 2019 and 2018**

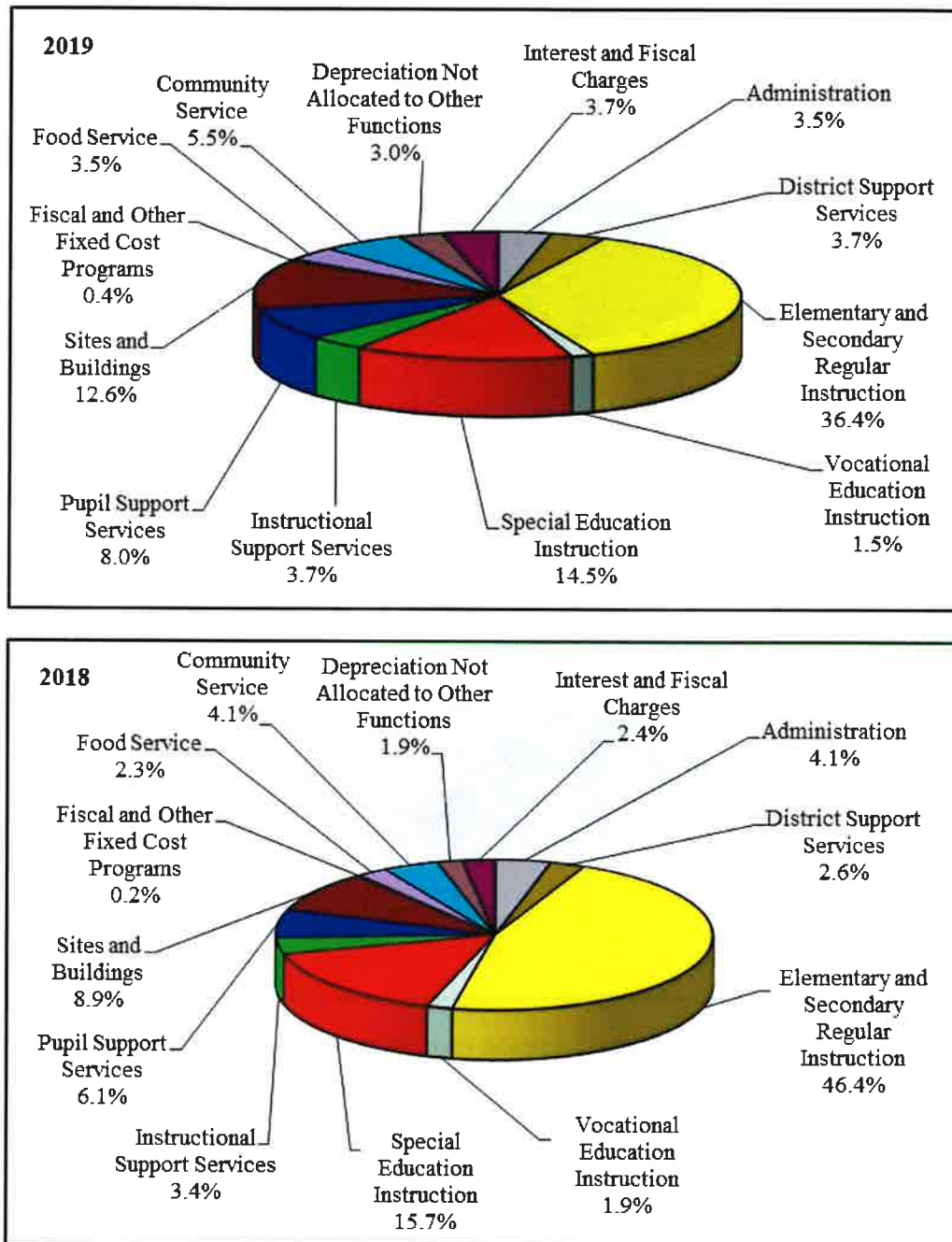


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

**Figure B – Expenses for Fiscal Years 2019 and 2018**



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:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Major funds			
General	\$ 3,177,461	\$ 3,305,550	\$ (128,089)
Capital Projects – Building Construction	13	4,338	(4,325)
Debt Service			
Regular	1,077,176	1,006,414	70,762
OPEB	65,313	68,363	(3,050)
Nonmajor funds			
Food Service Special Revenue	304,750	300,902	3,848
Community Service Special Revenue	<u>534,429</u>	<u>615,413</u>	<u>(80,984)</u>
Total governmental funds	<u>\$ 5,159,142</u>	<u>\$ 5,300,980</u>	<u>\$ (141,838)</u>

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

At June 30, 2019, the District's governmental funds reported combined fund balances of \$5,159,142, a decrease of \$141,838 in comparison with the prior year. The small operating deficit in the General Fund is the main cause for the overall decrease.

## General Fund

The General Fund is used to account for all revenues and expenditures of the District not accounted for elsewhere. The General Fund is used to account for: K-12 educational activities, district instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and other legal school district expenditures not specifically designated to be accounted for in any other fund.

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4</b> <b>General Fund</b> <b>Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue and other financing sources	<u>\$ 39,503,552</u>	<u>\$ 39,376,301</u>	<u>\$ (127,251)</u>	<u>(0.3%)</u>
Expenditures	<u>\$ 39,461,728</u>	<u>\$ 40,114,968</u>	<u>\$ 653,240</u>	<u>1.7%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amends the budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

<b>Table 5</b> <b>General Fund</b> <b>Operating Results</b>					
	<u>2019</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	<u>\$ 39,874,938</u>	<u>\$ 498,637</u>	<u>1.3%</u>	<u>\$ 1,608,574</u>	<u>4.2%</u>
Expenditures	<u>(40,003,027)</u>	<u>\$ (111,941)</u>	<u>(0.3%)</u>	<u>\$ 79,704</u>	<u>0.2%</u>
Net change in fund balances	<u><u>\$ (128,089)</u></u>				

The largest revenue variances in the General Fund occurred in state sources. Favorable variances in special education funding sources and conservative budgeting contributed to state sources of revenue exceeding the budget by \$392,518. The small expenditure variance to budget was spread across several programs and object categories of the General Fund.

The increase in revenue from the prior year was mainly due an increase in special education state aids, and the 2 percent increase in the general education funding formula set by the State Legislature, combined with a slight increase in student enrollment.



## **COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS**

### **Capital Projects – Building Construction Fund**

The Capital Projects – Building Construction Fund was established to account for the 2016A Tax Abatement Bonds and ended the year with a fund balance of \$13. Abatement bond funds provided an important funding mechanism for parking lot improvements district-wide, as well as sidewalks and exterior lighting. Another benefit to the Abatement Bond Project was infrastructure improvements and water main replacements throughout the District.

### **Debt Service Fund**

The Debt Service Fund balance ended fiscal year 2019 at \$1,142,489, an increase of \$67,712. The Debt Service Fund balance is restricted for payments on future debt service obligations.

### **Other Governmental Funds**

The Food Service Special Revenue Fund balance increased \$3,848 in fiscal year 2019. The fund balance at the end of the fiscal year was \$304,750, or 22.7 percent, of current year expenditures. This was the 13th year of a successful joint powers agreement for food service with Independent School District No. 834, Stillwater Area Public Schools.

The Community Service Special Revenue Fund balance decreased \$80,984, compared to a planned decrease of \$129,481.

### **Internal Service Fund**

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains one Internal Service Fund. This fund is used to account for the District's self-insured health insurance function. Operating revenues for the Internal Service Fund for fiscal year 2019 totaled \$5,426,215. Operating expenses totaled \$6,257,162 for health benefit claims. The net position for the Internal Service Fund as of June 30, 2019 totaled a deficit of (\$717,118).

### **Post-Employment Benefits Trust Fund**

This irrevocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. The fund ended the year with a net position of \$1,160,359 held in trust for future benefit obligations.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2019 and 2018:

<b>Table 6</b> <b>Capital Assets</b>			
	2019	2018	Change
Land	\$ 1,561,766	\$ 1,561,766	\$ —
Construction in progress	—	4,325	(4,325)
Buildings	71,570,345	71,570,345	—
Land improvements	21,239,559	20,629,563	609,996
Furniture and equipment	3,199,445	3,122,388	77,057
Less accumulated depreciation	(29,955,094)	(27,294,610)	(2,660,484)
Total	<u>\$ 67,616,021</u>	<u>\$ 69,593,777</u>	<u>\$ (1,977,756)</u>
Depreciation expense	<u>\$ 2,756,371</u>	<u>\$ 2,723,999</u>	<u>\$ 32,372</u>

### Long-Term Liabilities

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

<b>Table 7</b> <b>Outstanding Long-Term Liabilities</b>			
	2019	2018	Change
General obligation bonds payable	\$ 45,465,000	\$ 48,375,000	\$ (2,910,000)
Net (discount) premium	4,954,793	5,700,148	(745,355)
Net pension liability	24,599,021	71,488,759	(46,889,738)
Net OPEB liability	1,261,335	922,562	338,773
Severance benefits payable	212,643	150,184	62,459
Compensated absences payable	150,537	150,276	261
Total	<u>\$ 76,643,329</u>	<u>\$ 126,786,929</u>	<u>\$ (50,143,600)</u>

The decrease in general obligation bonds payable is primarily due to the planned repayment schedule reflecting principal payments during fiscal year 2019. The differences in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

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	\$ 2,265,402,400
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 339,810,360</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 operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. As an illustration, over the last 18 years, the state aid funding formula, as set by the Minnesota Legislature, has lagged behind inflationary increases by a total of \$661 per adjusted pupil unit. This unfortunate reality of what appears to be the new norm of funding school districts in Minnesota has certainly had an impact on budget decisions in the District.

In November 2018 the taxpayers in the Mahtomedi district generously approved a revoke and replace to the District's General Fund operating levy. The new authority has 3 tiers over 10 years as outlined below:

- \$1,020 per pupil for taxes payable in 2019 through 2021
- \$1,295 per pupil for taxes payable in 2022 through 2024
- \$1,570 per pupil for taxes payable in 2025 through 2028

The intention of the tiered levy authority is to maintain and enhance class sizes and programming over the longer term. The District also needs to ensure that revenues are sufficient to meet projected expenditures and to maintain a reasonable amount in reserve to cover any unforeseen expenditures and to maintain compliance with School Board-approved Fund Balance Policy (Policy 714).

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This CAFR is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. Should you have questions about these statements or need additional information, please contact William Menozzi, Director of Business Services, (phone (651) 407-2000), Independent School District No. 832, 1520 Mahtomedi Avenue, Mahtomedi, Minnesota 55115.

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## BASIC FINANCIAL STATEMENTS

## INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Net Position  
as of June 30, 2019  
(With Partial Comparative Information as of June 30, 2018)

	Governmental Activities	
	2019	2018
<b>Assets</b>		
Cash and temporary investments	\$ 10,263,211	\$ 11,068,058
Receivables		
Current taxes	7,674,203	6,213,800
Delinquent taxes	131,987	105,724
Accounts and interest	116,613	149,533
Due from fiduciary fund	110,887	297,594
Due from other governmental units	3,096,756	2,884,846
Inventory	12,201	13,112
Prepaid items	183,062	199,267
Capital assets		
Not depreciated	1,561,766	1,566,091
Depreciated, net of accumulated depreciation	66,054,255	68,027,686
Total capital assets, net of accumulated depreciation	<u>67,616,021</u>	<u>69,593,777</u>
Total assets	89,204,941	90,525,711
Deferred outflows of resources		
Pension plan deferments	2,831,615	40,024,615
OPEB plan deferments	247,689	31,039
Total deferred outflows of resources	<u>3,079,304</u>	<u>40,055,654</u>
Total assets and deferred outflows of resources	<u>\$ 92,284,245</u>	<u>\$ 130,581,365</u>
<b>Liabilities</b>		
Salaries payable	\$ 27,167	\$ 141,168
Accounts and contracts payable	1,795,473	1,019,714
Accrued interest payable	861,082	896,751
Due to other governmental units	125,291	312,751
Unearned revenue	1,099,844	1,056,727
Long-term liabilities		
Due within one year	3,245,537	3,085,276
Due in more than one year	73,397,792	123,701,653
Total long-term liabilities	<u>76,643,329</u>	<u>126,786,929</u>
Total liabilities	80,552,186	130,214,040
Deferred inflows of resources		
Property taxes levied for subsequent year	14,019,315	12,917,862
Pension plan deferments	12,508,248	11,900,875
OPEB plan deferments	156,276	91,400
Total deferred inflows of resources	<u>26,683,839</u>	<u>24,910,137</u>
<b>Net position</b>		
Net investment in capital assets	18,587,875	17,152,606
Restricted for		
Capital asset acquisition	308,478	414,047
Debt service	347,466	282,590
Food service	304,750	300,902
Community service	536,215	616,857
Other purposes (state funding restrictions)	95,949	-
Unrestricted	(35,132,513)	(43,309,814)
Total net position	<u>(14,951,780)</u>	<u>(24,542,812)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 92,284,245</u>	<u>\$ 130,581,365</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Activities  
Year Ended June 30, 2019  
(With Partial Comparative Information for the Year Ended June 30, 2018)

