



BLAINE | FRIDLEY
SPRING LAKE PARK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SPRING LAKE PARK SCHOOLS

Fiscal year ended June 30, 2016

HIGH EXPECTATIONS.
HIGH ACHIEVEMENT FOR ALL.
NO EXCUSES.



Spring Lake Park Schools
1415 81st Avenue NE, Spring Lake Park, MN

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

INDEPENDENT SCHOOL DISTRICT NO. 16
SPRING LAKE PARK, MINNESOTA

1415 – 81st Avenue Northeast
Spring Lake Park, MN 55432

Prepared by
Business Services Office

Jeffrey Ronneberg • Superintendent

Amy Schultz • Director of Business Services

Chris McGee • Finance Manager

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INDEPENDENT SCHOOL DISTRICT NO. 16

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SECTION I

Introductory Section / Annual Financial Report





November 16, 2016

Members of the School Board and
Citizens of Independent School District No. 16

INTRODUCTION

The comprehensive annual financial report (CAFR) of Independent School District No. 16 (the District) submitted herein presents the financial position of the District as of June 30, 2016 and the results of its operations for the fiscal year then ended.

This report is prepared in conformance with accounting principles generally accepted in the United States of America for governments as promulgated by the Governmental Accounting Standards Board. This report is consistent with and satisfies legal reporting requirements of the state of Minnesota, including the requirement to publish a complete set of audited financial statements within six months of the close of the District's fiscal year. In addition to meeting accounting and legal requirements, this report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, employees, financial institutions, intergovernmental agencies, creditors, and the School Board.

REPORT FORMAT

The CAFR is presented in three sections:

- The introductory section contains this letter of transmittal, the organizational chart, a list of the School Board and administration, and the Certificate of Excellence in Financial Reporting Award. The introductory section is not audited.
- The financial section begins with the independent auditor's report. This section includes Management's Discussion and Analysis (MD&A), basic financial statements, required supplementary information, and supplemental information consisting of combining and individual fund statements and schedules.
- The statistical section, which is not audited, includes selected financial, demographic, and economic data, generally presented on a multi-year basis.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, presented in this report. To provide a reasonable basis for making these assertions, the management of the District has established a system of internal controls. The internal controls are designed to protect the District's assets from loss or misappropriation and to allow the compilation of sufficient reliable information to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. To the best of our knowledge and belief, the enclosed data reported as a whole and disaggregated to a fund level is accurate, in all material respects. This report is a complete disclosure of all financial activities of the District.

Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants, has performed an independent audit and has issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

The MD&A immediately follows the independent auditor's report and 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.

The District is required to undergo an annual Single Audit in accordance with the provisions of the Federal Single Audit Act and the U.S. Office of Management and Budget *Compliance Supplement*. Information related to the Single Audit is issued separately and is not included in this report.

REPORTING ENTITY

The legal name of the District is Independent School District No. 16 and it is often referred to as Spring Lake Park Schools. The District was incorporated in 1952 and is a suburban school district located on the north edge of the Minneapolis/St. Paul metropolitan area in Anoka County. The District serves students, families, and residents of all or a portion of the cities of Blaine, Spring Lake Park, and Fridley.

The District is organized as a political subdivision of the state of Minnesota and is governed by an elected seven-member School Board. The School Board has the power and duty to set budgets, certify tax levies, issue debt, and perform other tasks necessary to the operations of the District. The District is subject to the general oversight of the Minnesota Department of Education. This oversight generally includes an approval process that reviews compliance to standards enacted by legislative mandate.

The District serves a general population of approximately 33,500 in an area of 18.69 square miles. The District operates two elementary schools (kindergarten through Grade 3), one Spanish Immersion Program (kindergarten through Grade 5), one intermediate school (Grades 4 through 5), one middle school (Grades 6 through 8), and one high school (Grades 9 through 12). The District also operates an online distance learning academy and a Lighthouse Program for the motivated, highly-skilled student. In addition to providing a pre-kindergarten through Grade 12 education for students, the District operates a school Food Service Program and a Community Service Program. At the end of the school year, the District served 5,607 students in its pre-kindergarten through Grade 12 educational programs. The District is anticipating a steady to slightly increasing enrollment in upcoming years.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The District is located in Anoka County, which is one of seven counties that are included in the Twin Cities metropolitan area. This is the most populated area of Minnesota and has seen steady growth since 2000. The City of Blaine (the City) continues to see growth in both housing and commercial properties. Job growth in the City is strongest in the professional, managerial, and technical categories. Within this metropolitan area, health services, business services, and retail trade are the most significant industries.

Unemployment increased to 3.8 percent in the Anoka County area in June 2016 from 3.3 percent in June 2015. The state-wide and national unemployment averages for June 2016 were 3.7 and 5.1 percent, respectively. These trends reflect a continual decrease in unemployment at the national and state levels from their high in 2009.

Reflecting this improved employment environment are some local indicators, such as growth of new private investment. The City is the largest geographic municipality located within the District and it is anticipated that the commercial and residential growth of this city will continue slowly during the next five years. According to the City and the Metropolitan Council, the City's population (Anoka County portion of the City) has grown from 57,186 in 2010 (U.S. Census) to an estimated 63,180 in 2015, an increase of 5,994, or 10.5 percent. Residential and commercial development is expected to continue during the next several years.

The state of Minnesota guarantees each school district a base amount of funding per pupil through the General Education Funding Program. With the exception of the voter-approved operating referendum (Levy for Learning) and bond referendum (Levy for Buildings), the District is dependent on the state of Minnesota for much of its revenue authority. This places a large reliance on the state to adequately fund the District's educational programs and creates a direct relationship to the state's economic outlook. At this time, the state of Minnesota is experiencing an upward trend from prior years in terms of its economic environment.

The 2015 Legislature authorized increases in the general education basic formula allowance for fiscal years 2016 and 2017, following increases in fiscal years 2014 and 2015 as well. Previously, the Legislature "shifted" the amount of cash the District would receive each year down to a low of 60.0 percent of its annual allocation in 2011, resulting in many districts needing to borrow cash to pay for current year expenses. For fiscal year 2013, this shift had been adjusted up to 86.4 percent and at October 15, 2013, the full shift had been repaid to allocate 90.0 percent to school districts during their current year of operations.

District voters approved a capital projects referendum (technology levy) on November 8, 2011 amounting to almost \$1 million annually for eight years. At the same time, voters renewed an operating levy set to expire after fiscal year 2013 and extended it another seven years. The support of the technology levy will allow the District to maintain and update its technology and improve student learning through greater access to technology in the classroom. By renewing the operating levy, it continues to bring much needed revenue to the District for continuing its current programming while looking at ways to improve student learning at the same time.

The combination of enrollment growth and voter support, along with a purposeful budget process, has allowed the District to maintain a healthy fund balance while increasing learning opportunities for students.

OUR STRATEGIC PLAN FOR THE FUTURE

OUR DISTRICT PURPOSE

High Expectations. High Achievement. For all. No Excuses.

OUR VISION FOR THE FUTURE

The Spring Lake Park School District will be a world-class learning community aligned around...

- Fostering personalized experiences so that each student feels valued, inspired, and has a sense of belonging,
- Resulting in college readiness, and the development of academic, life, and career skills so that each student has aspirations for success.



OUR STRATEGIC ANCHORS

We will move towards our vision through a focus on continuous improvement, identifying annual and multi-year projects and initiatives within three Strategic Anchors. Each of these efforts are centered around raising our highest levels of learning while narrowing the achievement gap and ensuring equitable learning for all.

OUR OVER-ARCHING GOALS FOR ALL PLANNING AND FOR PROVIDING A FOCUS IN MOVING TOWARDS OUR VISION

- We will achieve greater levels of coherence and alignment throughout the system.
- We will proactively position the school district for the future in all planning and decision-making.

STUDENT ASSESSMENT AND TESTING

The District uses student assessment data in many ways. Two assessments that are critical are the Minnesota Comprehensive Assessment Series II (MCA-II) (which measures student progress toward state standards) and the Northwest Evaluation Association (NWEA) Measure of Academic Progress (MAP) (which measures student progress over time).

Minnesota Comprehensive Assessments

Minnesota's accountability plan applies to all public schools. The MCA-IIs are the state tests in reading, mathematics, and science that meet the requirements of the federal No Child Left Behind Act (NCLBA). These tests are given every year to measure student performance on the Minnesota Academic Standards, which define what our students should know and do in a particular grade. The reading and mathematics MCA-IIs began in 2006 and the science MCA-II began in 2008.