Functions/Programs	2019			2018	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for	Operating	Revenue and	Revenue and
				Changes in	Changes in
		Services	Grants and	Net Position	Net Position
			Contributions	Governmental	Governmental
				Activities	Activities
Governmental activities					
Administration	\$ 1,318,479	\$ —	\$ —	\$ (1,318,479)	\$ (2,402,693)
District support services	1,383,764	—	—	(1,383,764)	(1,511,534)
Elementary and secondary regular instruction	13,688,037	391,913	—	(13,296,124)	(26,792,454)
Vocational education instruction	559,872	—	—	(559,872)	(1,122,590)
Special education instruction	5,454,302	—	3,608,852	(1,845,450)	(5,425,618)
Instructional support services	1,411,241	917	—	(1,410,324)	(1,984,615)
Pupil support services	2,999,858	23,392	—	(2,976,466)	(3,534,628)
Sites and buildings	4,749,556	—	—	(4,749,556)	(5,157,984)
Fiscal and other fixed cost programs	130,465	—	—	(130,465)	(123,860)
Food service	1,301,930	962,054	386,013	46,137	27,165
Community service	2,091,177	1,921,399	109,291	(60,487)	(424,292)
Depreciation not allocated to other functions (excludes amounts directly allocated by program)	1,125,891	—	—	(1,125,891)	(1,125,891)
Interest and fiscal charges	1,401,844	—	—	(1,401,844)	(1,439,989)
Total governmental activities	<u>\$ 37,616,416</u>	<u>\$ 3,299,675</u>	<u>\$ 4,104,156</u>	(30,212,585)	(51,018,983)
General revenue					
Taxes					
Property taxes, levied for general purposes				8,395,688	8,040,986
Property taxes, levied for community service				273,636	275,835
Property taxes, levied for debt service				4,990,743	5,206,265
General grants and aids				24,919,668	25,232,775
Other general revenues				1,053,335	983,144
Investment earnings				170,547	111,559
Total general revenue				<u>39,803,617</u>	<u>39,850,564</u>
Change in net position				9,591,032	(11,168,419)
Net position – beginning				<u>(24,542,812)</u>	<u>(13,374,393)</u>
Net position – ending				<u>\$ (14,951,780)</u>	<u>\$ (24,542,812)</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Balance Sheet  
Governmental Funds  
as of June 30, 2019  
(With Partial Comparative Information as of June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
<b>Assets</b>			
Cash and temporary investments	\$ 4,164,833	\$ 2,096	\$ 3,519,582
Receivables			
Current taxes	4,873,539	—	2,640,757
Delinquent taxes	78,336	—	50,818
Accounts and interest	110,555	—	—
Due from other funds	110,887	—	—
Due from other governmental units	3,074,834	—	11,546
Inventory	—	—	—
Prepaid items	182,562	—	500
<b>Total assets</b>	<b>\$ 12,595,546</b>	<b>\$ 2,096</b>	<b>\$ 6,223,203</b>
<b>Liabilities</b>			
Salaries payable	\$ 13,325	\$ —	\$ —
Accounts and contracts payable	619,980	2,083	—
Due to other governmental units	72,136	—	—
Unearned revenue	2,931	—	—
<b>Total liabilities</b>	<b>708,372</b>	<b>2,083</b>	<b>—</b>
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	8,663,329	—	5,049,078
Unavailable revenue – delinquent taxes	46,384	—	31,636
<b>Total deferred inflows of resources</b>	<b>8,709,713</b>	<b>—</b>	<b>5,080,714</b>
<b>Fund balances (deficit)</b>			
Nonspendable	182,562	—	500
Restricted	404,414	13	1,141,989
Assigned	907,388	—	—
Unassigned	1,683,097	—	—
<b>Total fund balances</b>	<b>3,177,461</b>	<b>13</b>	<b>1,142,489</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,595,546</b>	<b>\$ 2,096</b>	<b>\$ 6,223,203</b>



Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 1,083,997	\$ 8,770,508	\$ 9,618,044
159,907	7,674,203	6,213,800
2,833	131,987	105,724
6,058	116,613	149,533
—	110,887	297,594
10,376	3,096,756	2,884,846
12,201	12,201	13,112
—	183,062	199,267
<u>\$ 1,275,372</u>	<u>\$ 20,096,217</u>	<u>\$ 19,481,920</u>
\$ 13,842	\$ 27,167	\$ 141,168
13,369	635,432	665,380
53,155	125,291	312,751
47,133	50,064	74,876
<u>127,499</u>	<u>837,954</u>	<u>1,194,175</u>
306,908	14,019,315	12,917,862
1,786	79,806	68,903
<u>308,694</u>	<u>14,099,121</u>	<u>12,986,765</u>
12,201	195,263	212,379
833,081	2,379,497	2,391,787
—	907,388	974,520
(6,103)	1,676,994	1,722,294
<u>839,179</u>	<u>5,159,142</u>	<u>5,300,980</u>
<u>\$ 1,275,372</u>	<u>\$ 20,096,217</u>	<u>\$ 19,481,920</u>

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INDEPENDENT SCHOOL DISTRICT NO. 832

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2019  
(With Partial Comparative Information as of June 30, 2018)

	2019	2018
Total fund balances – governmental funds	\$ 5,159,142	\$ 5,300,980
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	97,571,115	96,888,387
Accumulated depreciation	(29,955,094)	(27,294,610)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(45,465,000)	(48,375,000)
Net discount (premium)	(4,954,793)	(5,700,148)
Net pension liability	(24,599,021)	(71,488,759)
Net OPEB liability	(1,261,335)	(922,562)
Severance benefits payable	(212,643)	(150,184)
Compensated absences payable	(150,537)	(150,276)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(861,082)	(896,751)
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.	(717,118)	113,829
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	2,831,615	40,024,615
Deferred outflows of resources – OPEB plan deferments	247,689	31,039
Deferred inflows of resources – pension plan deferments	(12,508,248)	(11,900,875)
Deferred inflows of resources – OPEB plan deferments	(156,276)	(91,400)
Deferred inflows of resources – unavailable revenue – delinquent property taxes	79,806	68,903
Total net position – governmental activities	<u>\$ (14,951,780)</u>	<u>\$ (24,542,812)</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2019  
(With Partial Comparative Information for the Year Ended June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 8,388,598	\$ –	\$ 4,987,272
Investment earnings	92,423	–	57,711
Other	1,483,091	–	–
State sources	29,176,581	–	115,597
Federal sources	734,245	–	–
Total revenue	39,874,938	–	5,160,580
Expenditures			
Current			
Administration	1,736,575	–	–
District support services	1,440,144	–	–
Elementary and secondary regular instruction	19,667,716	–	–
Vocational education instruction	742,891	–	–
Special education instruction	7,343,628	–	–
Instructional support services	1,644,017	–	–
Pupil support services	3,338,856	–	–
Sites and buildings	3,958,735	–	–
Fiscal and other fixed cost programs	130,465	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	4,325	–
Debt service			
Principal	–	–	2,910,000
Interest and fiscal charges	–	–	2,182,868
Total expenditures	40,003,027	4,325	5,092,868
Excess (deficiency) of revenue over expenditures	(128,089)	(4,325)	67,712
Other financing (uses)			
Payments on bond refunding	–	–	–
Net change in fund balances	(128,089)	(4,325)	67,712
Fund balances			
Beginning of year	3,305,550	4,338	1,074,777
End of year	\$ 3,177,461	\$ 13	\$ 1,142,489

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 273,294	\$ 13,649,164	\$ 13,526,230
20,413	170,547	111,559
2,869,919	4,353,010	4,335,877
167,032	29,459,210	28,245,477
321,393	1,055,638	1,219,444
<u>3,652,051</u>	<u>48,687,569</u>	<u>47,438,587</u>
—	1,736,575	1,905,703
—	1,440,144	1,507,137
—	19,667,716	19,972,080
—	742,891	934,483
—	7,343,628	6,998,277
—	1,644,017	1,649,016
—	3,338,856	3,165,217
—	3,958,735	3,667,550
—	130,465	123,860
1,328,695	1,328,695	1,323,381
2,242,269	2,242,269	2,122,401
158,223	162,548	2,423,773
—	2,910,000	3,135,000
—	2,182,868	2,348,963
<u>3,729,187</u>	<u>48,829,407</u>	<u>51,276,841</u>
(77,136)	(141,838)	(3,838,254)
—	—	(340,000)
(77,136)	(141,838)	(4,178,254)
<u>916,315</u>	<u>5,300,980</u>	<u>9,479,234</u>
<u>\$ 839,179</u>	<u>\$ 5,159,142</u>	<u>\$ 5,300,980</u>

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INDEPENDENT SCHOOL DISTRICT NO. 832

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2019

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

	2019	2018
Total net change in fund balances – governmental funds	\$ (141,838)	\$ (4,178,254)
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	824,558	2,538,375
Depreciation expense	(2,756,371)	(2,723,999)
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.	(45,943)	(94,902)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	2,910,000	3,475,000
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.	35,669	69,370
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.	745,355	839,604
Certain expenses are included in the change in net position but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	46,889,738	14,191,242
Net OPEB liability	(338,773)	(508,346)
Severance benefits payable	(62,459)	36,418
Compensated absences payable	(261)	69,918
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 Fund is included in the governmental activities in the Statement of Activities.	(830,947)	(281,028)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(37,193,000)	(13,651,509)
Deferred outflows of resources – OPEB plan deferments	216,650	31,039
Deferred inflows of resources – pension plan deferments	(607,373)	(10,897,108)
Deferred inflows of resources – OPEB plan deferments	(64,876)	(81,095)
Deferred inflows of resources – unavailable revenue – delinquent property taxes	10,903	(3,144)
Change in net position – governmental activities	<u>\$ 9,591,032</u>	<u>\$ (11,168,419)</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
General Fund  
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 8,455,297	\$ 8,418,983	\$ 8,388,598	\$ (30,385)
Investment earnings	25,000	45,000	92,423	47,423
Other	1,428,416	1,418,590	1,483,091	64,501
State sources	28,761,174	28,784,063	29,176,581	392,518
Federal sources	832,000	708,000	734,245	26,245
Total revenue	<u>39,501,887</u>	<u>39,374,636</u>	<u>39,874,938</u>	<u>500,302</u>
Expenditures				
Current				
Administration	1,863,394	1,752,765	1,736,575	(16,190)
District support services	1,298,844	1,281,714	1,440,144	158,430
Elementary and secondary regular instruction	19,738,911	19,674,539	19,667,716	(6,823)
Vocational education instruction	741,742	711,432	742,891	31,459
Special education instruction	7,022,603	7,528,266	7,343,628	(184,638)
Instructional support services	1,766,090	1,649,112	1,644,017	(5,095)
Pupil support services	3,036,147	3,322,381	3,338,856	16,475
Sites and buildings	3,760,997	3,958,069	3,958,735	666
Fiscal and other fixed cost programs	233,000	236,690	130,465	(106,225)
Total expenditures	<u>39,461,728</u>	<u>40,114,968</u>	<u>40,003,027</u>	<u>(111,941)</u>
Excess (deficiency) of revenue over expenditures	40,159	(740,332)	(128,089)	612,243
Other financing sources				
Sale of assets	<u>1,665</u>	<u>1,665</u>	<u>—</u>	<u>(1,665)</u>
Net change in fund balances	<u>\$ 41,824</u>	<u>\$ (738,667)</u>	<u>(128,089)</u>	<u>\$ 610,578</u>
Fund balances				
Beginning of year			<u>3,305,550</u>	
End of year			<u>\$ 3,177,461</u>	

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Net Position  
 Proprietary Fund  
 Internal Service Fund  
 as of June 30, 2019  
 (With Partial Comparative Information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,492,703	\$ 1,450,014
Liabilities		
Current liabilities		
Accounts and contracts payable	1,160,041	354,334
Unearned revenue	1,049,780	981,851
Total current liabilities	<u>2,209,821</u>	<u>1,336,185</u>
Net position		
Unrestricted	<u>\$ (717,118)</u>	<u>\$ 113,829</u>

Statement of Revenue, Expenses, and Changes in Fund Net Position  
 Proprietary Fund  
 Internal Service Fund  
 Year Ended June 30, 2019  
 (With Partial Comparative Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 5,426,215	\$ 5,160,169
Operating expenses		
Claims and settlements	<u>6,257,162</u>	<u>5,441,197</u>
Operating income (loss)	(830,947)	(281,028)
Net position		
Beginning of year	<u>113,829</u>	<u>394,857</u>
End of year	<u>\$ (717,118)</u>	<u>\$ 113,829</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Cash Flows  
 Proprietary Fund  
 Internal Service Fund  
 Year Ended June 30, 2019  
 (With Partial Comparative Information for the Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Received from assessments made to other funds	\$ 5,494,144	\$ 5,218,963
Payments for claims and settlements	(5,451,455)	(5,281,245)
Net cash flows from operating activities	42,689	(62,282)
Cash and temporary investments		
Beginning of year	1,450,014	1,512,296
End of year	\$ 1,492,703	\$ 1,450,014
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (830,947)	\$ (281,028)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	805,707	159,952
Unearned revenue	67,929	58,794
Net cash flows from operating activities	\$ 42,689	\$ (62,282)

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Fiduciary Net Position  
Fiduciary Fund  
as of June 30, 2019

	Post-Employment Benefits Trust Fund
Assets	
Cash and temporary investments	\$ 708,130
Investments	
Local government obligations	248,395
MNTrust Investment Shares Portfolio	432,330
Accounts and interest receivable	22,391
Total assets	<u>1,411,246</u>
Liabilities	
Accounts payable	140,000
Due to other funds	110,887
Total liabilities	<u>250,887</u>
Net position	
Held in trust for OPEB	<u>\$ 1,160,359</u>

Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended June 30, 2019

	Post-Employment Benefits Trust Fund
Additions	
Investment earnings	\$ 58,449
Deductions	
Benefits paid to plan members	250,888
Administrative expenses	250
Total deductions	<u>251,138</u>
Change in net position	(192,689)
Net position	
Beginning of year	<u>1,353,048</u>
End of year	<u>\$ 1,160,359</u>

See notes to basic financial statements

## INDEPENDENT SCHOOL DISTRICT NO. 832

### Notes to Basic Financial Statements June 30, 2019

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Organization**

Independent School District No. 832 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by 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 (the 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 dependent upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board can elect to either control or not control extracurricular student activities. The District's School Board has elected to control and be financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are 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. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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 “depreciation not allocated to other functions.” Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

### **D. Fund Financial Statement Presentation**

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The Proprietary Fund (Internal Service Fund) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the financial statements of the Proprietary Fund (Internal Service Fund) 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. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary 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 Fund is charges to other district funds for insurance. 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.

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. Revenues are generally considered as available if 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 acquisitions under capital leases are reported as other financing sources.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

### Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. 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 used to account for financial resources used for the acquisition or construction of major capital facilities authorized by debt issue.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The Regular Debt Service Account is used for all general obligation debt service except for the financial activities of the Other Post-Employment Benefits (OPEB) Debt Service Account. The OPEB Debt Service Account is used to pay principal, interest, and related costs on the 2009A Taxable OPEB Bond issue.