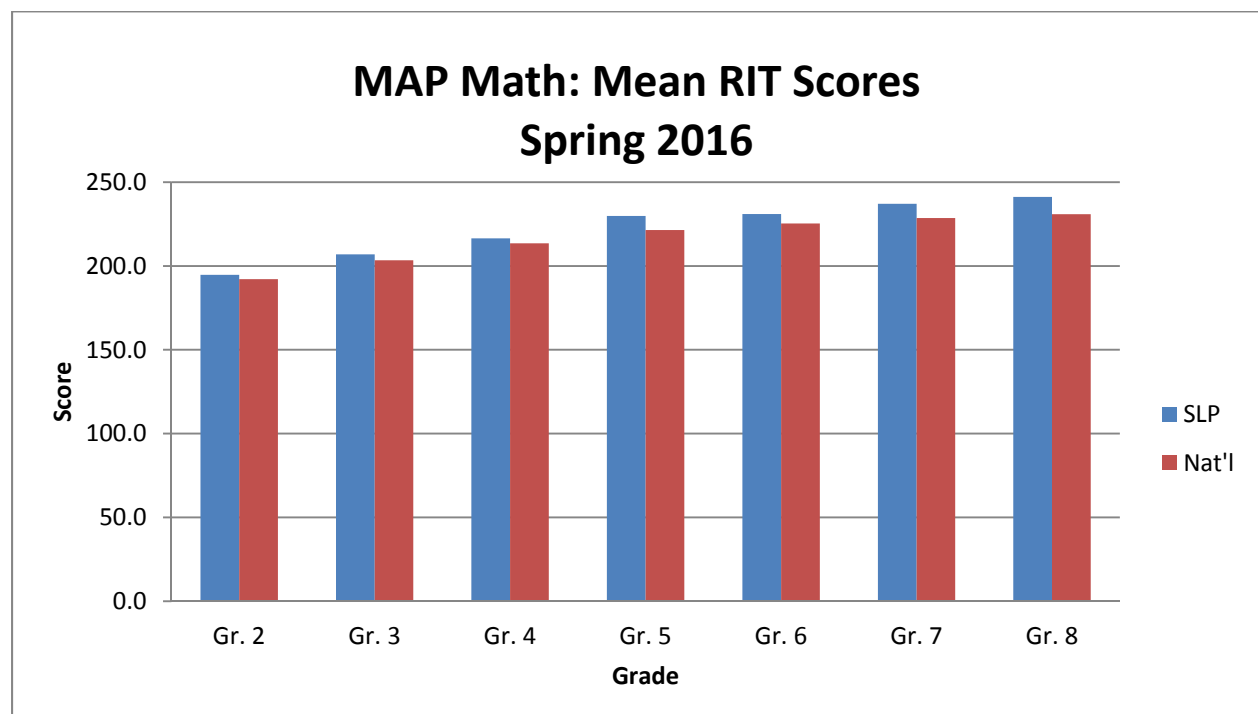
We use the MCA-IIs to determine how well students can apply the Minnesota Academic Standards in reading, mathematics, and science. The mathematics and reading tests are also used to determine whether schools and districts have made adequate yearly progress toward all students being proficient for the NCLBA.

Northwest Evaluation Association (NWEA) Measure of Academic Progress (MAP)

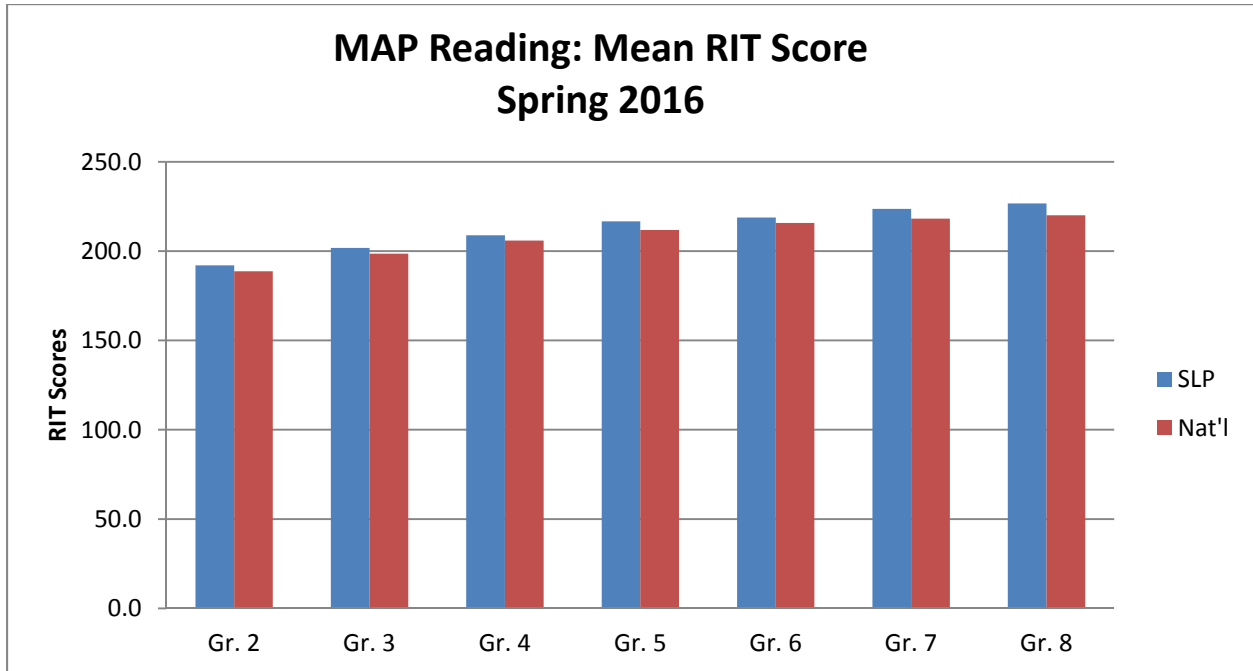
Measures of academic progress are state-aligned computerized adaptive tests that accurately reflect the instructional level of each student and measure growth over time. MAP tests provide highly accurate results that can be used to:

- Identify the skills and concepts individual students have learned.
- Diagnose instructional needs.
- Monitor academic growth over time.
- Make data-driven decisions at the classroom, school, and district levels.
- Place new students into appropriate instructional programs.

The District's MAP results for mathematics show higher than national scores across all grades:



The District's MAP results for reading show higher than national scores across all grades:



MANAGEMENT SYSTEMS AND CONTROLS

The District is committed to developing, maintaining, and improving effective management systems and controls. The District makes conscientious efforts to employ highly qualified employees through active recruitment and interview processes. Significant continuing professional education opportunities are provided to employees, and managers are encouraged to provide imbedded professional development activities as a means to ensure that an environment of continuous improvement is fostered. Further, operations are annually evaluated to assure they function effectively and provide appropriate levels of supervision and segregation of duties.

BUDGET AND FINANCIAL MANAGEMENT

The District's budget and financial management practices include the following district processes:

Budget Timeline

Establishes a timeline for the major processes related to the preparation, approval, execution, and review of the District's fiscal year financial budget. Each fiscal year's budget spans a three-year period and includes the following activities:

- **Budget Preparation** – The budget preparation cycle occurs during the 12 months prior to the District's upcoming fiscal year, which begins on the following July 1st. Major processes during the budget preparation cycle include the development of a projection model to accurately predict student enrollment, revenue resources, and programmatic expenditures. Enrollment and other data is submitted to the state to generate both the local property tax levy as well as state and federal aid entitlement amounts for the upcoming year. A budget guideline is established to determine the proper allocation of district resources to the various expenditure categories based upon budget parameters and district priorities as included in the District's mission and vision statements. Recommendations and actions taken by the administration and the School Board during the budget preparation cycle are also included in the completed budget. A proposed financial and operational budget document is then submitted to the School Board for review and subsequent approval prior to July 1st.
- **Budget Approval and Execution** – The School Board is required by Minnesota Statutes to adopt a preliminary budget prior to July 1st. Once the original budget is adopted, the District's administration begins its execution July 1st. During the 12-month period that the budget is executed, the administration is directed to update the budget to reflect changes that have taken place after the original approval of the budget occurred. The adopted budget is typically revised to reflect actual enrollment changes, grant awards, employee contract settlements, and changes in estimates and projections that may have occurred since the budget was originally approved. Monthly reports are provided to the School Board with "common sized" financial statements comparing the current year's year-to-date monthly results to the prior three years' historical year-to-date monthly results. This monthly reporting has proven to be invaluable to the School Board and management so that timely, reliable financial decisions can be made.
- **Budget Review** – During the fiscal year and upon completion, the actual financial results for the year are compared to the budgeted amounts. Significant variations are investigated to determine if subsequent financial projections should be adjusted. In addition, as several state aid formulas are not finalized until state-wide data is available, the District's administration is constantly reviewing historical and current data and trends to further refine its projection models for future budget cycles.

In addition to the annual budget cycle described above, the School Board and administration review a five-year budget projection several times during the year. This process involves reviewing the budget under five different sets of expenditure assumptions. This long-term view of the budget has allowed the District to make purposeful decisions with the understanding of how those decisions affect not only the upcoming year but also the years following.

Budgetary control is decentralized to building locations or to program managers of each budgetary area. Overall, administrative responsibility rests with the Director of Educational Services, Director of Business Services, Director of Human Resources and Organizational Development, or Director of Community Education and Outreach under the direction of the Superintendent and consistent with School Board policy. School Board policy allows for limited reappropriation of budgets within a budgetary location by authority of budgetary program managers. Reappropriation of budget amounts between and among operating units requires authorization by the Director of Business Services. School Board approval is required to change appropriations at the fund level.

Independent Audit

The District's policy and state law require an annual audit of the financial statements of the District by an independent certified public accountant. This requirement has been complied with and the auditor's opinion is included in this report. The District does not maintain an internal audit staff.

Certificate of Excellence

This report will be submitted to the Association of School Business Officials (ASBO) International for consideration for the Certificate of Excellence in Financial Reporting Award.

In 2016, the District received the Certificate of Excellence in Financial Reporting Award from the ASBO International for the preparation and issuance of the District's CAFR for 2015. It was the tenth year the District has received the award, which was earned by less than 10 percent of all school districts in the state.

The District expects to continue to earn the recognition that accompanies the standards of accuracy and thoroughness of the Certificate of Excellence Program.