#### Nonmajor Governmental Funds

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is used primarily to record financial activities of 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 Fund

**Internal Service Fund** – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has one Internal Service Fund. The District's Internal Service Fund includes financing for self-insurance of the employee health insurance program.

#### Fiduciary Fund

**Post-Employment Benefits Trust Fund** – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **E. Budgetary Information**

The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds except the Capital Projects – Building Construction Fund. Actual expenditures exceeded budgeted amounts in the Community Service Special Revenue Fund by \$16,569. Revenues in excess of budget, along with available fund balance, covered the variance.

### **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.

In the Post-Employment Benefits Trust Fund, investments reported at fair value are deposited by the District in an irrevocable trust account, the use of which is restricted to paying other post-employment health insurance benefits as specified in the trust agreement. Interest earned on this trust account is allocated directly to that fund.

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

### **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.

### **H. Inventories**

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



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recognized as expenditures/expenses 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 allocated between property taxes and state aid 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 \$694,741 of the property tax levy collectible in 2019 as revenue to the District in fiscal year 2018–2019. The remaining portion of the taxes collectible in 2019 is recorded as a deferred inflow of resources (property taxes levied for the 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 which 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 deferred inflows 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. Interfund Transactions**

The General Fund has a receivable of \$110,887 at year-end, due from the Post-Employment Benefits Trust Fund to cover costs paid by the General Fund, reimbursable by the Post-Employment Benefits Trust Fund.

### **L. 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 acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since 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, ranging from 20 to 50 years for buildings and land improvements, and 5 to 20 years for furniture and equipment. Capital assets that are not depreciated include land and construction in progress.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

### **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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

### **N. Compensated Absences Payable**

Under the terms of union contracts, certain employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end.

### **O. Severance Benefits**

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The severance benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

### **P. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Q. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

### R. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2019.
2. **Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for employee health insurance plans. Under this plan, the District provides coverage to participating employees and their dependents for certain health costs as described in the plans.

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

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

Changes in the Internal Service Fund's claim liabilities for the last two fiscal years were as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2018	\$ 194,382	\$ 5,441,197	\$ (5,281,245)	\$ 354,334
2019	\$ 354,334	\$ 6,257,162	\$ (5,451,455)	\$ 1,160,041

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### S. Deferred Outflows/Inflows of Resources

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

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

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

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

### T. Use of Estimates

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

### U. Net Position

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### V. 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 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 use 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.

### W. Statement of Cash Flows

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 (Internal Service) Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

### X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 4,357,326
Investments	7,294,740
Total	<u>\$ 11,652,066</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 10,263,211
Statement of Fiduciary Net Position	
Cash and temporary investments	708,130
Investments	
Local government obligations	248,395
MNTrust Investment Shares Portfolio	432,330
Total	<u>\$ 11,652,066</u>

### B. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was \$4,357,326, while the balance on the bank records was \$4,357,400. At June 30, 2019, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Carrying Value
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
Local government obligations	AA	S&P	Level 2	\$ 248,395	\$ –	\$ 248,395
Investment pools/mutual funds						
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	3,653,306
MNTrust Term Series	N/R	N/A	N/A	\$ 1,500,000	\$ –	1,500,000
MSDLAF Liquid Class	AAA	S&P	N/A	N/A	N/A	1,893,039
Total						<u>\$ 7,294,740</u>

N/A – Not Applicable

N/R – Not Rated

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. MNTrust Term Series Portfolios are intended to be held until maturity; a Participant's withdrawal prior to maturity will require seven-days' notice of redemption and will likely carry a penalty which could be substantial in that it would be intended to allow the Term Series Portfolio to recoup any associated penalties, charges, losses or other costs associated with the early redemption of the investments therein. 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. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. 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.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

**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.

**OPEB Trust Fund** – This fund represents investments administered by the District's OPEB Trust Fund investment managers. The District's investment policy, discussed below, extends to the OPEB Trust Fund investments.

For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

The OPEB Trust Agreement indicates permitted investments include one or more series of MNTrust shares relating to a separate portfolio of investments, or from multi-class shares of MNTrust within the same portfolio.

**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 policy states that the District will diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. The maximum percent of the District's portfolio in any instrument is as follows:

U.S. treasury obligations (bills, notes, and bonds)	100%
U.S. government agency securities and instrumentalities of government-sponsored corporations	100%
Bankers' acceptances (Ba)	75%
Commercial paper – prime (C)	75%
Repurchase agreements (Repos)	50%
Certificates of deposit (CDs)	75%
Local government investment pool	100%

Also, no more than 50 percent of the total portfolio will be with any one instrument.

**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 policy includes limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.



### NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 is as follows:

	Balance – Beginning of Year	Additions	Transfers and Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 1,561,766	\$ –	\$ –	\$ 1,561,766
Construction in progress	4,325	–	(4,325)	–
Total capital assets, not depreciated	1,566,091	–	(4,325)	1,561,766
Capital assets, depreciated				
Buildings	71,570,345	–	–	71,570,345
Land improvements	20,629,563	605,671	4,325	21,239,559
Furniture and equipment	3,122,388	218,887	(141,830)	3,199,445
Total capital assets, depreciated	95,322,296	824,558	(137,505)	96,009,349
Less accumulated depreciation for				
Buildings	(22,336,149)	(1,706,243)	–	(24,042,392)
Land improvements	(3,409,928)	(856,248)	–	(4,266,176)
Furniture and equipment	(1,548,533)	(193,880)	95,887	(1,646,526)
Total accumulated depreciation	(27,294,610)	(2,756,371)	95,887	(29,955,094)
Net capital assets, depreciated	68,027,686	(1,931,813)	(41,618)	66,054,255
Total capital assets, net	\$ 69,593,777	\$ (1,931,813)	\$ (45,943)	\$ 67,616,021

Depreciation expense for the year ended June 30, 2019 was charged to the following governmental functions:

Elementary and secondary regular instruction	\$ 85,361
Instructional support services	680
Pupil support services	21,272
Sites and buildings	1,488,561
Food service	31,160
Community education	3,446
Depreciation not allocated to other functions	1,125,891
Total depreciation expense	\$ 2,756,371

## 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	Average Annual Installments	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds payable						
Taxable OPEB Bonds, Series 2009A	05/05/2009	3.5–5.4%	\$ 320,000	\$ 3,265,000	02/01/2024	\$ 1,380,000
School Refunding Bonds, Series 2014A	11/13/2014	4.0–5.0%	\$ 4,150,000	\$ 38,930,000	02/01/2031	36,505,000
Taxable School Refunding Bonds, Series 2014B	11/13/2014	3.4%	\$ 205,000	\$ 385,000	02/01/2021	385,000
Tax Abatement Bonds, Series 2016A	06/09/2016	2.0–3.0%	\$ 745,000	\$ 7,640,000	02/01/2030	<u>7,195,000</u>
Total general obligation bonds payable						<u>\$ 45,465,000</u>

### B. Description of Long-Term Liabilities

**General Obligation School Building, Tax Abatement, and Refunding Bonds** – These bonds were issued to finance acquisition and/or construction of capital facilities or to refinance the retirement (refund) of prior bond issues. 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. The District also has received revenue in the form of a federal tax credit to finance debt service.

**General Obligation Taxable OPEB Bonds** – These obligations were issued to finance OPEB. Assets of the OPEB Debt Service Account, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. 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.

### C. Other Long-Term Liabilities

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

#### NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

District employees participate in two defined benefit pension plans, including the state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2019:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 3,589,290	\$ 814,593	\$ 1,011,590	\$ 69,351
State-wide, multiple-employer – TRA	21,009,731	2,017,022	11,496,658	(8,814,852)
Total	<u>\$ 24,599,021</u>	<u>\$ 2,831,615</u>	<u>\$ 12,508,248</u>	<u>\$ (8,745,501)</u>

#### D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2020	\$ 2,995,000	\$ 2,070,573
2021	3,110,000	1,954,273
2022	3,245,000	1,817,433
2023	3,395,000	1,667,195
2024	3,555,000	1,509,720
2025–2029	20,380,000	4,942,900
2030–2031	8,785,000	625,250
	<u>\$ 45,465,000</u>	<u>\$ 14,587,344</u>

#### E. Changes in Long-Term Liabilities

	Balance – June 30, 2018	Additions	Retirements	Balance – June 30, 2019	Due Within One Year
General obligation bonds payable	\$ 48,375,000	\$ –	\$ 2,910,000	\$ 45,465,000	\$ 2,995,000
Net (discount) premium	5,700,148	–	745,355	4,954,793	–
Net pension liability	71,488,759	342,506	47,232,244	24,599,021	–
Net OPEB liability	922,562	589,660	250,887	1,261,335	–
Severance benefits payable	150,184	99,288	36,829	212,643	100,000
Compensated absences payable	150,276	261,571	261,310	150,537	150,537
	<u>\$ 126,786,929</u>	<u>\$ 1,293,025</u>	<u>\$ 51,436,625</u>	<u>\$ 76,643,329</u>	<u>\$ 3,245,537</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.

### A. Classifications

At June 30, 2019, 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
<b>Nonspendable</b>					
Inventory	\$ –	\$ –	\$ –	\$ 12,201	\$ 12,201
Prepaid items	182,562	–	500	–	183,062
Total nonspendable	182,562	–	500	12,201	195,263
<b>Restricted</b>					
Capital projects levy	112,295	–	–	–	112,295
Operating capital	196,170	–	–	–	196,170
Building construction	–	13	–	–	13
Long-term facilities maintenance	95,949	–	–	–	95,949
Community education programs	–	–	–	332,345	332,345
Early childhood family education programs	–	–	–	190,852	190,852
Community service	–	–	–	17,335	17,335
Food service	–	–	–	292,549	292,549
Debt service	–	–	1,141,989	–	1,141,989
Total restricted	404,414	13	1,141,989	833,081	2,379,497
<b>Assigned</b>					
Separation benefits	411,850	–	–	–	411,850
Student activities	170,857	–	–	–	170,857
Quality compensation program	31,491	–	–	–	31,491
Building carryover	217,009	–	–	–	217,009
Budget carryovers	76,181	–	–	–	76,181
Total assigned	907,388	–	–	–	907,388
<b>Unassigned</b>					
School readiness restricted account deficit	–	–	–	(6,103)	(6,103)
Unassigned	1,683,097	–	–	–	1,683,097
Total unassigned	1,683,097	–	–	(6,103)	1,676,994
<b>Total</b>	<b>\$ 3,177,461</b>	<b>\$ 13</b>	<b>\$ 1,142,489</b>	<b>\$ 839,179</b>	<b>\$ 5,159,142</b>

### B. Fund Balance Policy

The School Board has formally adopted a fund balance policy. This policy states that the School Board will strive to maintain a minimum unassigned General Fund balance (excluding restricted account deficits) of 8.0 percent of total General Fund expenditures. At June 30, 2019, the unassigned fund balance of the General Fund was 4.2 percent of the total General Fund expenditures.

## **NOTE 5 – FUND BALANCES (CONTINUED)**

If the fund balance falls below 8.0 percent, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

1. No new programs will be added at the District level unless matched by a like revenue source;
2. Allocations such as textbooks, supplies, etc., shall be frozen; and
3. The District will review other measures, which shall not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenditures have historically been lower than budgeted levels.

If the fund balance is projected to fall below 7.0 percent, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts, or a combination of both.

## **NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

### **A. Plan Descriptions**

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

#### **1. General Employees Retirement Fund (GERF)**

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

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

#### **2. Teachers Retirement Association (TRA)**

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul Public Schools or Minnesota State Colleges and Universities (MnSCU)). Educators first hired by MnSCU may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan within one year of eligible employment.

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

### **B. Benefits Provided**

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

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

#### **1. GERS Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. GERS benefit recipients receive a future annual increase equal to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

#### **2. TRA Benefits**

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

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

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

### Tier I Benefits

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

With these provisions:

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

### Tier II Benefits

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

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

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

### C. Contributions

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

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

### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2019; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GEF for the year ended June 30, 2019, were \$353,648. The District's contributions were equal to the required contributions as set by state statutes.

### 2. TRA Contributions

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

	Year Ended June 30,					
	2017		2018		2019	
	Employee	Employer	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	11.00 %	11.50 %	11.00 %	11.50 %	11.00 %	11.71 %
<b>Coordinated Plan</b>	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %	7.71 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2019, were \$1,389,479. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

	<i>in thousands</i>
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 378,728
Add employer contributions not related to future contribution efforts	522
Deduct the TRA's contributions not included in allocation	(471)
Total employer contributions	378,779
Total nonemployer contributions	35,588
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	\$ 414,367

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



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

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2019, the District reported a liability of \$3,589,290 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.0647 percent at the end of the measurement period and 0.0645 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amounts recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 3,589,290
State's proportionate share of the net pension liability associated with the District	\$ 117,696

For the year ended June 30, 2019, the District recognized pension expense of \$41,905 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$27,446 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the GERF.

At June 30, 2019, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 94,722	\$ 108,891
Changes in actuarial assumptions	356,646	402,441
Differences between projected and actual investment earnings	—	342,533
Changes in proportion	9,577	157,725
District's contributions to the GERF subsequent to the measurement date	353,648	—
Total	\$ 814,593	\$ 1,011,590

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

A total of \$353,648 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the GERS pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2020	\$ 51,097
2021	\$ (239,321)
2022	\$ (287,507)
2023	\$ (74,914)

**2. TRA Pension Costs**

At June 30, 2019, the District reported a liability of \$21,009,731 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.3345 percent at the end of the measurement period and 0.3375 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$ 21,009,731
State's proportionate share of the net pension liability associated with the District	\$ 1,973,781

For the year ended June 30, 2019, the District recognized negative pension expense of (\$7,437,284). It also recognized (\$1,377,568) as a decrease to pension expense (and grant revenue) for the support provided by direct aid.

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

At June 30, 2019, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 232,755	\$ 427,051
Changes in actuarial assumptions	—	1,651,135
Difference between projected and actual investment earnings	—	8,812,386
Changes in proportion	394,788	606,086
District's contributions to the TRA subsequent to the measurement date	1,389,479	—
Total	<u>\$ 2,017,022</u>	<u>\$ 11,496,658</u>

A total of \$1,389,479 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 2,024,501
2021	\$ 1,045,147
2022	\$ (44,605)
2023	\$ (8,116,371)
2024	\$ (5,777,787)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year up to 1.50 percent annually for the TRA.

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

Actuarial assumptions used in the June 30, 2018 valuations were based on the results of actuarial experience studies. The most recent experience studies were completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2018:

### **1. GERF**

#### **CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

#### **CHANGES IN PLAN PROVISIONS**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

### **2. TRA**

#### **CHANGES IN ACTUARIAL ASSUMPTIONS**

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

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

- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36 %	5.10 %
International stocks	17	5.30 %
Bonds (fixed income)	20	0.75 %
Alternative assets (private markets)	25	5.90 %
Cash	2	– %
Total	100 %	

**F. Discount Rate****1. GERP**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**2. TRA**

The discount rate used to measure the total pension liability was 7.50 percent. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)****G. Pension Liability Sensitivity**

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 5,833,057	\$ 3,589,290	\$ 1,737,126
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 33,342,358	\$ 21,009,731	\$ 10,835,395

**H. Pension Plan Fiduciary Net Position**

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

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

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

### **A. Plan Description**

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

The District has provided early retirement incentive payment plans for certain employee groups. All of these early retirement incentives are based on contractual agreements with employee groups. These early retirement incentive payment plans include the payment of OPEB. These contractual agreements do not include any specific contribution or funding requirements.

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

### **B. Benefits Provided**

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the earlier of eight years or until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

In addition, full-time teachers who are at least 50 years of age or have completed 20 years of professional service in the appropriate unit in the District shall be eligible for severance pay pursuant to the provisions in the severance pay article of the teachers' master agreement. All persons whose actual service began prior to July 1, 1989 shall be eligible for this benefit.

The full-time teachers shall accumulate 10 days of credit for each full year of actual teaching in the District up to a maximum of one year's salary as determined by the salary schedule placement. In applying these provisions, a teacher's daily rate of pay shall be the basic rate of the teacher's last day of actual service as provided in the basic salary schedule for the basic school year. These amounts are contributed directly to a health savings account.



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

### C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

### D. Membership

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

Retirees and beneficiaries receiving benefits	43
Active plan members	<u>353</u>
Total members	<u><u>396</u></u>

### E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2018. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 2,421,694
Plan fiduciary net position	<u>(1,160,359)</u>
District's net OPEB liability	<u><u>\$ 1,261,335</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>47.9%</u></u>

### F. Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the entry-age method using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.10%
Expected long-term investment return	3.50% (net of investment expenses)
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare trend rate	6.50% grading to 5.00% over 6 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	100.00 %	3.50 %

### G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 4.3 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.1 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been considered.

### I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance – July 1, 2018	\$ 2,275,610	\$ 1,353,048	\$ 922,562
Changes for the year			
Service cost	105,053	—	105,053
Interest	80,244	—	80,244
Assumption changes	166,935	—	166,935
Plan changes	(68,126)	—	(68,126)
Differences between expected and actual experience	112,866	—	112,866
Net investment income	—	58,449	(58,449)
Benefit payments	(250,888)	(250,888)	—
Administrative expense	—	(250)	250
Total net changes	146,084	(192,689)	338,773
Ending balance – June 30, 2019	\$ 2,421,694	\$ 1,160,359	\$ 1,261,335

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

Assumption and plan changes since the prior measurement date include the following:

### Plan Changes

- The severance benefit for the assistant superintendent and the director of business services was moved from an OPEB benefit to a severance benefit since it is not defined to be paid to a Healthcare Savings Plan. The new superintendent does not have a subsidized post-employment benefit.

### Assumption Changes

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The ending-age for valuing implicit dental was increased from 65 to 70 for current retirees based on the average age of current retirees with dental insurance.
- The discount rate and the 20-year municipal bond rate were changed from 3.50 percent to 3.10 percent.

### J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.10%	3.10%	4.10%
Net OPEB liability	\$ 1,412,367	\$ 1,261,335	\$ 1,185,438

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

	<u>1% Decrease in Healthcare Cost Trend Rate</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase in Healthcare Cost Trend Rate</u>
OPEB healthcare cost trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Net OPEB liability	\$ 1,113,784	\$ 1,261,335	\$ 1,509,233

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)****K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources**

For the current year ended, the District recognized OPEB expense of \$186,999. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 90,292	\$ –
Changes in actuarial assumptions	143,636	156,276
Differences between projected and actual investment earnings	13,761	–
Total	<u>\$ 247,689</u>	<u>\$ 156,276</u>

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

Year Ending June 30,	OPEB Expense Amount
2020	\$ (35,324)
2021	\$ 45,905
2022	\$ 43,330
2023	\$ 37,502

**NOTE 8 – COMMITMENTS AND CONTINGENCIES****A. Federal and State Receivables**

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.

**B. Legal Claims**

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 832

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2019

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0742%	\$ 3,485,544	\$ —	\$ 3,485,544	\$ 3,901,247	89.34%	78.70%
06/30/2016	06/30/2015	0.0707%	\$ 3,664,041	\$ —	\$ 3,664,041	\$ 3,774,394	97.08%	78.20%
06/30/2017	06/30/2016	0.0673%	\$ 5,464,427	\$ 71,389	\$ 5,535,816	\$ 4,176,584	130.83%	68.90%
06/30/2018	06/30/2017	0.0645%	\$ 4,117,637	\$ 51,791	\$ 4,169,428	\$ 4,156,472	99.07%	75.90%
06/30/2019	06/30/2018	0.0647%	\$ 3,589,290	\$ 117,696	\$ 3,706,986	\$ 4,356,483	82.39%	79.50%

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District Contributions  
Year Ended June 30, 2019

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 278,552	\$ 278,552	\$ —	\$ 3,774,394	7.38%
06/30/2016	\$ 308,972	\$ 308,972	\$ —	\$ 4,176,584	7.40%
06/30/2017	\$ 311,736	\$ 311,736	\$ —	\$ 4,156,472	7.50%
06/30/2018	\$ 326,328	\$ 326,328	\$ —	\$ 4,356,483	7.49%
06/30/2019	\$ 353,648	\$ 353,648	\$ —	\$ 4,715,012	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 832

Teachers Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2019

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3515%	\$ 16,196,867	\$ 1,139,345	\$ 17,336,212	\$ 16,044,763	100.95%	81.50%
06/30/2016	06/30/2015	0.3284%	\$ 20,314,788	\$ 2,491,928	\$ 22,806,716	\$ 16,114,607	126.06%	76.80%
06/30/2017	06/30/2016	0.3363%	\$ 80,215,574	\$ 8,052,513	\$ 88,268,087	\$ 17,491,654	458.59%	44.88%
06/30/2018	06/30/2017	0.3375%	\$ 67,371,122	\$ 6,512,110	\$ 73,883,232	\$ 18,167,356	370.84%	51.57%
06/30/2019	06/30/2018	0.3345%	\$ 21,009,731	\$ 1,973,781	\$ 22,983,512	\$ 18,481,913	113.68%	78.07%

Teachers Retirement Association Pension Benefits Plan  
Schedule of District Contributions  
Year Ended June 30, 2019

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Exccss)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,159,998	\$ 1,159,998	\$ -	\$ 16,114,607	7.20%
06/30/2016	\$ 1,310,240	\$ 1,310,240	\$ -	\$ 17,491,654	7.49%
06/30/2017	\$ 1,359,847	\$ 1,359,847	\$ -	\$ 18,167,356	7.49%
06/30/2018	\$ 1,393,361	\$ 1,393,361	\$ -	\$ 18,481,913	7.54%
06/30/2019	\$ 1,389,479	\$ 1,389,479	\$ -	\$ 18,018,935	7.71%

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

INDEPENDENT SCHOOL DISTRICT NO. 832

Other Post-Employment Benefits Plan  
Schedule of Changes in the District's Net  
OPEB Liability and Related Ratios  
Year Ended June 30, 2019

	2019	2018	2017
Total OPEB liability			
Service cost	\$ 105,053	\$ 146,189	\$ 145,928
Interest	80,244	56,541	61,031
Assumption changes	166,935	(97,314)	—
Plan changes	(68,126)	440,358	—
Differences between expected and actual experience	112,866	—	—
Benefit payments	(250,888)	(593,442)	(169,143)
Net change in total OPEB liability	146,084	(47,668)	37,816
Total OPEB liability – beginning of year	2,275,610	2,323,278	2,285,462
Total OPEB liability – end of year	2,421,694	2,275,610	2,323,278
Plan fiduciary net position			
Net investment income	58,449	37,678	12,937
Benefit payments	(250,888)	(593,442)	(169,143)
Administrative expense	(250)	(250)	(250)
Net change in plan fiduciary net position	(192,689)	(556,014)	(156,456)
Plan fiduciary net position – beginning of year	1,353,048	1,909,062	2,065,518
Plan fiduciary net position – end of year	1,160,359	1,353,048	1,909,062
Net OPEB liability	\$ 1,261,335	\$ 922,562	\$ 414,216
Plan fiduciary net position as a percentage of the total OPEB liability	47.92%	59.46%	82.17%
Covered-employee payroll	\$ 21,792,316	\$ 21,784,370	\$ 21,064,964
Net OPEB liability as a percentage of covered-employee payroll	5.79%	4.23%	1.97%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.



INDEPENDENT SCHOOL DISTRICT NO. 832

Other Post-Employment Benefits Plan  
Schedule of Investment Returns  
Year Ended June 30, 2019

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	0.60 %
2018	2.00 %
2019	4.30 %

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 832

Notes to Required Supplementary Information  
June 30, 2019

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2018 CHANGES IN PLAN PROVISIONS**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment (COLA), not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

**2017 CHANGES IN PLAN PROVISIONS**

- The state's special funding contribution increased from \$6 million to \$16 million.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

INDEPENDENT SCHOOL DISTRICT NO. 832

Notes to Required Supplementary Information (continued)  
June 30, 2019

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 832

Notes to Required Supplementary Information (continued)  
June 30, 2019

**TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)**

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

INDEPENDENT SCHOOL DISTRICT NO. 832

Notes to Required Supplementary Information (continued)

June 30, 2019

**TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)**

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)**

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 832

Notes to Required Supplementary Information (continued)  
June 30, 2019

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2019 CHANGES IN PLAN PROVISIONS**

- The severance benefit for the assistant superintendent and the director of business services was moved from an OPEB benefit to a severance benefit since it is not defined to be paid to a Healthcare Savings Plan. The new superintendent does not have a subsidized post-employment benefit.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The ending-age for valuing implicit dental was increased from 65 to 70 for current retirees based on the average age of current retirees with dental insurance.
- The discount rate and the 20-year municipal bond rate were changed from 3.50 percent to 3.10 percent.

**2018 CHANGES IN PLAN PROVISIONS**

- An early retirement incentive was given to teachers retiring at the end of the 2017–2018 school year who were over age 55 with at least 15 years of service. Eligible teachers will receive two annual payments of \$10,000 paid to an HRA.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The expected long-term investment return was changed from 1.25 percent to 3.50 percent.
- The discount rate was changed from 2.60 percent to 3.50 percent.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 3.00 percent to 2.60 percent.

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SUPPLEMENTAL INFORMATION

## INDEPENDENT SCHOOL DISTRICT NO. 832

Nonmajor Governmental Funds  
Combining Balance Sheet  
as of June 30, 2019

	Special Revenue Funds		
	Food Service	Community Service	Total
<b>Assets</b>			
Cash and temporary investments	\$ 340,174	\$ 743,823	\$ 1,083,997
Receivables			
Current taxes	—	159,907	159,907
Delinquent taxes	—	2,833	2,833
Accounts and interest	6,058	—	6,058
Due from other governmental units	—	10,376	10,376
Inventory	12,201	—	12,201
<b>Total assets</b>	<b>\$ 358,433</b>	<b>\$ 916,939</b>	<b>\$ 1,275,372</b>
<b>Liabilities</b>			
Salaries payable	\$ —	\$ 13,842	\$ 13,842
Accounts and contracts payable	528	12,841	13,369
Due to other governmental units	53,155	—	53,155
Unearned revenue	—	47,133	47,133
<b>Total liabilities</b>	<b>53,683</b>	<b>73,816</b>	<b>127,499</b>
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	—	306,908	306,908
Unavailable revenue – delinquent taxes	—	1,786	1,786
<b>Total deferred inflows of resources</b>	<b>—</b>	<b>308,694</b>	<b>308,694</b>
<b>Fund balances (deficit)</b>			
Nonspendable for inventory	12,201	—	12,201
Restricted	292,549	540,532	833,081
Unassigned	—	(6,103)	(6,103)
<b>Total fund balances</b>	<b>304,750</b>	<b>534,429</b>	<b>839,179</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 358,433</b>	<b>\$ 916,939</b>	<b>\$ 1,275,372</b>

INDEPENDENT SCHOOL DISTRICT NO. 832

Nonmajor Governmental Funds  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2019

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 273,294	\$ 273,294
Investment earnings	6,843	13,570	20,413
Other	962,088	1,907,831	2,869,919
State sources	57,742	109,290	167,032
Federal sources	321,393	—	321,393
Total revenue	<u>1,348,066</u>	<u>2,303,985</u>	<u>3,652,051</u>
Expenditures			
Current			
Food service	1,328,695	—	1,328,695
Community service	—	2,242,269	2,242,269
Capital outlay	15,523	142,700	158,223
Total expenditures	<u>1,344,218</u>	<u>2,384,969</u>	<u>3,729,187</u>
Net change in fund balances	3,848	(80,984)	(77,136)
Fund balances			
Beginning of year	<u>300,902</u>	<u>615,413</u>	<u>916,315</u>
End of year	<u>\$ 304,750</u>	<u>\$ 534,429</u>	<u>\$ 839,179</u>

## INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund  
Comparative Balance Sheet  
as of June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and temporary investments	\$ 4,164,833	\$ 4,546,723
Receivables		
Current taxes	4,873,539	3,797,442
Delinquent taxes	78,336	61,005
Accounts and interest	110,555	140,883
Due from other funds	110,887	297,594
Due from other governmental units	3,074,834	2,874,317
Prepaid items	182,562	193,907
Total assets	<u>\$ 12,595,546</u>	<u>\$ 11,911,871</u>
<b>Liabilities</b>		
Salaries payable	\$ 13,325	\$ 103,613
Accounts and contracts payable	619,980	571,856
Due to other governmental units	72,136	258,319
Unearned revenue	2,931	4,851
Total liabilities	<u>708,372</u>	<u>938,639</u>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	8,663,329	7,628,388
Unavailable revenue – delinquent taxes	46,384	39,294
Total deferred inflows of resources	<u>8,709,713</u>	<u>7,667,682</u>
<b>Fund balances (deficit)</b>		
Nonspendable for prepaid items	182,562	193,907
Restricted for capital projects levy	112,295	158,643
Restricted for operating capital	196,170	251,066
Restricted for long-term facilities maintenance	95,949	–
Assigned for separation benefits	411,850	411,850
Assigned for student activities	170,857	280,166
Assigned for quality compensation program	31,491	–
Assigned for building carryover	217,009	206,323
Assigned for budget carryover	76,181	76,181
Unassigned – long-term facilities maintenance restricted account deficit	–	(54,277)
Unassigned	1,683,097	1,781,691
Total fund balances	<u>3,177,461</u>	<u>3,305,550</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 12,595,546</u>	<u>\$ 11,911,871</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019		2018	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 8,418,983	\$ 8,388,598	\$ (30,385)	\$ 8,042,652
Investment earnings	45,000	92,423	47,423	47,369
Other	1,418,590	1,483,091	64,501	1,487,099
State sources	28,784,063	29,176,581	392,518	28,079,082
Federal sources	708,000	734,245	26,245	610,162
Total revenue	39,374,636	39,874,938	500,302	38,266,364
<b>Expenditures</b>				
Current				
Administration				
Salaries	1,180,871	1,173,258	(7,613)	1,259,491
Employee benefits	439,560	454,113	14,553	488,182
Purchased services	73,955	54,037	(19,918)	112,893
Supplies and materials	12,600	15,326	2,726	9,408
Capital expenditures	—	241	241	—
Other expenditures	45,779	39,600	(6,179)	35,729
Total administration	1,752,765	1,736,575	(16,190)	1,905,703
District support services				
Salaries	580,780	605,236	24,456	547,906
Employee benefits	185,205	139,601	(45,604)	168,568
Purchased services	337,424	424,990	87,566	462,223
Supplies and materials	75,165	88,948	13,783	80,438
Capital expenditures	5,900	1,979	(3,921)	2,024
Other expenditures	97,240	179,390	82,150	245,978
Total district support services	1,281,714	1,440,144	158,430	1,507,137
Elementary and secondary regular instruction				
Salaries	12,482,460	12,280,409	(202,051)	12,712,794
Employee benefits	4,588,410	4,731,031	142,621	4,861,341
Purchased services	1,106,363	1,031,472	(74,891)	1,122,773
Supplies and materials	538,866	504,188	(34,678)	411,693
Capital expenditures	174,840	255,730	80,890	142,125
Other expenditures	783,600	864,886	81,286	721,354
Total elementary and secondary regular instruction	19,674,539	19,667,716	(6,823)	19,972,080

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual (continued)  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019		2018	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	318,909	320,584	1,675	454,397
Employee benefits	137,218	137,635	417	207,422
Purchased services	242,555	280,999	38,444	246,896
Supplies and materials	7,500	275	(7,225)	-
Capital expenditures	5,000	580	(4,420)	-
Other expenditures	250	2,818	2,568	25,768
Total vocational education instruction	711,432	742,891	31,459	934,483
Special education instruction				
Salaries	4,928,170	4,698,335	(229,835)	4,539,899
Employee benefits	1,879,539	1,855,108	(24,431)	1,766,103
Purchased services	390,001	495,085	105,084	423,944
Supplies and materials	143,456	98,821	(44,635)	111,583
Capital expenditures	34,600	33,844	(756)	24,511
Other expenditures	152,500	162,435	9,935	132,237
Total special education instruction	7,528,266	7,343,628	(184,638)	6,998,277
Instructional support services				
Salaries	1,039,560	1,066,898	27,338	1,023,649
Employee benefits	452,646	471,642	18,996	471,183
Purchased services	106,500	50,302	(56,198)	40,568
Supplies and materials	39,650	37,263	(2,387)	36,804
Capital expenditures	5,000	13,048	8,048	71,318
Other expenditures	5,756	4,864	(892)	5,494
Total instructional support services	1,649,112	1,644,017	(5,095)	1,649,016
Pupil support services				
Salaries	888,232	857,908	(30,324)	859,377
Employee benefits	370,154	352,480	(17,674)	336,067
Purchased services	2,033,450	2,105,073	71,623	1,941,103
Supplies and materials	24,795	12,635	(12,160)	27,628
Capital expenditures	-	-	-	589
Other expenditures	5,750	10,760	5,010	453
Total pupil support services	3,322,381	3,338,856	16,475	3,165,217

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual (continued)  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019		2018	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,032,220	984,060	(48,160)	888,682
Employee benefits	348,862	343,007	(5,855)	320,623
Purchased services	1,115,804	1,178,631	62,827	1,133,504
Supplies and materials	219,200	265,860	46,660	232,359
Capital expenditures	1,239,563	1,183,682	(55,881)	1,090,647
Other expenditures	2,420	3,495	1,075	1,735
Total sites and buildings	3,958,069	3,958,735	666	3,667,550
Fiscal and other fixed cost programs				
Employee benefits	110,000	—	(110,000)	—
Purchased services	126,690	130,465	3,775	123,860
Total fiscal and other fixed cost programs	236,690	130,465	(106,225)	123,860
Total expenditures	40,114,968	40,003,027	(111,941)	39,923,323
Excess (deficiency) of revenue over expenditures	(740,332)	(128,089)	612,243	(1,656,959)
Other financing sources				
Sale of assets	1,665	—	(1,665)	—
Net change in fund balances	\$ (738,667)	(128,089)	\$ 610,578	(1,656,959)
Fund balances				
Beginning of year		3,305,550		4,962,509
End of year		\$ 3,177,461		\$ 3,305,550

INDEPENDENT SCHOOL DISTRICT NO. 832

Food Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and temporary investments	\$ 340,174	\$ 333,836
Receivables		
Accounts and interest receivable	6,058	7,550
Inventory	12,201	13,112
Prepaid items	—	4,410
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 358,433</u>	<u>\$ 358,908</u>
<b>Liabilities</b>		
Accounts and contracts payable	\$ 528	\$ 3,574
Due to other governmental units	53,155	54,432
Total liabilities	<u>53,683</u>	<u>58,006</u>
<b>Fund balances</b>		
Nonspendable for inventory	12,201	13,112
Nonspendable for prepaid items	—	4,410
Restricted for food service	292,549	283,380
Total fund balances	<u>304,750</u>	<u>300,902</u>
	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 358,433</u>	<u>\$ 358,908</u>



INDEPENDENT SCHOOL DISTRICT NO. 832

Food Service Special Revenue Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 3,500	\$ 6,843	\$ 3,343	\$ 3,848
Other – primarily meal sales	1,001,600	962,088	(39,512)	994,769
State sources	52,715	57,742	5,027	55,912
Federal sources	313,000	321,393	8,393	326,692
Total revenue	<u>1,370,815</u>	<u>1,348,066</u>	<u>(22,749)</u>	<u>1,381,221</u>
Expenditures				
Current				
Salaries	65,000	77,140	12,140	59,803
Employee benefits	22,025	—	(22,025)	—
Purchased services	647,250	643,269	(3,981)	629,512
Supplies and materials	653,960	608,251	(45,709)	632,787
Other expenditures	6,035	35	(6,000)	1,279
Capital outlay	35,500	15,523	(19,977)	9,531
Total expenditures	<u>1,429,770</u>	<u>1,344,218</u>	<u>(85,552)</u>	<u>1,332,912</u>
Net change in fund balances	<u>\$ (58,955)</u>	<u>3,848</u>	<u>\$ 62,803</u>	<u>48,309</u>
Fund balances				
Beginning of year		<u>300,902</u>		<u>252,593</u>
End of year		<u>\$ 304,750</u>		<u>\$ 300,902</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Community Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and temporary investments	\$ 743,823	\$ 950,095
Receivables		
Current taxes	159,907	125,099
Delinquent taxes	2,833	2,197
Due from other governmental units	10,376	8,758
Total assets	<u>\$ 916,939</u>	<u>\$ 1,086,149</u>
<b>Liabilities</b>		
Salaries payable	\$ 13,842	\$ 37,555
Accounts and contracts payable	12,841	87,867
Unearned revenue	47,133	70,025
Total liabilities	<u>73,816</u>	<u>195,447</u>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	306,908	273,845
Unavailable revenue – delinquent taxes	1,786	1,444
Total deferred inflows of resources	<u>308,694</u>	<u>275,289</u>
<b>Fund balances (deficit)</b>		
Restricted for community education programs	332,345	433,271
Restricted for early childhood family education programs	190,852	169,927
Restricted for community service	17,335	17,335
Unassigned – school readiness restricted account deficit	(6,103)	(5,120)
Total fund balances	<u>534,429</u>	<u>615,413</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 916,939</u>	<u>\$ 1,086,149</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Community Service Special Revenue Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 275,698	\$ 273,294	\$ (2,404)	\$ 275,844
Investment earnings	12,807	13,570	763	12,807
Other – primarily tuition and fees	1,859,849	1,907,831	47,982	1,854,009
State sources	90,565	109,290	18,725	92,942
Total revenue	<u>2,238,919</u>	<u>2,303,985</u>	<u>65,066</u>	<u>2,235,602</u>
Expenditures				
Current				
Salaries	1,237,859	1,256,527	18,668	1,206,371
Employee benefits	354,567	385,742	31,175	345,822
Purchased services	447,924	500,417	52,493	462,185
Supplies and materials	86,800	79,716	(7,084)	88,687
Other expenditures	16,550	19,867	3,317	19,336
Capital outlay	224,700	142,700	(82,000)	124,966
Total expenditures	<u>2,368,400</u>	<u>2,384,969</u>	<u>16,569</u>	<u>2,247,367</u>
Net change in fund balances	<u>\$ (129,481)</u>	<u>(80,984)</u>	<u>\$ 48,497</u>	<u>(11,765)</u>
Fund balances				
Beginning of year		<u>615,413</u>		<u>627,178</u>
End of year		<u>\$ 534,429</u>		<u>\$ 615,413</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Capital Projects – Building Construction Fund  
Comparative Balance Sheet  
as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 2,096	5,321
Receivables		
Accounts and interest	<u>—</u>	<u>1,100</u>
Total assets	<u>\$ 2,096</u>	<u>\$ 6,421</u>
Liabilities		
Accounts and contracts payable	\$ 2,083	\$ 2,083
Fund balances		
Restricted for building construction	<u>13</u>	<u>4,338</u>
Total liabilities and fund balances	<u>\$ 2,096</u>	<u>\$ 6,421</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Capital Projects – Building Construction Fund  
Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue		
Local sources		
Investment earnings	\$ —	\$ 11,280
Expenditures		
Capital outlay		
Salaries	—	57,062
Employee benefits	—	16,985
Purchased services	—	51,269
Capital expenditures	<u>4,325</u>	<u>2,163,960</u>
Total expenditures	<u>4,325</u>	<u>2,289,276</u>
Net change in fund balances	(4,325)	(2,277,996)
Fund balances		
Beginning of year	<u>4,338</u>	<u>2,282,334</u>
End of year	<u>\$ 13</u>	<u>\$ 4,338</u>

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## INDEPENDENT SCHOOL DISTRICT NO. 832

Debt Service Fund  
Balance Sheet by Account  
as of June 30, 2019  
(With Comparative Totals as of June 30, 2018)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2019	2018
<b>Assets</b>				
Cash and temporary investments	\$ 3,301,062	\$ 218,520	\$ 3,519,582	\$ 3,782,069
Receivables				
Current taxes	2,472,738	168,019	2,640,757	2,291,259
Delinquent taxes	47,611	3,207	50,818	42,522
Due from other governmental units	11,522	24	11,546	1,771
Prepaid items	500	—	500	950
<b>Total assets</b>	<b>\$ 5,833,433</b>	<b>\$ 389,770</b>	<b>\$ 6,223,203</b>	<b>\$ 6,118,571</b>
<b>Deferred inflows of resources</b>				
Property taxes levied for subsequent year	\$ 4,726,601	\$ 322,477	\$ 5,049,078	\$ 5,015,629
Unavailable revenue – delinquent taxes	29,656	1,980	31,636	28,165
<b>Total deferred inflows of resources</b>	<b>4,756,257</b>	<b>324,457</b>	<b>5,080,714</b>	<b>5,043,794</b>
<b>Fund balances</b>				
Nonspendable for prepaid items	500	—	500	950
Restricted for debt service	1,076,676	65,313	1,141,989	1,073,827
<b>Total fund balances</b>	<b>1,077,176</b>	<b>65,313</b>	<b>1,142,489</b>	<b>1,074,777</b>
<b>Total deferred inflows of resources, and fund balances</b>	<b>\$ 5,833,433</b>	<b>\$ 389,770</b>	<b>\$ 6,223,203</b>	<b>\$ 6,118,571</b>

INDEPENDENT SCHOOL DISTRICT NO. 832

Debt Service Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

			2019
			Actual
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 5,013,000	\$ 4,666,934	\$ 320,338
Investment earnings	22,500	57,711	—
State sources	57,830	115,353	244
Federal source	—	—	—
Total revenue	<u>5,093,330</u>	<u>4,839,998</u>	<u>320,582</u>
Expenditures			
Debt service			
Principal	2,910,000	2,670,000	240,000
Interest	2,178,683	2,095,050	83,632
Fiscal charges and other	15,000	4,186	—
Total expenditures	<u>5,103,683</u>	<u>4,769,236</u>	<u>323,632</u>
Excess (deficiency) of revenue over expenditures	(10,353)	70,762	(3,050)
Other financing (uses)			
Payments on bond refunding	—	—	—
Net change in fund balances	<u>\$ (10,353)</u>	<u>70,762</u>	<u>(3,050)</u>
Fund balances			
Beginning of year		<u>1,006,414</u>	<u>68,363</u>
End of year		<u>\$ 1,077,176</u>	<u>\$ 65,313</u>



		2018	
Total	Over (Under) Budget	Actual	
\$ 4,987,272	\$ (25,728)	\$ 5,207,734	
57,711	35,211	36,255	
115,597	57,767	17,541	
-	-	282,590	
5,160,580	67,250	5,544,120	
2,910,000	-	3,135,000	
2,178,682	(1)	2,344,141	
4,186	(10,814)	4,822	
5,092,868	(10,815)	5,483,963	
67,712	78,065	60,157	
-	-	(340,000)	
67,712	\$ 78,065	(279,843)	
1,074,777		1,354,620	
\$ 1,142,489		\$ 1,074,777	

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SECTION III – STATISTICAL SECTION



## **STATISTICAL SECTION (UNAUDITED)**

This section of Independent School District No. 832's (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

### **Contents**

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

#### **Demographic and Economic Information**

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

#### **Operating Indicators**

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

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

INDEPENDENT SCHOOL DISTRICT NO. 832

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

	Fiscal Year			
	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 9,800,014	\$ 4,930,599	\$ 7,391,507	\$ 10,124,781
Restricted	1,870,232	1,851,917	1,832,561	1,326,867
Unrestricted	(2,260,774)	3,829,155	4,912,411	6,315,581
Total governmental activities net position	\$ 9,409,472	\$ 10,611,671	\$ 14,136,479	\$ 17,767,229

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$22.85 million.