ACCOMPLISHMENTS

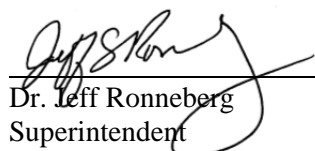
The District takes pride in its focus on personalizing learning for each student, providing comprehensive instructional, co-curricular, and support programs. The District takes a systemic view of learning, recognizing the importance of providing coherence and alignment across all aspects of the District. Over the past few years, all principals and directors have participated in a leadership academy that has resulted in a shared philosophy of leadership throughout the District.

We are excited about the professional learning and continuous improvement efforts taking place in the District. The curriculum in the District is vertically aligned with a pre-kindergarten through Grade 12 perspective, and each staff member participates in a professional learning community team that meets at least weekly. In recent years, all staff has been engaged in ongoing learning on the topics of personalized learning, one-to-one technologies, effective assessment practices, and providing timely support to meet student learning needs. The District continues to focus in all of these areas to continually improve student learning.

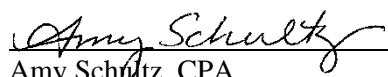
The District has a vision of being a world-class learning community of choice. It is a great place to be.

ACKNOWLEDGMENTS

The time, effort, and attention that go into the timely preparation of a CAFR require the commitment and cooperation of many people. Special appreciation is hereby extended to the entire Business Services office staff for their dedication and to the School Board for their encouragement and leadership.



Dr. Jeff Ronneberg
Superintendent



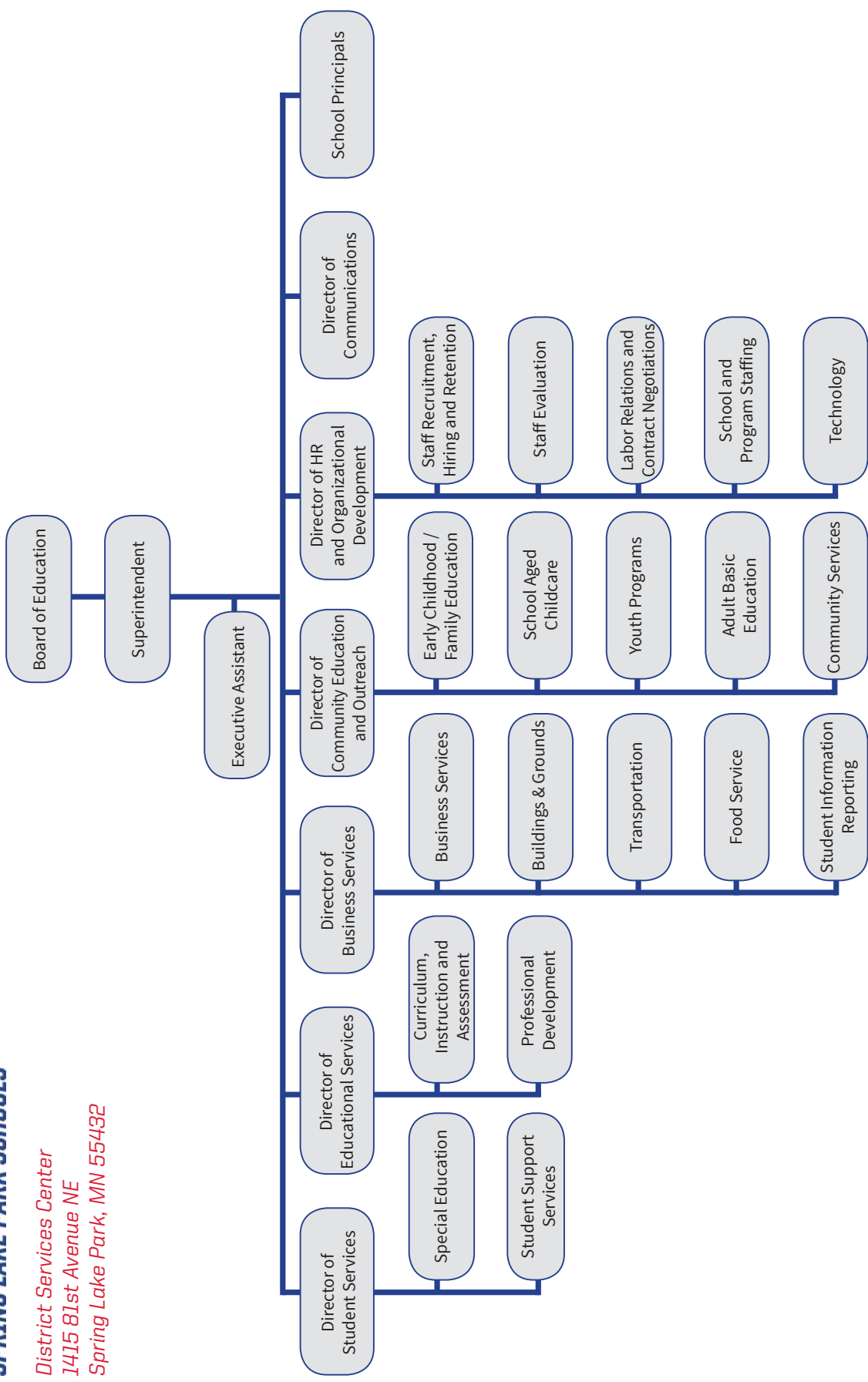
Amy Schultz, CPA
Director of Business Services



SPRING LAKE PARK SCHOOLS

District Services Center
1415 81st Avenue NE
Spring Lake Park, MN 55432

Spring Lake Park Schools - Organization Chart 2015-16



INDEPENDENT SCHOOL DISTRICT NO. 16

School Board and Administration
Year Ended June 30, 2016

SCHOOL BOARD

John Stroebel	Chairperson
Jodi Ruch	Vice-Chairperson
Jim Amundson	Treasurer
Amy Hennen	Clerk
Kelly Delfs	Director
Tony Easter	Director
Marilynn Forsberg	Director

ADMINISTRATION

Jeffrey Ronneberg	Superintendent
Colleen Pederson	Director of Community Education and Outreach
Amy Schultz	Director of Business Services
Hope Rahn	Director of Educational Services
Ryan Stromberg	Director of Human Resources and Organizational Development
Mike Callahan	Director of Student Services
Bob Noyed	Director of Communications



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

**Spring Lake Park
Independent School District No. 16**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

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SECTION II

Financial Section | Annual Financial Report





PRINCIPALS

Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 16
Spring Lake Park, 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. 16 (the District) as of and for the year ended June 30, 2016, 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, 2016, 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.

(continued)

Prior Year Comparative Information

We have previously audited the District's 2015 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 December 8, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 16, 2016

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INDEPENDENT SCHOOL DISTRICT NO. 16

Management's Discussion and Analysis Year Ended June 30, 2016

This section of Independent School District No. 16'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, 2016. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$3,178,292 (net position). The District's total net position increased by \$6,846,471 during the fiscal year ended June 30, 2016.
- Government-wide revenues totaled \$78,121,792 and were \$6,846,471 more than expenses of \$71,275,321.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$4,332,037 from the prior year, compared to a \$105,383 increase planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR consists of the following parts:

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue 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. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of the District employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2016 and 2015		
	2016	2015
Assets		
Current and other assets	\$ 85,918,685	\$ 90,794,668
Capital assets, net of depreciation	109,777,735	113,071,163
Total assets	\$ 195,696,420	\$ 203,865,831
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	\$ 7,756,175	\$ 6,270,092
Liabilities		
Current and other liabilities	\$ 4,504,333	\$ 5,723,261
Long-term liabilities, including due within one year	172,196,845	179,519,475
Total liabilities	\$ 176,701,178	\$ 185,242,736
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 19,298,624	\$ 19,391,844
Pension plan deferments – PERA and TRA	4,274,501	9,169,522
Total deferred inflows of resources	\$ 23,573,125	\$ 28,561,366
Net position		
Net investment in capital assets	\$ 12,651,203	\$ 12,151,342
Restricted	1,892,627	1,397,239
Unrestricted	(11,365,538)	(17,216,760)
Total net position	\$ 3,178,292	\$ (3,668,179)

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 \$6,846,471 from current year operating results.

The District's increase in net investment in capital assets is due mostly to the District adding additional capital assets and repaying debt at a faster rate than the assets being depreciated. An increase in net position restricted for capital asset acquisition, debt service, food service, and community service contributed to the overall change in the restricted portion of net position. The increase in unrestricted net position was primarily due to the positive operating results for the year.

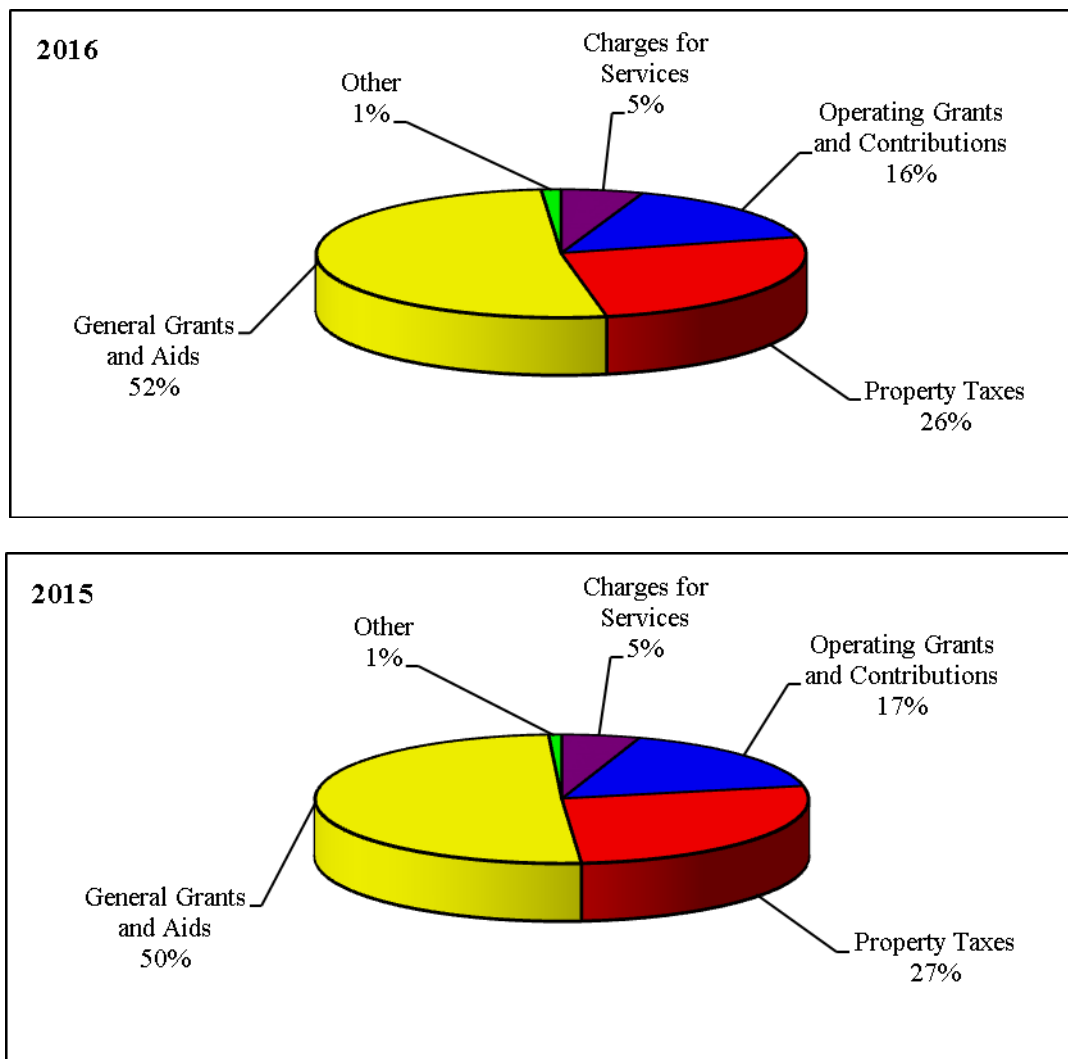
Table 2 presents a summarized version of the District's Statement of Activities:

Table 2 Summary Statement of Activities for the Years Ended June 30, 2016 and 2015		
	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Charges for services	\$ 4,222,283	\$ 3,799,430
Operating grants and contributions	12,137,627	12,479,689
General revenues		
Property taxes	20,379,165	20,040,215
General grants and aids	40,359,902	37,569,864
Other	1,022,815	638,939
Total revenues	<u>78,121,792</u>	<u>74,528,137</u>
Expenses		
Administration	2,142,397	2,000,118
District support services	2,555,546	2,880,485
Elementary and secondary regular instruction	27,119,057	24,691,702
Vocational education instruction	678,090	741,544
Special education instruction	8,570,155	8,545,167
Instructional support services	7,264,022	5,935,999
Pupil support services	5,727,763	4,971,500
Sites and buildings	4,644,930	4,537,852
Fiscal and other fixed cost programs	179,921	265,168
Food service	3,177,702	3,225,187
Community service	3,649,195	3,441,499
Interest and fiscal charges	5,566,543	5,650,508
Total expenses	<u>71,275,321</u>	<u>66,886,729</u>
Change in net position	6,846,471	7,641,408
Net position – beginning	<u>(3,668,179)</u>	<u>(11,309,587)</u>
Net position – ending	<u><u>\$ 3,178,292</u></u>	<u><u>\$ (3,668,179)</u></u>

This table is presented on the 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.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2016 and 2015

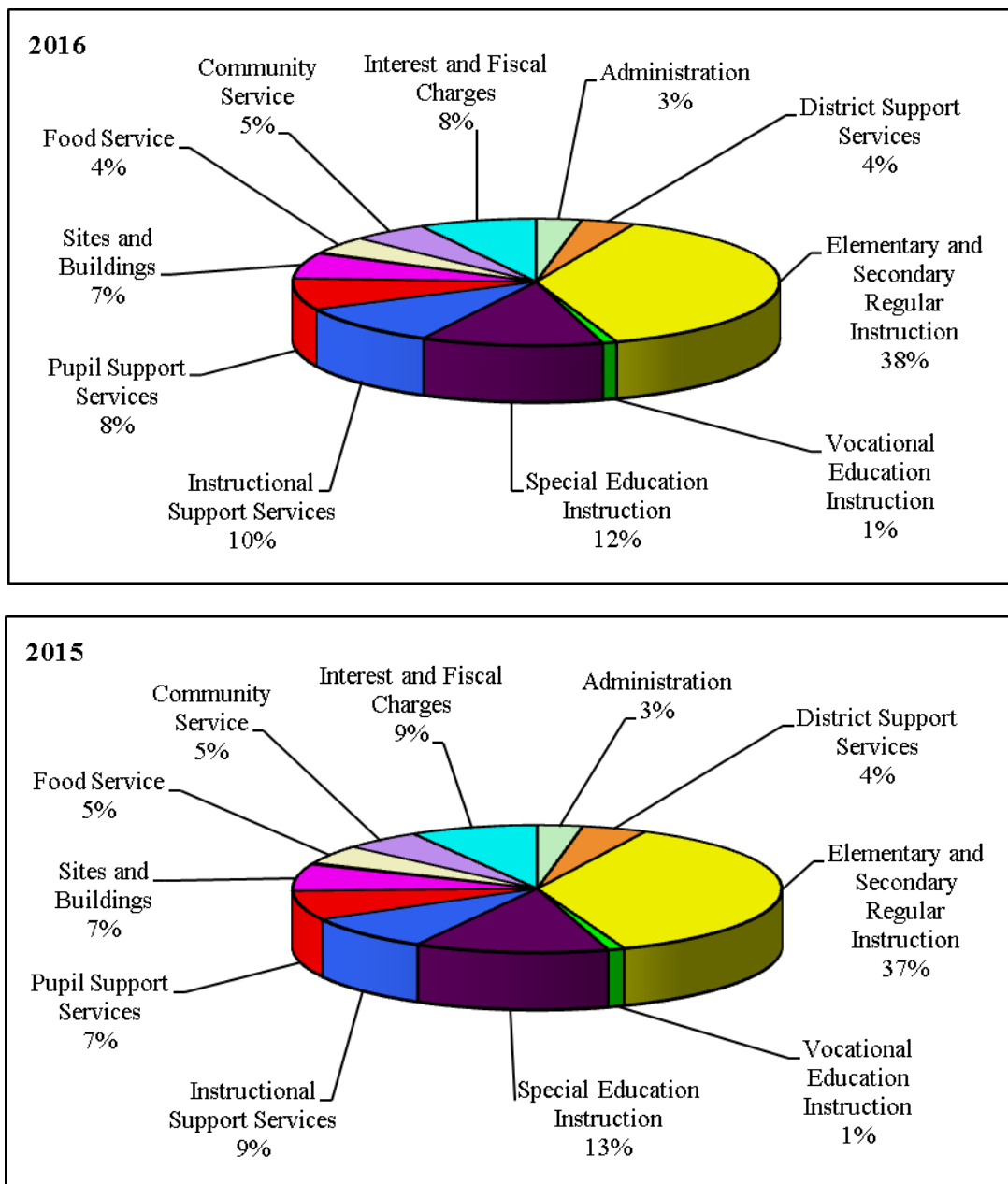


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts as a result of limited funding increases in recent years.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers 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 2016 and 2015



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3 Governmental Fund Balances as of June 30, 2016 and 2015			
	2016	2015	Increase (Decrease)
Major funds			
General	\$ 24,163,760	\$ 19,831,723	\$ 4,332,037
Capital Projects – Building Construction	(19,370)	–	(19,370)
Debt Service	34,555,806	43,769,947	(9,214,141)
Nonmajor funds			
Food Service Special Revenue	422,051	358,445	63,606
Community Service Special Revenue	16,062	10,901	5,161
Total governmental funds	<u>\$ 59,138,309</u>	<u>\$ 63,971,016</u>	<u>\$ (4,832,707)</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, 2016, the District's governmental funds reported combined fund balances of \$59,138,309, a decrease of \$4,832,707 in comparison with the prior year. Approximately 29.6 percent of this amount (\$17,489,188) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$189,339), 2) restricted for particular purposes (\$35,992,595), or 3) assigned for particular purposes (\$5,467,187).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 59,338,842</u>	<u>\$ 59,866,720</u>	<u>\$ 527,878</u>	<u>0.9%</u>
Expenditures	<u>\$ 58,504,336</u>	<u>\$ 59,761,337</u>	<u>\$ 1,257,001</u>	<u>2.1%</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 amended that budget for known significant changes in circumstances such as updated enrollment levels, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2016 Actual</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	\$ 61,532,567	\$ 1,665,847	2.8%	\$ 2,572,936	4.4%
Expenditures	<u>57,209,530</u>	<u>(2,551,807)</u>	(4.3%)	<u>1,763,380</u>	3.2%
Excess of revenue over expenditures	4,323,037	4,217,654		809,556	
Other financing sources	<u>9,000</u>	<u>9,000</u>		<u>85,392</u>	
Net change in fund balances	<u>\$ 4,332,037</u>	<u>\$ 4,226,654</u>		<u>\$ 894,948</u>	

The fund balance of the General Fund increased \$4,332,037, compared to an increase of \$105,383 approved in the budget.