Note 2: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$1.96 million.

2014	2015	2016	2017	2018	2019
\$ 11,471,462	\$ 12,905,622	\$ 14,765,621	\$ 15,992,115	\$ 17,152,606	\$ 18,587,875
1,432,599	1,800,899	1,243,525	1,325,088	1,614,396	1,592,858
4,956,252	(19,173,033)	(18,104,962)	(30,691,596)	(43,309,814)	(35,132,513)
<u>\$ 17,860,313</u>	<u>\$ (4,466,512)</u>	<u>\$ (2,095,816)</u>	<u>\$ (13,374,393)</u>	<u>\$ (24,542,812)</u>	<u>\$ (14,951,780)</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

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

	Fiscal Year			
	2010	2011	2012	2013
Governmental activities				
Expenses				
Administration	\$ 1,638,004	\$ 1,421,436	\$ 1,546,258	\$ 1,511,321
District support services	898,413	1,084,293	1,118,406	1,108,193
Elementary and secondary regular instruction	16,028,266	15,650,000	16,100,509	16,395,507
Vocational education instruction	742,237	554,901	631,536	589,598
Special education instruction	5,529,642	5,622,043	5,935,824	5,549,173
Instructional support services	1,545,304	1,207,740	1,229,749	1,166,442
Pupil support services	2,190,463	2,210,751	2,300,874	2,415,677
Sites and buildings	3,203,254	3,325,449	2,594,788	3,153,908
Fiscal and other fixed cost programs	187,440	78,236	90,186	91,036
Food service	1,298,815	1,365,723	1,336,047	1,344,172
Community service	2,048,080	1,925,624	1,937,540	1,891,568
Depreciation not allocated to other functions	831,300	811,651	810,300	798,582
Interest and fiscal charges	1,266,324	3,570,479	3,646,143	3,124,634
Total governmental activities expenses	37,407,542	38,828,326	39,278,160	39,139,811
Program revenues				
Charges for services				
Elementary and secondary regular instruction	258,326	251,679	334,492	416,958
Special education instruction	10,414	8,065	—	—
Instructional support services	—	—	—	—
Pupil support services	14,500	—	21,583	—
Sites and buildings	52,340	65,348	58,226	—
Food service	1,105,737	1,106,562	1,140,790	1,082,042
Community service	1,660,316	1,574,045	1,594,363	1,601,631
Operating grants and contributions	5,250,300	4,795,505	4,285,586	4,295,757
Capital grants and contributions	286,878	147,291	22,459	801,049
Total governmental activities program revenues	8,638,811	7,948,495	7,457,499	8,197,437
Net (expense) revenue	(28,768,731)	(30,879,831)	(31,820,661)	(30,942,374)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	6,565,001	8,815,494	6,195,570	5,858,242
Property taxes, levied for community service	297,222	420,166	260,330	269,427
Property taxes, levied for debt service	3,124,255	3,557,272	5,001,333	5,429,196
General grants and aids	17,289,223	17,941,558	22,558,387	21,352,625
Other general revenues	2,835,444	1,110,591	1,183,197	1,589,347
Gain on sale of capital assets	—	—	—	—
Investment earnings	62,026	236,949	146,652	74,287
Total general revenues and other changes in net position	30,173,171	32,082,030	35,345,469	34,573,124
Change in net position	\$ 1,404,440	\$ 1,202,199	\$ 3,524,808	\$ 3,630,750



2014	2015	2016	2017	2018	2019
\$ 1,738,890	\$ 1,655,841	\$ 1,619,612	\$ 2,389,784	\$ 2,402,693	\$ 1,318,479
1,292,932	1,649,503	1,131,424	1,321,965	1,511,534	1,383,764
17,359,798	18,248,216	18,653,040	26,880,726	27,200,155	13,688,037
604,895	497,700	527,083	830,853	1,122,590	559,872
5,644,383	5,748,810	6,321,217	9,098,090	9,191,728	5,454,302
1,532,351	1,666,593	1,857,995	2,002,692	1,985,912	1,411,241
2,520,949	2,489,090	2,697,078	3,329,970	3,553,250	2,999,858
4,541,235	3,728,643	4,740,775	4,842,234	5,221,236	4,749,556
107,460	110,258	115,640	127,338	123,860	130,465
1,368,529	1,398,475	1,432,468	1,430,195	1,350,209	1,301,930
2,091,210	1,718,100	1,889,306	2,219,940	2,384,050	2,091,177
750,341	750,341	749,146	734,936	1,125,891	1,125,891
2,993,178	2,580,364	1,617,812	1,616,865	1,439,989	1,401,844
42,546,151	42,241,934	43,352,596	56,825,588	58,613,097	37,616,416
367,243	343,355	421,300	389,147	407,701	391,913
—	—	—	—	—	—
—	—	870	1,439	1,297	917
19,664	4,280	21,397	21,996	18,622	23,392
59,503	70,578	73,946	71,293	63,252	—
1,008,616	1,081,008	1,035,277	942,204	994,770	962,054
1,792,572	1,501,089	1,576,585	1,787,189	1,867,091	1,921,399
3,938,358	3,303,034	3,903,503	4,430,112	4,241,381	4,104,156
1,352,365	377,865	—	—	—	—
8,538,321	6,681,209	7,032,878	7,643,380	7,594,114	7,403,831
(34,007,830)	(35,560,725)	(36,319,718)	(49,182,208)	(51,018,983)	(30,212,585)
3,589,054	5,444,375	7,112,358	8,086,584	8,040,986	8,395,688
141,468	285,295	262,629	257,209	275,835	273,636
4,854,537	5,372,947	5,266,374	5,249,690	5,206,265	4,990,743
24,487,681	23,240,959	24,822,060	25,182,239	25,232,775	24,919,668
1,014,673	1,726,882	1,197,349	946,821	983,144	1,053,335
—	—	5,554	1,662	—	—
13,501	13,216	24,090	137,938	111,559	170,547
34,100,914	36,083,674	38,690,414	39,862,143	39,850,564	39,803,617
\$ 93,084	\$ 522,949	\$ 2,370,696	\$ (9,320,065)	\$ (11,168,419)	\$ 9,591,032

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INDEPENDENT SCHOOL DISTRICT NO. 832

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

Fiscal Year	Property Tax			
	General Purposes	Community Service	Debt Service	Total
2010	\$ 6,565,001	\$ 297,222	\$ 3,124,255	\$ 9,986,478
2011	8,815,494	420,166	3,557,272	12,792,932
2012	6,195,570	260,330	5,001,333	11,457,233
2013	5,858,242	269,427	5,429,196	11,556,865
2014	3,589,054	141,468	4,854,537	8,585,059
2015	5,444,375	285,295	5,372,947	11,102,617
2016	7,112,358	262,629	5,266,374	12,641,361
2017	8,086,584	257,209	5,249,690	13,593,483
2018	8,040,986	275,835	5,206,265	13,523,086
2019	8,395,688	273,636	4,990,743	13,660,067

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

INDEPENDENT SCHOOL DISTRICT NO. 832

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

	2010	2011	2012	Fiscal Year 2013
General Fund				
Reserved	\$ 1,047,845	\$ -	\$ -	\$ -
Unreserved	3,220,208	-	-	-
Nonspendable	-	11,999	3,417	6,272
Restricted	-	1,164,796	1,289,271	1,128,357
Assigned	-	966,193	1,516,438	2,675,784
Unassigned	-	3,473,433	4,237,671	3,678,128
Total General Fund	<u>\$ 4,268,053</u>	<u>\$ 5,616,421</u>	<u>\$ 7,046,797</u>	<u>\$ 7,488,541</u>
All other governmental funds				
Reserved	\$ 9,774,219	\$ -	\$ -	\$ -
Unreserved, reported in				
Major funds	-	-	-	-
Special revenue funds	442,158	-	-	-
Debt service funds	703,101	-	-	-
Capital projects funds	-	-	-	-
Nonspendable	-	12,969	10,689	26,377
Restricted	-	44,821,615	20,168,518	3,081,611
Unassigned	-	-	-	(3,617)
Total all other governmental funds	<u>\$ 10,919,478</u>	<u>\$ 44,834,584</u>	<u>\$ 20,179,207</u>	<u>\$ 3,104,371</u>
Total all governmental funds	<u>\$ 15,187,531</u>	<u>\$ 50,451,005</u>	<u>\$ 27,226,004</u>	<u>\$ 10,592,912</u>

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

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,571	55,608	25,573	8,938	193,907	182,562
1,387,230	944,315	438,515	379,654	409,709	404,413
2,228,509	1,443,870	1,428,890	1,465,000	974,520	907,388
3,433,899	2,918,858	3,527,966	3,108,917	1,727,414	1,683,097
<u>\$ 7,061,209</u>	<u>\$ 5,362,651</u>	<u>\$ 5,420,944</u>	<u>\$ 4,962,509</u>	<u>\$ 3,305,550</u>	<u>\$ 3,177,460</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,889	22,060	16,943	20,924	18,472	12,701
1,257,494	2,810,505	8,964,564	4,546,188	1,982,078	1,975,084
(3,621)	(29,567)	(54,383)	(50,387)	(5,120)	(6,103)
<u>\$ 1,274,762</u>	<u>\$ 2,802,998</u>	<u>\$ 8,927,124</u>	<u>\$ 4,516,725</u>	<u>\$ 1,995,430</u>	<u>\$ 1,981,682</u>
<u>\$ 8,335,971</u>	<u>\$ 8,165,649</u>	<u>\$ 14,348,068</u>	<u>\$ 9,479,234</u>	<u>\$ 5,300,980</u>	<u>\$ 5,159,142</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

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

	Fiscal Year			
	2010	2011	2012	2013
<b>Revenues</b>				
Local sources				
Property taxes	\$ 9,902,747	\$ 12,799,313	\$ 11,475,211	\$ 11,597,536
Investment earnings	1,107,803	236,949	146,652	74,287
Other	3,189,145	4,556,956	4,332,651	4,586,094
State sources	21,528,989	21,113,446	24,328,711	24,663,778
Federal sources	2,999,567	1,330,242	2,537,721	1,889,537
Total revenues	<u>38,728,251</u>	<u>40,036,906</u>	<u>42,820,946</u>	<u>42,811,232</u>
<b>Expenditures</b>				
Current				
Administration	1,718,985	1,409,698	1,517,549	1,498,957
District support services	871,533	1,069,135	1,111,583	1,105,537
Elementary and secondary				
regular instruction	15,767,898	15,539,417	16,062,922	16,471,615
Vocational education instruction	742,237	554,901	631,536	592,392
Special education instruction	5,430,559	5,612,424	5,930,353	5,578,169
Instructional support services	1,474,058	1,154,102	1,172,604	1,141,933
Pupil support services	2,179,827	2,199,954	2,288,445	2,414,068
Sites and buildings	2,547,293	3,187,894	2,974,967	3,492,827
Fiscal and other fixed cost programs	76,564	78,236	82,180	91,036
Food service	1,246,775	1,326,833	1,323,785	1,327,535
Community service	2,049,121	1,891,880	1,937,526	1,870,718
Capital outlay	1,241,477	10,282,789	15,350,154	17,683,508
Debt service				
Principal	1,697,440	3,050,000	3,195,000	3,315,000
Interest and fiscal charges	1,714,209	2,401,746	3,499,337	2,861,379
Total expenditures	<u>38,757,976</u>	<u>49,759,009</u>	<u>57,077,941</u>	<u>59,444,674</u>
Excess of revenues over (under) expenditures	(29,725)	(9,722,103)	(14,256,995)	(16,633,442)
<b>Other financing sources (uses)</b>				
Debt issued (bonds, COPs, and leases)	8,720,000	45,000,000	2,135,000	—
Premium (discount) on debt issued	905,326	(14,423)	(8,006)	—
Payment on refunding bonds	—	—	(11,095,000)	—
Sale of capital assets	1,500	—	—	350
Transfer in	—	—	—	—
Transfer out	—	—	—	—
Total other financing sources (uses)	<u>9,626,826</u>	<u>44,985,577</u>	<u>(8,968,006)</u>	<u>350</u>
Net change in fund balances	<u>\$ 9,597,101</u>	<u>\$ 35,263,474</u>	<u>\$ (23,225,001)</u>	<u>\$ (16,633,092)</u>
Debt service as a percentage of noncapital expenditures	<u>9.1%</u>	<u>13.8%</u>	<u>16.0%</u>	<u>14.8%</u>