General Fund revenues for 2016 increased \$2,572,936, or 4.4 percent, from the prior year and were \$1,665,847, or 2.8 percent, over budget. The increase over prior year was due in part to improvements in funding for general education, for serving more students in the current year, and pass-through of state funding for pensions. Actual revenues were within 2.8 percent of budget as noted above. Conservative budgeting for other local sources and state sources contributed to the favorable revenue variance.

General Fund expenditures for 2016 increased \$1,763,380, or 3.2 percent, from the prior year and were \$2,551,807, or 4.3 percent, under budget. The increase was largely for personnel costs as contractually-approved and for serving more students in the current year along with pension pass-through payments for the Teachers Retirement Association (TRA). Debt service expenditures decreased due to the ending of a computer lease in 2015. The expenditure budget variance was spread across several programs and object categories of the General Fund. Elementary and secondary regular instruction and sites and buildings experienced the largest program variances, with savings of \$1,896,714 and \$966,046, respectively. This was due mostly to personnel savings in elementary and secondary regular instruction and timing delays in capital spending in sites and buildings.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund expenditures exceeded revenues by \$19,370, representing the year-end fund balance deficit. The District has issued building bonds in fiscal 2017 that will cover this temporary fund balance deficit.

Debt Service Fund

The Debt Service Fund expenditures and other financing uses exceeded revenues and other financing sources by \$9,214,141 in the current year, compared to a \$9,477,387 fund balance decrease anticipated in the budget. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of \$34,555,806 at June 30, 2016 is available for meeting future debt service obligations.

The District has issued refunding bonds in the current and prior year to reduce future debt service payments and related debt levies for taxpayers of the District.

Food Service Special Revenue Fund

The Food Service Special Revenue Fund ended the year with revenues and other financing sources exceeding expenditures, increasing equity by \$63,606, compared to a planned fund balance decrease of \$160,000.

Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$5,161, compared to a balanced budget approved by the School Board.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The District maintains two internal service funds. These funds are used to account for the District's self-insured health and dental benefits insurance activities. The net position balance for all internal service funds as of June 30, 2016 was \$1,156,986, which represents a \$520,101 increase from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2016 and 2015:

Table 6 Capital Assets			
	2016	2015	Change
Land	\$ 4,686,131	\$ 4,695,131	\$ (9,000)
Construction in progress	874,832	308,464	566,368
Improvements	3,100,601	2,648,793	451,808
Buildings	159,236,656	159,001,788	234,868
Furniture and equipment	6,905,642	7,612,700	(707,058)
Less accumulated depreciation	(65,026,127)	(61,195,713)	(3,830,414)
Total	<u>\$ 109,777,735</u>	<u>\$ 113,071,163</u>	<u>\$ (3,293,428)</u>
Depreciation expense	<u>\$ 4,618,454</u>	<u>\$ 4,759,712</u>	<u>\$ (141,258)</u>

By the end of 2016, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2016.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in Note 3 of the notes to basic financial statements.

Long-Term Liabilities

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

Table 7 Outstanding Long-Term Liabilities			
	2016	2015	Change
General obligation bonds payable	\$ 123,775,000	\$ 139,065,000	\$ (15,290,000)
Unamortized premium/discount	7,965,945	6,151,096	1,814,849
Capital leases payable	3,156,387	3,379,673	(223,286)
Net pension liability – PERA	7,214,066	6,844,256	369,810
Net pension liability – TRA	29,432,936	23,283,860	6,149,076
Severance benefits payable	652,511	795,590	(143,079)
Total	<u>\$ 172,196,845</u>	<u>\$ 179,519,475</u>	<u>\$ (7,322,630)</u>

The decrease in general obligation bonds payable in the table above is due to scheduled debt payments of \$5,450,000 and a refunding payment of \$39,555,000 on the 2006A bonds, offset by the current year issuance of the 2015A bonds for \$29,715,000.

The decrease in capital leases payable is due to the planned repayment schedules for principal payments made in fiscal 2016.

The differences in the Public Employees Retirement Association and the TRA net pension liabilities reflect the change in the District's proportionate share of these state-wide pension obligations.

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	\$ 3,084,822,400
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 462,723,360</u>

Additional details of the District's long-term debt activity can be found in Note 4 of 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.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. For the 2017 fiscal year, the Legislature added \$119, or 2.0 percent, per pupil to the basic general education funding formula. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Office, Independent School District No. 16, 1415 – 81st Avenue Northeast, Spring Lake Park, Minnesota 55432.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Net Position
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	\$ 30,804,161	\$ 26,472,278
Receivables		
Current taxes	11,900,670	11,910,798
Delinquent taxes	344,426	401,328
Accounts and interest	125,037	74,579
Due from other governmental units	6,503,066	6,233,197
Due from OPEB trust	86,019	84,379
Inventory	146,102	147,060
Prepaid items	43,237	123,176
Net other post-employment benefit asset	3,789,524	3,777,414
Restricted assets – temporarily restricted		
Cash and investments for debt service	31,981,028	41,248,932
Interest receivable for debt service	195,415	321,527
Total restricted assets – temporarily restricted	32,176,443	41,570,459
Capital assets		
Not depreciated	5,560,963	5,003,595
Depreciated, net of accumulated depreciation	104,216,772	108,067,568
Total capital assets, net of accumulated depreciation	109,777,735	113,071,163
Total assets	195,696,420	203,865,831
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	7,756,175	6,270,092
Total assets and deferred outflows of resources	\$ 203,452,595	\$ 210,135,923
Liabilities		
Salaries payable	\$ 428,516	\$ 491,649
Accounts and contracts payable	833,625	1,400,483
Accrued interest payable	2,263,841	3,023,640
Due to other governmental units	513,566	295,583
Unearned revenue	220,085	255,888
Claims incurred, but not reported	244,700	256,018
Long-term liabilities		
Due within one year	37,903,042	45,339,869
Due in more than one year	134,293,803	134,179,606
Total long-term liabilities	172,196,845	179,519,475
Total liabilities	176,701,178	185,242,736
Deferred inflows of resources		
Property taxes levied for subsequent year	19,298,624	19,391,844
Pension plan deferments – PERA and TRA	4,274,501	9,169,522
Total deferred inflows of resources	23,573,125	28,561,366
Net position		
Net investment in capital assets	12,651,203	12,151,342
Restricted for		
Capital asset acquisition	1,036,832	1,020,553
Debt service	411,499	–
Food service	422,051	358,445
Community service	22,245	18,241
Unrestricted	(11,365,538)	(17,216,760)
Total net position	3,178,292	(3,668,179)
Total liabilities, deferred inflows of resources, and net position	\$ 203,452,595	\$ 210,135,923

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Activities
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

Functions/Programs	2016			2015	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and	Revenue and
				Changes in	Changes in
				Net Position	Net Position
				Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 2,142,397	\$ —	\$ —	\$ (2,142,397)	\$ (1,997,173)
District support services	2,555,546	—	—	(2,555,546)	(2,880,365)
Elementary and secondary regular instruction	27,119,057	577,201	5,578,804	(20,963,052)	(18,970,271)
Vocational education instruction	678,090	—	8,193	(669,897)	(734,483)
Special education instruction	8,570,155	—	4,338,854	(4,231,301)	(3,225,745)
Instructional support services	7,264,022	43,096	—	(7,220,926)	(5,862,205)
Pupil support services	5,727,763	—	90,227	(5,637,536)	(4,858,360)
Sites and buildings	4,644,930	—	—	(4,644,930)	(4,537,809)
Fiscal and other fixed cost programs	179,921	—	—	(179,921)	(265,168)
Food service	3,177,702	1,270,499	1,655,823	(251,380)	(534,294)
Community service	3,649,195	2,331,487	465,726	(851,982)	(1,091,229)
Interest and fiscal charges	5,566,543	—	—	(5,566,543)	(5,650,508)
Total governmental activities	\$ 71,275,321	\$ 4,222,283	\$ 12,137,627	(54,915,411)	(50,607,610)
General revenues					
Taxes					
Property taxes, levied for general purposes				9,808,642	9,776,471
Property taxes, levied for community service				380,078	473,957
Property taxes, levied for debt service				10,190,445	9,789,787
General grants and aids				40,359,902	37,569,864
Other general revenues				654,713	525,899
Gain on sale of capital assets				—	14,800
Investment earnings				368,102	98,240
Total general revenues				61,761,882	58,249,018
Change in net position				6,846,471	7,641,408
Net position – beginning				(3,668,179)	(11,309,587)
Net position – ending				\$ 3,178,292	\$ (3,668,179)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 16