2014	2015	2016	2017	2018	2019
\$ 8,661,833	\$ 11,146,001	\$ 13,333,149	\$ 13,576,488	\$ 13,526,230	\$ 13,649,164
13,501	13,216	24,090	137,938	111,559	170,547
4,874,415	4,690,566	4,323,233	4,159,406	4,335,877	4,353,010
27,513,894	25,662,936	27,086,413	27,477,950	28,245,477	29,459,210
1,652,217	1,245,847	951,766	1,124,513	1,219,444	1,055,638
42,715,860	42,758,566	45,718,651	46,476,295	47,438,587	48,687,569
1,579,423	1,625,130	1,752,516	1,720,341	1,905,703	1,736,575
1,237,512	1,629,882	1,150,350	1,283,621	1,507,137	1,440,144
17,194,673	18,275,458	19,288,869	19,624,166	19,972,080	19,667,716
597,955	489,000	528,338	645,529	934,483	742,891
5,572,283	5,713,305	6,343,824	6,838,551	6,998,277	7,343,628
1,482,572	1,615,312	1,666,024	1,691,952	1,649,016	1,644,017
2,492,164	2,477,437	2,695,742	2,863,652	3,165,217	3,338,856
4,057,652	3,176,091	3,517,883	3,312,184	3,667,550	3,958,735
107,460	110,258	115,640	119,422	123,860	130,465
1,371,286	1,352,306	1,377,841	1,401,390	1,332,914	1,328,695
2,091,355	1,678,916	1,890,419	1,896,115	2,122,401	2,242,269
1,512,450	13,396	1,764,359	4,353,617	2,423,773	162,548
3,375,000	3,830,000	2,965,000	2,885,000	3,135,000	2,910,000
2,806,350	3,049,341	2,269,320	2,371,251	2,348,963	2,182,868
45,478,135	45,035,832	47,326,125	51,006,791	51,286,374	48,829,407
(2,762,275)	(2,277,266)	(1,607,474)	(4,530,496)	(3,847,787)	(141,838)
—	39,315,000	7,640,000	—	—	—
—	7,791,412	484,339	—	—	—
—	(45,000,000)	(340,000)	(340,000)	(340,000)	—
505,334	532	5,554	1,662	—	—
—	—	—	—	—	—
—	—	—	—	—	—
505,334	2,106,944	7,789,893	(338,338)	(340,000)	—
\$ (2,256,941)	\$ (170,322)	\$ 6,182,419	\$ (4,868,834)	\$ (4,187,787)	\$ (141,838)
14.1%	15.3%	11.5%	11.3%	11.2%	10.6%

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## INDEPENDENT SCHOOL DISTRICT NO. 832

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		
2010	\$ 6,509,004	\$ 294,542	\$ 3,099,201	\$	9,902,747
2011	8,822,194	420,456	3,556,663		12,799,313
2012	6,218,295	261,680	4,995,236		11,475,211
2013	5,886,674	270,687	5,440,175		11,597,536
2014	3,631,539	143,271	4,887,023		8,661,833
2015	5,472,218	286,345	5,387,438		11,146,001
2016	7,795,116	263,302	5,274,731		13,333,149
2017	8,080,579	247,053	5,248,856		13,576,488
2018	8,042,652	275,844	5,207,734		13,526,230
2019	8,388,598	273,294	4,987,272		13,649,164

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

INDEPENDENT SCHOOL DISTRICT NO. 832

Tax Capacities and Market Values  
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation			
			Fiscal Disparities	
	Agricultural	Nonagricultural	Contribution	Distribution
2010	\$ 321,844	\$ 23,326,600	\$ (707,355)	\$ 1,538,076
2011	357,247	21,828,042	(709,643)	1,579,257
2012	302,705	20,077,146	(730,204)	1,351,264
2013	305,768	18,973,580	(709,992)	1,212,676
2014	319,088	19,018,799	(699,823)	1,190,248
2015	374,500	20,406,646	(695,612)	1,264,879
2016	361,716	21,644,421	(646,439)	1,291,826
2017	371,984	22,224,920	(705,658)	1,355,452
2018	378,365	23,617,568	(706,319)	1,439,349
2019	384,797	24,361,946	(739,621)	1,539,746

Source: State of Minnesota School Tax Report

<u>Tax Increment</u>	<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>as a Percentage of Market Value</u>
\$ (146,368)	\$ 24,332,857	26.39 %	\$ 2,172,082,000	1.12 %
(146,708)	22,908,195	34.33	2,038,980,800	1.12
(146,528)	20,854,383	38.36	1,871,295,400	1.11
(79,930)	19,702,102	37.11	1,771,070,400	1.11
(87,146)	19,741,166	39.77	1,781,601,200	1.11
(86,939)	21,263,474	34.50	1,925,324,900	1.10
(1,776)	22,649,748	34.11	2,040,219,100	1.11
(220)	23,246,478	34.09	2,085,503,900	1.11
(230)	24,728,733	32.16	2,196,603,700	1.13
(226)	25,546,642	31.89	2,265,402,400	1.13

INDEPENDENT SCHOOL DISTRICT NO. 832

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

Rate	Tax Collection Calendar Year	ISD No. 832	Overlapping Rates Municipalities				
			Mahtomedi	Dellwood	Pine Springs	Hugo	Grant
Tax capacity rate	2010	26.390%	29.793%	8.007%	6.147%	34.484%	10.779%
Market value rate	2010	0.17020%	—	—	—	—	—
Tax capacity rate	2011	34.330%	31.385%	9.331%	6.527%	34.251%	11.092%
Market value rate	2011	0.18434%	—	—	—	—	—
Tax capacity rate	2012	38.360%	33.663%	10.578%	7.157%	36.462%	14.780%
Market value rate	2012	0.18734%	—	—	—	—	—
Tax capacity rate	2013	37.110%	34.891%	11.400%	7.893%	36.466%	14.539%
Market value rate	2013	0.18223%	—	—	—	—	—
Tax capacity rate	2014	39.770%	36.374%	17.877%	7.449%	36.374%	14.601%
Market value rate	2014	0.16871%	—	—	—	—	—
Tax capacity rate	2015	34.500%	38.018%	17.851%	6.849%	36.319%	13.336%
Market value rate	2015	0.16222%	—	—	—	—	—
Tax capacity rate	2016	34.110%	34.657%	16.756%	7.234%	36.322%	13.755%
Market value rate	2016	0.26630%	—	—	—	—	—
Tax capacity rate	2017	34.090%	37.560%	15.100%	9.110%	36.360%	13.790%
Market value rate	2017	0.25378%	—	—	—	—	—
Tax capacity rate	2018	32.160%	36.374%	17.877%	7.449%	36.374%	14.601%
Market value rate	2018	0.24118%	—	—	—	—	—
Tax capacity rate	2019	31.890%	38.890%	10.360%	9.290%	36.270%	13.920%
Market value rate	2019	0.27420%	—	—	—	—	—

Source: Washington County Tax Rates

White Bear Township	Willernie	Lake Elmo	Birchwood Village	Washington County	Total Mahtomedi Resident
16.520% —	33.914% —	21.267% —	23.615% —	27.712% 0.31400%	83.895% 0.48420%
18.107% —	37.534% —	21.816% —	24.322% —	29.689% 0.00338%	95.404% 0.18773%
19.882% —	47.402% —	27.256% —	25.301% —	31.928% 0.00180%	103.951% 0.18914%
21.466% —	51.543% —	28.448% —	27.609% —	34.189% 0.00191%	106.190% 0.18414%
21.139% —	52.135% —	27.754% —	27.011% —	32.751% 0.00448%	108.895% 0.17320%
20.300% —	45.150% —	23.792% —	27.631% —	30.173% 0.00401%	102.691% 0.16623%
19.690% —	53.691% —	23.120% —	23.893% —	30.563% 0.00390%	99.330% 0.27020%
18.970% —	48.810% —	20.010% —	24.300% —	30.434% 0.00378%	102.084% 0.25756%
21.139% —	52.135% —	7.754% —	27.011% —	32.751% 0.00448%	101.285% 0.24566%
20.190% —	48.210% —	22.930% —	23.010% —	29.680% 0.00330%	100.460% 0.27750%

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INDEPENDENT SCHOOL DISTRICT NO. 832

Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2019			2010		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
Xcel Energy	\$ 363,940	1	1.42 %	\$ 224,699	1	0.92 %
Hadley Estates of Minnesota, LLC	317,816	2	1.24	174,418	4	0.72
Ventas White Bear, LLC	266,310	3	1.04	165,498	5	0.68
PSA Housing and Assisted Living, Inc.	206,009	4	0.81	—	—	—
FedEx Ground Packaging System	189,016	5	0.74	146,378	6	0.60
White Bear Yacht Club	152,596	6	0.60	177,762	3	0.73
P-4 Properties, LLC	115,542	7	0.45	113,538	7	0.47
Dellwood Country Club, LLC	67,688	8	0.26	95,756	8	0.39
Flex Holding LLC	63,676	9	0.25	—	—	—
Murray Properties, LLC	62,506	10	0.24	—	—	—
Harvest White Bear Retirement	—	—	—	179,725	2	0.74
Wedgewood Village LLC	—	—	—	75,860	9	0.31
Mccarthy Edwin J Trs	—	—	—	60,977	10	0.25
Total	<u>\$ 1,805,099</u>		<u>7.07 %</u>	<u>\$ 1,414,611</u>		<u>5.81 %</u>

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 832

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

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Tax Credits and Other	Total Spread	First Year Levy Recognized	
					Amount	Percentage of Levy
2010	\$ 10,261,563	\$ 619,415	\$ 107,941	\$ 10,988,919	\$ 5,447,199	49.6 %
2011	10,861,493	668,017	142,367	11,671,877	5,574,564	47.8
2012	10,997,844	697,084	1,062	11,695,990	5,446,126	46.6
2013	10,106,838	683,835	—	10,790,673	5,209,160	48.3
2014	10,396,244	650,626	—	11,046,870	5,435,484	49.2
2015	12,509,844	708,857	—	13,218,701	6,524,384	49.4
2016	12,695,156	808,092	—	13,503,248	6,617,672	49.0
2017	12,725,536	805,677	5,944	13,537,157	6,680,622	49.4
2018	12,787,931	837,153	(22,135)	13,602,949	7,411,284	54.5
2019	13,868,609	845,448	(14,669)	14,699,388	7,025,185	47.8

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids and have been included in collections. Legislative changes, beginning with taxes collectible in 2012, significantly reduced or eliminated the amount of tax credits paid through state aids.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report



Received in Subsequent Years	Uncollected Taxes Receivable as of June 30, 2019					
	Total to Date		Delinquent		Current	
	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
\$ 5,541,720	\$ 10,988,919	100.0 %	\$ —	— %	\$ —	— %
6,097,313	11,671,877	100.0	—	—	—	—
6,249,864	11,695,990	100.0	—	—	—	—
5,565,741	10,774,901	99.9	15,772	—	—	—
5,609,300	11,044,784	100.0	2,086	—	—	—
6,690,963	13,215,347	100.0	3,354	—	—	—
6,876,113	13,493,785	99.9	9,463	—	—	—
6,830,920	13,511,542	99.8	25,615	0.2	—	—
6,115,968	13,527,252	99.4	75,697	0.6	—	—
—	7,025,185	47.8	—	—	7,674,203	52.2
			<u>\$ 131,987</u>		<u>\$ 7,674,203</u>	

INDEPENDENT SCHOOL DISTRICT NO. 832

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Total Primary Government
2010	\$ 34,116,540	\$ 884,983	\$ 895,000	\$ 35,896,523
2011	78,360,000	(917,738)	740,000	78,182,262
2012	66,370,000	(508,783)	575,000	66,436,217
2013	63,230,000	(231,816)	400,000	63,398,184
2014	60,030,000	(25,929)	225,000	60,229,071
2015	50,740,000	7,482,052	—	58,222,052
2016	55,075,000	7,324,999	—	62,399,999
2017	51,850,000	6,539,752	—	58,389,752
2018	48,375,000	5,700,148	—	54,075,148
2019	45,465,000	4,954,793	—	50,419,793

(1) See the Schedule of Demographic and Economic Statistics for personal income and total ISD No. 832 population data.

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

Percentage of Personal Income (1)	Per Capita (1)
11.4 %	\$ 2,590
26.1	5,635
21.7	4,788
16.7	4,540
15.1	4,196
14.2	4,043
14.4	4,414
12.8	4,075
11.3	3,754
9.8	3,361

INDEPENDENT SCHOOL DISTRICT NO. 832

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

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds on Hand</u>	<u>Net Bonded Debt</u>	<u>Market Value</u>	<u>Percent of Net Debt to Market Value</u>
2010	\$ 35,001,523	\$ 10,298,288	\$ 24,703,235	\$ 2,172,082,000	1.14 %
2011	77,442,262	—	77,442,262	2,038,980,800	3.80
2012	65,861,217	—	65,861,217	1,871,295,400	3.52
2013	62,998,184	10,347,647	52,650,537	1,771,070,400	2.97
2014	60,004,071	788,228	59,215,843	1,781,601,200	3.32
2015	58,222,052	1,947,857	56,274,195	1,925,324,900	2.92
2016	62,399,999	1,650,722	60,749,277	2,040,219,100	2.98
2017	58,389,752	1,354,620	57,035,132	2,085,503,900	2.73
2018	54,075,148	1,074,777	53,000,371	2,196,603,700	2.41
2019	50,419,793	1,142,489	49,277,304	2,265,402,400	2.18

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

<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
13,858	\$ 1,783
13,874	5,582
13,877	4,746
13,965	3,770
14,353	4,126
14,402	3,907
14,138	4,297
14,328	3,981
14,404	3,680
15,000	3,285

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INDEPENDENT SCHOOL DISTRICT NO. 832

Direct and Overlapping Debt  
as of June 30, 2019

Governmental Unit	2018-2019 Taxable Net Tax Capacity	Bonded Debt	Percent Allocable to ISD No. 832	Portion Allocable to ISD No. 832
Independent School District No. 832	\$ 25,546,642	\$ 48,715,000	100.00 %	\$ 48,715,000
Overlapping debt				
Washington County	319,039,216	116,345,000	7.30	8,493,185
Dellwood	3,927,234	1,770,000	100.00	1,770,000
Hugo	19,827,885	3,920,000	7.00	274,400
Lake Elmo	18,249,623	37,226,000	3.80	1,414,588
Mahtomedi	12,305,132	22,670,000	100.00	22,670,000
Oakdale	31,299,835	24,510,000	1.20	294,120
White Bear Lake	640,923	13,740,000	1.90	261,060
Metropolitan Council (Met Council)	366,693,430	1,549,089,966	0.60	9,294,540
Metropolitan Transit District	294,535,872	(Incl Met Council)	0.80	-
Total overlapping debt				44,471,893
Total direct and overlapping debt				\$ 93,186,893