Balance Sheet
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 22,272,203	\$ –	\$ 6,455,960
Cash and investment held by trustee	–	–	31,981,028
Receivables			
Current taxes	5,772,760	–	5,855,760
Delinquent taxes	166,999	–	170,357
Accounts and interest	27,569	–	195,415
Due from other governmental units	6,462,208	–	1,312
Due from other funds	96,869	–	–
Inventory	117,732	–	–
Prepaid items	33,451	–	–
	<u>33,451</u>	<u>–</u>	<u>–</u>
Total assets	<u>\$ 34,949,791</u>	<u>\$ –</u>	<u>\$ 44,659,832</u>
Liabilities			
Salaries payable	\$ 379,001	\$ –	\$ –
Accounts and contracts payable	747,585	8,520	1,350
Due to other governmental units	513,566	–	–
Due to other funds	–	10,850	–
Unearned revenue	137,879	–	–
Total liabilities	<u>1,778,031</u>	<u>19,370</u>	<u>1,350</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	8,864,848	–	9,957,261
Unavailable revenue – delinquent taxes	143,152	–	145,415
Total deferred inflows of resources	<u>9,008,000</u>	<u>–</u>	<u>10,102,676</u>
Fund balances (deficit)			
Nonspendable	151,183	–	–
Restricted	1,036,832	–	34,555,806
Assigned	5,467,187	–	–
Unassigned	17,508,558	(19,370)	–
Total fund balances (deficit)	<u>24,163,760</u>	<u>(19,370)</u>	<u>34,555,806</u>
	<u>\$ 34,949,791</u>	<u>\$ –</u>	<u>\$ 44,659,832</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,949,791</u>	<u>\$ –</u>	<u>\$ 44,659,832</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2016	2015
\$ 690,987	\$ 29,419,150	\$ 25,531,495
–	31,981,028	41,248,932
272,150	11,900,670	11,910,798
7,070	344,426	401,328
80,793	303,777	380,732
39,546	6,503,066	6,233,197
–	96,869	84,379
28,370	146,102	147,060
9,786	43,237	123,176
<u>\$ 1,128,702</u>	<u>\$ 80,738,325</u>	<u>\$ 86,061,097</u>
\$ 49,515	\$ 428,516	\$ 491,649
76,170	833,625	1,337,229
–	513,566	295,583
–	10,850	–
82,206	220,085	255,888
<u>207,891</u>	<u>2,006,642</u>	<u>2,380,349</u>
476,515	19,298,624	19,391,844
6,183	294,750	317,888
<u>482,698</u>	<u>19,593,374</u>	<u>19,709,732</u>
38,156	189,339	270,236
399,957	35,992,595	45,130,519
–	5,467,187	3,048,575
–	17,489,188	15,521,686
<u>438,113</u>	<u>59,138,309</u>	<u>63,971,016</u>
<u>\$ 1,128,702</u>	<u>\$ 80,738,325</u>	<u>\$ 86,061,097</u>

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INDEPENDENT SCHOOL DISTRICT NO. 16

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	2016	2015
Total fund balances – governmental funds	\$ 59,138,309	\$ 63,971,016
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	174,803,862	174,266,876
Accumulated depreciation	(65,026,127)	(61,195,713)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt 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	(123,775,000)	(139,065,000)
Unamortized premium/discount	(7,965,945)	(6,151,096)
Capital leases payable	(3,156,387)	(3,379,673)
Net pension liability – PERA	(7,214,066)	(6,844,256)
Net pension liability – TRA	(29,432,936)	(23,283,860)
Severance benefits payable	(652,511)	(795,590)
Net other post-employment benefit obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.		
	3,789,524	3,777,414
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(2,263,841)	(3,023,640)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		
	1,156,986	636,885
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 – PERA and TRA pension plans	7,756,175	6,270,092
Deferred inflows – PERA and TRA pension plans	(4,274,501)	(9,169,522)
Deferred inflows – delinquent property taxes	294,750	317,888
Total net position – governmental activities	<u>\$ 3,178,292</u>	<u>\$ (3,668,179)</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 9,821,867	\$ –	\$ 10,199,201
Investment earnings	72,834	–	292,587
Other	1,275,010	–	–
State sources	48,660,180	–	13,124
Federal sources	1,702,676	–	–
Total revenue	61,532,567	–	10,504,912
Expenditures			
Current			
Administration	1,830,720	–	–
District support services	2,327,488	–	–
Elementary and secondary regular instruction	25,478,678	–	–
Vocational education instruction	359,630	–	–
Special education instruction	8,340,987	–	–
Instructional support services	7,003,629	–	–
Pupil support services	5,734,854	–	–
Sites and buildings	5,512,913	–	–
Fiscal and other fixed cost programs	179,921	–	–
Food service	–	–	–
Community service	134,984	–	–
Capital outlay	–	19,370	–
Debt service			
Principal	223,286	–	5,450,000
Interest and fiscal charges	82,440	–	6,823,967
Total expenditures	57,209,530	19,370	12,273,967
Excess (deficiency) of revenue over expenditures	4,323,037	(19,370)	(1,769,055)
Other financing sources (uses)			
Refunding debt issued	–	–	29,715,000
Premium on debt issued	–	–	2,394,914
Payments to refunded bond escrow agent	–	–	(39,555,000)
Sale of capital assets	9,000	–	–
Transfers out	–	–	–
Total other financing sources (uses)	9,000	–	(7,445,086)
Net change in fund balances	4,332,037	(19,370)	(9,214,141)
Fund balances (deficits)			
Beginning of year	19,831,723	–	43,769,947
End of year	\$ 24,163,760	\$ (19,370)	\$ 34,555,806

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2016	2015
\$ 381,235	\$ 20,402,303	\$ 20,075,118
1,675	367,096	98,240
3,601,986	4,876,996	4,253,881
617,405	49,290,709	46,969,603
1,504,144	3,206,820	3,079,950
6,106,445	78,143,924	74,476,792
—	1,830,720	1,704,277
—	2,327,488	2,579,370
—	25,478,678	23,216,153
—	359,630	432,110
—	8,340,987	8,401,713
—	7,003,629	5,778,405
—	5,734,854	4,983,452
—	5,512,913	7,032,245
—	179,921	265,168
2,851,174	2,851,174	2,827,933
3,160,924	3,295,908	3,079,462
25,814	45,184	167,873
—	5,673,286	5,663,474
—	6,906,407	4,975,435
6,037,912	75,540,779	71,107,070
68,533	2,603,145	3,369,722
—	29,715,000	36,025,000
—	2,394,914	5,596,062
—	(39,555,000)	—
234	9,234	14,800
—	—	(79,392)
234	(7,435,852)	41,556,470
68,767	(4,832,707)	44,926,192
369,346	63,971,016	19,044,824
\$ 438,113	\$ 59,138,309	\$ 63,971,016

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INDEPENDENT SCHOOL DISTRICT NO. 16

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2016

(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016	2015
Total net change in fund balances – governmental funds	\$ (4,832,707)	\$ 44,926,192
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,382,205	2,720,397
Depreciation expense	(4,618,454)	(4,759,712)
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.		
	(57,179)	–
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
	(29,715,000)	(36,025,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	45,005,000	4,835,000
Capital leases payable	223,286	828,474
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.		
	759,799	(1,035,047)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	520,101	636,885
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.		
	(1,814,849)	(5,236,088)
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 – PERA	(369,810)	1,087,760
Net pension liability – TRA	(6,149,076)	4,424,034
Severance benefits payable	143,079	422,418
Net OPEB asset	12,110	(80,332)
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 – PERA and TRA pension plans	1,486,083	4,100,852
Deferred inflows – PERA and TRA pension plans	4,895,021	(9,169,522)
Deferred inflows – delinquent property taxes	(23,138)	(34,903)
Change in net position – governmental activities	<u>\$ 6,846,471</u>	<u>\$ 7,641,408</u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 9,446,833	\$ 9,796,833	\$ 9,821,867	\$ 25,034
Investment earnings	10,000	20,000	72,834	52,834
Other	525,000	695,000	1,275,010	580,010
State sources	47,835,009	47,702,887	48,660,180	957,293
Federal sources	1,522,000	1,652,000	1,702,676	50,676
Total revenue	59,338,842	59,866,720	61,532,567	1,665,847
Expenditures				
Current				
Administration	2,067,501	1,806,072	1,830,720	24,648
District support services	4,272,053	2,332,993	2,327,488	(5,505)
Elementary and secondary regular instruction	26,287,275	27,375,392	25,478,678	(1,896,714)
Vocational education instruction	510,148	537,933	359,630	(178,303)
Special education instruction	8,977,556	8,613,788	8,340,987	(272,801)
Community service	—	125,000	134,984	9,984
Instructional support services	5,750,090	6,715,475	7,003,629	288,154
Pupil support services	4,669,373	5,254,499	5,734,854	480,355
Sites and buildings	4,674,114	6,478,959	5,512,913	(966,046)
Fiscal and other fixed cost programs	215,500	215,500	179,921	(35,579)
Debt service				
Principal	973,286	223,286	223,286	—
Interest and fiscal charges	107,440	82,440	82,440	—
Total expenditures	58,504,336	59,761,337	57,209,530	(2,551,807)
Excess of revenue over expenditures	834,506	105,383	4,323,037	4,217,654
Other financing sources				
Sale of capital assets	—	—	9,000	9,000
Net change in fund balances	\$ 834,506	\$ 105,383	4,332,037	\$ 4,226,654
Fund balances				
Beginning of year			19,831,723	
End of year			\$ 24,163,760	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Net Position
Internal Service Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,385,011	\$ 940,783
Receivables		
Accounts and interest	<u>16,675</u>	<u>15,374</u>
Total current assets	<u>1,401,686</u>	<u>956,157</u>
Liabilities		
Current liabilities		
Claims incurred, but not reported	<u>244,700</u>	<u>319,272</u>
Net position		
Unrestricted	<u>\$ 1,156,986</u>	<u>\$ 636,885</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 4,953,289	\$ 4,944,291
Operating expenses		
Health benefit claims	4,093,567	4,039,967
Dental benefit claims	<u>340,627</u>	<u>346,831</u>
Total operating expenses	<u>4,434,194</u>	<u>4,386,798</u>
Operating income	519,095	557,493
Nonoperating revenue		
Investment earnings	<u>1,006</u>	<u>—</u>
Income before transfers	520,101	557,493
Transfer in	<u>—</u>	<u>79,392</u>
Change in net position	520,101	636,885
Net position		
Beginning of year	<u>636,885</u>	<u>—</u>
End of year	<u><u>\$ 1,156,986</u></u>	<u><u>\$ 636,885</u></u>