Note 1: The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Note 2: The Washington County HRA, Metropolitan Council, and Metropolitan Transit District are governmental units with overlapping debt applicable to the District. Overlapping debt information for these units of government applicable to the District was not readily available.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 832

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Debt limit	\$ 325,812,300	\$ 305,847,120	\$ 280,694,310	\$ 265,660,560
Total net debt applicable to the limit	23,818,252	68,012,353	65,581,772	62,164,843
Legal debt margin	\$ 301,994,048	\$ 237,834,767	\$ 215,112,538	\$ 203,495,717
Total net debt applicable to the limit as a percentage of debt limit	7.31%	22.24%	23.36%	23.40%

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

Source: State of Minnesota School Tax Report



2014	2015	2016	2017	2018	2019
\$ 267,240,180	\$ 288,798,735	\$ 306,032,865	\$ 312,825,585	\$ 329,490,555	\$ 339,810,360
59,319,705	48,792,143	53,424,278	50,495,380	47,300,223	44,322,511
<u>\$ 207,920,475</u>	<u>\$ 240,006,592</u>	<u>\$ 252,608,587</u>	<u>\$ 262,330,205</u>	<u>\$ 282,190,332</u>	<u>\$ 295,487,849</u>
22.20%	16.89%	17.46%	16.14%	14.36%	13.04%

Legal Debt Margin Calculation for Fiscal Year 2019

Market value	\$2,265,402,400
Debt limit (15% of market value)	339,810,360
Debt applicable to limit	
General obligation bonds	45,465,000
Less amount set aside for repayment of general obligation debt	<u>1,142,489</u>
Total net debt applicable to the limit	<u>44,322,511</u>
Legal debt margin	<u>\$ 295,487,849</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	City of Mahtomedi			Total ISD No. 832 Population (3)	School Enrollment (4)	Washington County Unemployment Rate (5)
	Population (1)	Personal Income (1)	Per Capita Personal Income (2)			
2010	7,676	\$ 314,990,672	\$ 39,139	13,858	3,227	6.90 %
2011	7,676	299,778,504	39,054	13,874	3,226	6.20
2012	7,645	306,510,356	39,931	13,877	3,241	5.30
2013	7,697	378,603,335	49,523	13,965	3,252	4.60
2014	7,871	398,835,449	51,817	14,353	3,294	3.60
2015	8,043	409,764,260	52,060	14,402	3,296	3.20
2016	7,845	432,978,819	53,833	14,138	3,289	3.40
2017	8,030	456,288,735	58,163	14,328	3,234	3.50
2018	7,964	479,784,470	59,749	14,404	3,273	3.60
2019	8,191	514,860,885	63,681	15,000	3,281	3.20

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

Sources:

- (1) City of Mahtomedi's Comprehensive Annual Financial Report
- (2) The per capita personal income used is for that of Washington County, in which the City of Mahtomedi resides
- (3) Annual school district census and U.S. Census
- (4) The District
- (5) Minnesota Department of Employment and Economic Development

# INDEPENDENT SCHOOL DISTRICT NO. 832

## Principal Employers Current Year and Seven Years Ago

Employer	Fiscal Year			
	2019		2012	
	Employees	Rank	Employees	Rank
FedEx Ground Packaging Systems, Inc.	604	1	550	2
ISD No. 832 (Mahtomedi)	557	2	375	3
Century College – East Campus	500	3	900	1
St. Andrew's Village	98	4	85	5
St. Andrew's Lutheran Church and School	85	5	115	4
TLC Electronics	47	6	53	6
The Lighthouse of Mahtomedi	40	7	39	7
Walgreens	30	8	28	9
Goldwood Kennels	25	9	25	10
St. Jude of the Lake School	20	10	30	8
Total	2,006		2,200	
Total ISD No. 832 population (see Schedule of Demographic and Economic Statistics)	15,000		13,877	
Percent of principal employers to total ISD No. 832 population	13.4%		15.9%	

Note 1: Information prior to June 30, 2012 is not readily available.

Note 2: Total number of employees working for employers within the District's boundaries is not readily available. The District has provided total population to provide a comparison base to reference between current year and six years ago.

Source: Telephone survey by district finance staff

INDEPENDENT SCHOOL DISTRICT NO. 832

Employees by Classification  
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2010	2011	2012	2013
District directors/superintendent	5	5	5	5
Principals	6	6	6	6
Teachers	216	218	219	219
Coordinators, supervisors, specialists, and technical support	16	16	16	16
Paraprofessionals	60	61	61	73
Custodians	22	22	22	22
Community education leads and assistants	4	4	4	4
Total	329	332	333	345

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

Source: The District's Human Resources Department

2014	2015	2016	2017	2018	2019
5	5	5	5	5	5
6	6	6	6	6	5
219	230	241	247	251	229
15	15	17	17	17	20
68	82	78	74	76	86
22	22	22	22	22	23
5	5	5	5	5	19
340	365	374	376	382	387

INDEPENDENT SCHOOL DISTRICT NO. 832

Teacher Data  
Year Ended June 30, 2019

	Salary Schedule			
	BA	BA +15	BA +30	BA +45
Low range	\$ 39,785	\$ 41,374	\$ 42,968	\$ 44,160
High range	\$ 56,547	\$ 59,335	\$ 62,116	\$ 65,304
Number of teachers	16	4	8	13
Average salary	\$ 67,600			
Average education	MA			
Number of full-time equivalents	213			

N/A – Not Applicable

Source: The District's Human Resources Department

MA		MA +20		MA +40		Total
\$	45,354	\$	46,948	\$	48,535	N/A
\$	68,483	\$	71,268	\$	74,452	N/A
	56		35		81	213

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INDEPENDENT SCHOOL DISTRICT NO. 832

Student to Staff Ratios  
Last Ten Fiscal Years

Fiscal Year	Minnesota Department of Education Student to Staff Ratio (1)		
	ISD No. 832	Washington County Average	State Average
2010	15.68	14.66	12.98
2011	15.48	14.57	13.04
2012	15.77	14.48	13.04
2013	15.59	14.17	12.93
2014	15.60	13.85	12.82
2015	15.75	14.21	12.56
2016	15.43	14.42	12.69
2017	14.72	13.66	12.49
2018	15.15	N/A	N/A
2019	15.50	N/A	N/A

N/A Not available

- (1) This data is computed by dividing total students (Minnesota Department of Education enrollment numbers pre-kindergarten through Grade 12) by total certified staff. Certified staff includes classroom teachers, administrators, special education teachers, and all other licensed professionals measured in full-time equivalents.

Source: Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 832

Operating Indicators by Function  
Standardized Testing and Graduation Rates  
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Standardized Tests				
MCA Reading (1)				
Grade 3	80.70 %	89.70 %	90.70 %	73.10 %
Grade 5	85.00	92.40	86.50	82.80
Grade 7	86.60	91.00	93.10	74.00
Grade 10	92.10	90.60	97.00	86.50
MCA Math (1)				
Grade 3	88.90	80.90	89.80	89.70
Grade 5	73.30	63.50	78.30	82.80
Grade 7	86.60	76.30	82.20	77.90
Grade 11	71.50	76.70	73.30	83.00
ACT				
Average composite score	25.40	25.60	25.20	25.00
Graduation data (2)				
ISD No. 832's graduation rate	95.90	97.60	98.32	97.60
State graduation rate	92.00	93.00	78.00	80.00
Post-graduation student survey				
Four-year college/university	75.00	75.00	77.00	78.00
Two-year college	12.00	10.00	10.00	9.00
Vocational/technical college	3.00	2.00	1.00	3.00
Employment	2.00	2.00	1.00	2.00
Military	1.00	1.00	1.00	1.00
No response/undecided	7.00	10.00	10.00	7.00
	100.00 %	100.00 %	100.00 %	100.00 %

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test (II).
- (2) Starting in 2012, Minnesota began using the federally-required adjusted cohort graduation rate model. This model follows students in a cohort throughout high school and determines if they graduate within four, five, or six years. The four-year graduation rate shows the number of students graduating from high school within four years after entering Grade 9.

Source: Minnesota Department of Education, the District's Testing Department, the District's Registrar, and ACT Corporation.

2014	2015	2016	2017	2018	2019
82.60 %	73.00 %	66.40 %	69.90 %	64.50 %	62.20 %
85.70	86.70	87.00	84.60	82.80	81.60
77.80	82.10	79.10	82.70	83.20	76.20
95.60	91.80	85.90	79.20	74.90	85.10
90.40	88.10	82.70	87.60	83.50	88.70
85.20	86.70	79.80	75.10	78.80	65.40
78.10	82.10	86.90	81.60	82.40	79.60
86.60	83.00	79.00	73.80	67.80	62.20
25.10	25.40	25.10	25.00	23.40	24.80
97.60	97.80	96.90	93.90	N/A	N/A
81.00	82.00	82.00	82.00	N/A	N/A
81.00	81.00	77.00	78.00	71.00	67.00
9.00	8.00	8.00	8.00	6.00	8.00
2.00	1.00	2.00	1.00	3.00	3.00
2.00	2.00	1.00	2.00	2.00	4.00
1.00	1.00	1.00	1.00	1.00	2.00
5.00	7.00	11.00	10.00	17.00	16.00
100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

INDEPENDENT SCHOOL DISTRICT NO. 832

School Facilities  
Year Ended June 30, 2019

Facility	Use	Constructed	Acres	Classrooms	Square Footage
Department of Education Center	Office/School	1930/1992	18.55	10	25,864
O.H. Anderson Elementary	School	1964	24.88	41	69,370
Mahtomedi High School	School	1971	9.98	61	189,781
Mahtomedi Middle School	School	1992	69.29	47	141,885
Wildwood Elementary	School	2013	29.60	43	86,400

(1) Enrollment data from October 1, 2018

Source: The District's Business Services Department and Facilities Department, and the Minnesota Department of Education school ADM served report.

<u>Capacity</u>	<u>Enrollment (1)</u>
—	90
650	686
1,270	1,173
927	824
581	565

INDEPENDENT SCHOOL DISTRICT NO. 832

Food Service  
School Lunch Program Data  
Last Ten Fiscal Years

Fiscal Year	Total Lunches Served	Days	Average Daily Participation	Free Lunch	
				Number Served	Percent of Total
2010	319,426	172	1,857	25,103	7.86 %
2011	337,275	172	1,962	28,570	8.47
2012	336,499	171	1,968	30,594	9.09
2013	316,773	171	1,852	31,010	9.79
2014	306,954	168	1,846	30,322	9.88
2015	310,348	172	1,804	29,743	9.58
2016	291,168	172	1,693	27,984	9.61
2017	252,061	172	1,517	24,890	9.87
2018	257,908	171	1,508	24,152	9.36
2019	265,983	167	1,593	26,408	9.93

(1) Based on State Food and Nutrition Department guidelines.

Source: The District's Food Service Department

Reduced-Priced Lunch	
Number Served	Percent of Total
12,188	3.82 %
11,506	3.41
12,399	3.68
10,204	3.22
10,523	3.43
11,099	3.58
11,308	3.88
12,572	4.99
12,367	4.80
10,498	3.95

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## INDEPENDENT SCHOOL DISTRICT NO. 832

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2010	34.40	148.44	1,048.60	1,995.95	3,227.39	3,806.49
2011	30.76	165.94	1,064.43	1,965.00	3,226.13	3,787.33
2012	29.82	169.45	1,063.75	1,977.68	3,240.70	3,804.21
2013	28.47	169.74	1,076.11	1,977.56	3,251.88	3,819.87
2014	34.32	167.72	1,116.74	1,975.29	3,294.07	3,863.05
2015	42.43	159.75	1,132.90	1,961.32	3,296.40	3,634.96
2016	31.27	147.95	1,133.26	1,976.34	3,288.82	3,631.22
2017	42.04	118.21	1,085.54	1,988.31	3,234.10	3,578.19
2018	45.28	155.81	1,332.24	1,739.29	3,272.62	3,620.49
2019	41.77	169.12	1,362.67	1,732.41	3,305.97	3,652.45

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2010 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2019	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

INDEPENDENT SCHOOL DISTRICT NO. 832

Expenditures per Student  
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Expenditures per student (ADM) (1)				
General Fund				
District and school administration	\$ 533	\$ 437	\$ 468	\$ 461
District support services	275	331	343	340
Regular instruction	4,923	4,817	4,956	5,065
Career and technical instruction	230	172	195	182
Special education	1,697	1,740	1,830	1,715
Instructional support services	457	358	362	351
Pupil support services	676	682	706	742
Sites, buildings, and equipment	992	1,051	981	1,138
Fiscal and other	24	24	25	28
Total General Fund expenditures	<u>\$ 9,806</u>	<u>\$ 9,612</u>	<u>\$ 9,867</u>	<u>\$ 10,022</u>
ADM	<u>3,227</u>	<u>3,226</u>	<u>3,241</u>	<u>3,252</u>

(1) Average daily membership (ADM) is a measure of student attendance.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 479	\$ 493	\$ 533	\$ 532	\$ 582	\$ 525
376	495	350	350	460	436
5,220	5,545	5,865	6,068	6,102	5,949
182	148	161	200	286	225
1,692	1,733	1,929	2,115	2,138	2,221
450	490	507	545	504	497
757	752	820	911	967	1,010
1,292	1,036	1,070	1,024	1,121	1,197
33	33	35	37	38	39
<u>\$ 10,479</u>	<u>\$ 10,725</u>	<u>\$ 11,268</u>	<u>\$ 11,781</u>	<u>\$ 12,198</u>	<u>\$ 12,100</u>
<u>3,294</u>	<u>3,296</u>	<u>3,289</u>	<u>3,234</u>	<u>3,273</u>	<u>3,306</u>

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