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 4,951,988	\$ 4,928,917
Payment for health claims	(4,159,377)	(3,741,437)
Payment for dental claims	(349,389)	(326,089)
Net cash flows from operating activities	<u>443,222</u>	<u>861,391</u>
Cash flows from noncapital financing activities		
Transfers in	—	79,392
Cash flows from investing activities		
Investment earnings received	<u>1,006</u>	<u>—</u>
Net change in cash and cash equivalents	444,228	940,783
Cash and cash equivalents		
Beginning of year	<u>940,783</u>	<u>—</u>
End of year	<u><u>\$ 1,385,011</u></u>	<u><u>\$ 940,783</u></u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 519,095	\$ 557,493
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	(1,301)	(15,374)
Claims incurred, but not reported	<u>(74,572)</u>	<u>319,272</u>
Net cash flows from operating activities	<u><u>\$ 443,222</u></u>	<u><u>\$ 861,391</u></u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 16

Statement of Fiduciary Net Position
as of June 30, 2016

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Cash and temporary investments	\$ 114,959	\$ —
Investments held by trustee		
Mutual funds	—	6,229,463
Receivables		
Accounts and interest	1,001	1
Total assets	<u>115,960</u>	<u>6,229,464</u>
Liabilities		
Due to governmental funds	<u>—</u>	<u>86,019</u>
Net position		
Held in trust for employee benefits and other purposes	<u>\$ 115,960</u>	<u>\$ 6,143,445</u>

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	\$ 78,300	\$ —
Investment earnings		
Total investment earnings	144	338,539
Less investment expense	—	(33,442)
Net investment earnings	<u>144</u>	<u>305,097</u>
Total additions	<u>78,444</u>	<u>305,097</u>
Deductions		
Scholarships and other costs	43,800	—
Benefits	<u>—</u>	<u>86,019</u>
Total deductions	<u>43,800</u>	<u>86,019</u>
Change in fiduciary net position	34,644	219,078
Net position		
Beginning of year	<u>81,316</u>	<u>5,924,367</u>
End of year	<u>\$ 115,960</u>	<u>\$ 6,143,445</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 16

Notes to Basic Financial Statements June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 16 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, district school boards can elect to either control or not to control extracurricular student activities. The District's School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the District's General Fund.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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 revenues are recognized when all eligibility requirements imposed by the provider have been met.

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust and private-purpose trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. 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, construction, or improvement of capital facilities authorized by bond issue.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the 2009 taxable OPEB bond issue.

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 Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Scholarship Private-Purpose Trust Fund – The Scholarship Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties for donor-directed purposes, such as to award scholarships to former students.

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.

E. Budgetary Information

The School Board adopts an annual budget for the following fiscal year for all governmental funds except the Capital Projects – Building Construction Fund. An annual budget is not adopted for the Capital Projects – Building Construction Fund because project-length financial plans are adopted in accordance with bond issue authorization. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

Actual expenditures exceeded final budgeted appropriations for fiscal 2016 by \$104,158 in the Food Service Special Revenue Fund, by \$373,754 in the Community Service Special Revenue Fund, and by \$1,300 in the Debt Service Fund. These variances were financed by revenues and other financing sources in excess of budget and available fund balance.

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. Debt proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts established for specific purposes. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. In the Debt Service Fund, the refunding bond escrow account held by trustee is used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the appropriate fund.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 June 30, 2016.

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 collected within one year are delinquent property taxes receivable.

At June 30, 2016, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 6,313,195
Due from other Minnesota school districts	103,229
Due from Anoka County and others	<u>86,642</u>
Total due from other governmental units	<u><u>\$ 6,503,066</u></u>

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. Inventories also include the value of land and materials associated within the District's vocational program. 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.

I. Prepaid Items

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

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,002,046 of the property tax levy collectible in 2016 as revenue to the District in fiscal year 2015–2016. The remaining portion of the taxes collectible in 2016 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District.

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$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 governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for improvements and buildings and 5 to 20 years for furniture and equipment. Land and construction in progress are not depreciated.

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

L. 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.

M. Vacation Pay

Under the terms of union contracts, certain employees accrue vacation 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. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of an employee's severance pay upon termination for certain collective bargaining units.

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. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures due to employee termination.

P. 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 2016.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 balance of dental claim liabilities for the last two 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>
2015	\$ 13,524	\$ 346,831	\$ 339,613	\$ 20,742
2016	\$ 20,742	\$ 340,627	\$ 349,389	\$ 11,980

Changes in the balance of health claim liabilities for the last two 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>
2015	\$ –	\$ 4,039,967	\$ 3,741,437	\$ 298,530
2016	\$ 298,530	\$ 4,093,567	\$ 4,159,377	\$ 232,720

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. State-Wide Pension Plans

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 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 (DTRFA) in 2015.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and from 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 standards.

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

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

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

The third item, deferred inflows of resources related to pensions, is reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

T. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s Superintendent and the Director of Business Services are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, the District uses restricted resources first then uses unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, the District uses resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as “cash and investments held by trustee.”

V. 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 amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

W. 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, 2015, 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	\$ 1,093,505
Investments	<u>68,036,106</u>
Total	<u>\$ 69,129,611</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 30,804,161
Restricted assets – temporarily restricted	
Cash and investments for debt service	31,981,028
Statement of Fiduciary Net Position	
Cash and temporary investments	
Scholarship Private-Purpose Trust Fund	114,959
Investments held by trustee	
Post-Employment Benefits Trust Fund	<u>6,229,463</u>
Total	<u>\$ 69,129,611</u>

B. Deposits

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

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

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

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

The District’s deposit policies do not further limit depository choices.

At year-end, the carrying amount and bank balance of the District’s deposits was \$1,093,505. At June 30, 2016, all deposits were fully covered by federal depository 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		Total
	Rating	Agency		Less Than 1	1 to 5	
U.S. treasuries	N/R	N/A	Level 1	\$ 31,981,028	\$ –	\$ 31,981,028
Negotiable certificates of deposit	N/R	N/A	Level 2	3,487,381	–	3,487,381
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	NAV	N/A	N/A	26,338,234
First American Government Obligations Fund	AAA	S&P	Level 2	N/A	N/A	7,574
Mutual Funds	N/R	N/A	Level 2	N/A	N/A	6,221,889
Total investments						<u>\$ 68,036,106</u>

NAV – Investments measured at the net asset value

N/A – Not Applicable

N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool which is not registered with the Securities Exchange Commission (SEC). The District's investment in the MSDLAF is measured at the net asset value (NAV) per share provided by the pool, which is based on an amortized cost method that approximates fair value.

For MSDLAF investments valued at NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; redemption notice period is 14 days for the MAX Class.

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.

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 Statute § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the current year ended is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 4,695,131	\$ –	\$ (9,000)	\$ –	\$ 4,686,131
Construction in progress	<u>308,464</u>	<u>729,750</u>	<u>–</u>	<u>(163,382)</u>	<u>874,832</u>
Total capital assets, not depreciated	5,003,595	729,750	(9,000)	(163,382)	5,560,963
Capital assets, depreciated					
Improvements	2,648,793	451,808	–	–	3,100,601
Buildings	159,001,788	71,486	–	163,382	159,236,656
Furniture and equipment	<u>7,612,700</u>	<u>129,161</u>	<u>(836,219)</u>	<u>–</u>	<u>6,905,642</u>
Total capital assets, depreciated	169,263,281	652,455	(836,219)	163,382	169,242,899
Less accumulated depreciation for					
Improvements	(1,648,820)	(108,827)	–	–	(1,757,647)
Buildings	(53,113,840)	(4,272,500)	–	–	(57,386,340)
Furniture and equipment	<u>(6,433,053)</u>	<u>(237,127)</u>	<u>788,040</u>	<u>–</u>	<u>(5,882,140)</u>
Total accumulated depreciation	<u>(61,195,713)</u>	<u>(4,618,454)</u>	<u>788,040</u>	<u>–</u>	<u>(65,026,127)</u>
Net capital assets, depreciated	<u>108,067,568</u>	<u>(3,965,999)</u>	<u>(48,179)</u>	<u>163,382</u>	<u>104,216,772</u>
Total capital assets, net	<u>\$ 113,071,163</u>	<u>\$ (3,236,249)</u>	<u>\$ (57,179)</u>	<u>\$ –</u>	<u>\$ 109,777,735</u>

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

Administration	\$ 323,292
District support services	323,292
Elementary and secondary regular instruction	2,309,226
Vocational education instruction	323,292
Special education instruction	323,292
Instructional support services	323,292
Food service	323,292
Community service	<u>369,476</u>
Total depreciation expense	<u>\$ 4,618,454</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Remaining Maturities	Principal Outstanding
2006C Building Bonds	11/07/2006	4.00–4.50%	\$ 30,900,000	02/01/2017–02/01/2029	\$ 27,500,000
2007B Alternative Facilities Bonds	08/30/2007	4.00–4.75%	\$ 7,100,000	02/01/2017–02/01/2023	3,940,000
2008A Building Bonds	01/29/2008	4.00–4.25%	\$ 20,000,000	02/01/2017–02/01/2029	18,535,000
2009A Taxable OPEB Bonds	05/01/2009	3.45–5.50%	\$ 6,200,000	02/01/2017–02/01/2025	5,740,000
2010A Refunding Bonds	12/01/2010	2.00–2.50%	\$ 8,795,000	02/01/2017–02/01/2017	2,320,000
2014A Refunding Bonds	10/28/2014	4.00–5.00%	\$ 36,025,000	02/01/2017–02/01/2029	36,025,000
2015A Refunding Bonds	12/30/2015	3.00–4.00%	\$ 29,715,000	02/01/2017–02/01/2029	29,715,000
Total general obligation bonds payable outstanding					<u>\$ 123,775,000</u>

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

In October 2014, the District issued \$36,025,000 of General Obligation School Building Refunding Bonds, Series 2014A. The proceeds of this issue and interest earned thereon were used to refund, in advance of their stated maturities, the District's 2006A General Obligation School Building Bonds. The proceeds of the 2014A issue were placed in an escrow account pending the February 1, 2016 call date of the refunded issue. On February 1, 2016, the escrow account was used to call the remaining principal of the 2006A issue, and the District assumed all future principal and interest payments on the 2014A issue. This advance "crossover refunding" will reduce the District's total future debt service payments by \$6,131,671 and result in a present value savings of \$5,159,747.

In December 2015, the District issued \$29,715,000 of General Obligation School Building Refunding Bonds, Series 2015A. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the remaining maturities of the District's 2006C Building Bonds and 2007B Alternative Facilities Bonds. The proceeds of the 2015A issue have been placed in an escrow account pending the February 1, 2017 call date of the refunded issue. Until the call date, the District will continue to make all debt service payments on the 2006C and 2007B issues, and all debt service on the 2015A issue will be paid from the escrow account. On February 1, 2017, the escrow account will be used to call the remaining principal of the 2006C and 2007B issues, and the District will assume all future principal and interest payments on the 2015A issue. This advance "crossover refunding" will reduce the District's total future debt service payments by \$4,353,421 and will result in present value savings of \$3,921,164.

B. Capital Leases Payable

During fiscal year 2013, the District entered into a capital lease purchase to provide funds to finance the construction at various district facilities. The total amount of resources available to draw on this capital lease was \$3,815,000, at a 2.48 percent interest rate, with a final payment date of June 1, 2028. This lease will be repaid through the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

The assets acquired through capital leases are as follows:

	<u>Buildings</u>
Capital assets	\$ 3,815,000
Less accumulated depreciation	<u>(763,000)</u>
	<u><u>\$ 3,052,000</u></u>

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits payable, 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.

D. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2017	\$ 37,575,000	\$ 4,618,316	\$ 228,857	\$ 76,868
2018	5,930,000	3,597,541	234,569	71,157
2019	6,185,000	3,324,181	240,421	65,304
2020	6,475,000	3,048,861	246,421	59,305
2021	6,770,000	2,758,496	252,570	53,155
2022–2026	36,610,000	9,046,485	1,360,594	168,034
2027–2029	<u>24,230,000</u>	<u>1,821,575</u>	<u>592,955</u>	<u>18,495</u>
	<u><u>\$ 123,775,000</u></u>	<u><u>\$ 28,215,455</u></u>	<u><u>\$ 3,156,387</u></u>	<u><u>\$ 512,318</u></u>

E. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	\$ 139,065,000	\$ 29,715,000	\$ 45,005,000	\$ 123,775,000	\$ 37,575,000
Unamortized premium/discount	6,151,096	2,394,914	580,065	7,965,945	–
Capital leases payable	3,379,673	–	223,286	3,156,387	228,857
Net pension liability – PERA	6,844,256	1,765,776	1,395,966	7,214,066	–
Net pension liability – TRA	23,283,860	8,501,940	2,352,864	29,432,936	–
Severance benefits payable	<u>795,590</u>	<u>68,085</u>	<u>211,164</u>	<u>652,511</u>	<u>99,185</u>
	<u><u>\$ 179,519,475</u></u>	<u><u>\$ 42,445,715</u></u>	<u><u>\$ 49,768,345</u></u>	<u><u>\$ 172,196,845</u></u>	<u><u>\$ 37,903,042</u></u>

NOTE 5 – FUND BALANCES

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

A. Classifications

At June 30, 2016, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 117,732	\$ –	\$ –	\$ 28,370	\$ 146,102
Prepaid items	33,451	–	–	9,786	43,237
Total nonspendable	151,183	–	–	38,156	189,339
Restricted					
Operating capital	1,036,832	–	–	–	1,036,832
Bond refundings	–	–	32,176,443	–	32,176,443
Debt service	–	–	2,379,363	–	2,379,363
Food service	–	–	–	391,127	391,127
School readiness	–	–	–	580	580
Community service	–	–	–	8,250	8,250
Total restricted	1,036,832	–	34,555,806	399,957	35,992,595
Assigned					
Q Comp	247,187	–	–	–	247,187
Capital projects	4,900,000	–	–	–	4,900,000
Technology	320,000	–	–	–	320,000
Total assigned	5,467,187	–	–	–	5,467,187
Unassigned					
Health and safety restricted account deficit	(137,917)	–	–	–	(137,917)
Unassigned	17,646,475	(19,370)	–	–	17,627,105
Total unassigned	17,508,558	(19,370)	–	–	17,489,188
Total	\$ 24,163,760	\$ (19,370)	\$ 34,555,806	\$ 438,113	\$ 59,138,309

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the unassigned fund balance for the General Fund. The policy establishes the District will strive to maintain an unassigned General Fund balance of 5–8 percent of the General Fund operating expenditures (excluding health and safety).

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

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 and administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded status, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90.0 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for the Coordinated Plan.

The District's contributions to the GERF for the year ended June 30, 2016 were \$669,149. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	Year Ended June 30,			
	2015		2016	
	Employee	Employer	Employee	Employer
Basic Plan	11.0%	11.5%	11.0%	11.5%
Coordinated Plan	7.5%	7.5%	7.5%	7.5%

The District's contributions to the TRA for the year ended June 30, 2016 were \$1,870,955. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 340,207,590
Deduct employer contributions not related to future contribution efforts	(704,635)
Deduct the TRA's contributions not included in allocation	<u>(435,999)</u>
Total employer contributions	339,066,956
Total non-employer contributions	<u>41,587,410</u>
Total contributions reported in Schedule of Employer and Non-Employer Pension Allocations	<u>\$ 380,654,366</u>

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

D. Merger of Duluth Teachers Retirement Fund Association (DTRFA)

Legislation enacted in 2014 merged the DTRFA with the TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of the DTRFA.

	June 30, 2014 CAFR	Restated
Total pension liability (a)	\$ 24,901,612,000	\$ 25,299,564,000
Plan fiduciary net position (b)	<u>20,293,684,000</u>	<u>20,519,756,000</u>
Net pension liability (a-b)	<u>\$ 4,607,928,000</u>	<u>\$ 4,779,808,000</u>

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

E. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$7,214,066 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the District's proportion was 0.1392 percent, which was a decrease of 0.0065 percent from its proportion measured as of June 30, 2014.

The GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into the GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9 percent. The Legislature has since set the discount rate in statute at 8.0 percent. Beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB Statement No. 68 accounting requirements will be increased to 8.0 percent to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the District recognized pension expense of \$687,855 for its proportionate share of the GERF's pension expense.

At June 30, 2016, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 66,901	\$ 363,712
Changes in actuarial assumptions	449,267	–
Difference between projected and actual investment earnings	–	642,185
Changes in proportion	–	263,764
District's contributions to the GERF subsequent to the measurement date	669,149	–
Total	<u>\$ 1,185,317</u>	<u>\$ 1,269,661</u>

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

A total of \$669,149 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the GERP pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	\$ (222,046)
2018	\$ (222,046)
2019	\$ (480,130)
2020	\$ 170,729

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$29,432,936 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, 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 0.4758 percent at the end of the measurement period and 0.5053 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 net pension liability	\$ 29,432,936
State's proportionate share of the net pension liability associated with the District	\$ 3,610,491

For the year ended June 30, 2016, the District recognized pension expense of \$1,990,025. It also recognized \$638,242 as an increase to pension expense for the support provided by direct aid.

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

At June 30, 2016, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,599,914	\$ –
Changes in actuarial assumptions	2,262,610	–
Difference between projected and actual investment earnings	–	2,571,614
Changes in proportion	837,379	433,226
District's contributions to the TRA subsequent to the measurement date	1,870,955	–
Total	<u>\$ 6,570,858</u>	<u>\$ 3,004,840</u>

A total of \$1,870,955 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 ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	\$ (373)
2018	\$ (373)
2019	\$ (373)
2020	\$ 1,696,182

F. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.00%
Active member payroll growth	3.50% per year	3.50–12.00% based on years of service
Investment rate of return	7.90%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

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

Actuarial assumptions used in the June 30, 2015, valuation for the GERP were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for the PERA's other plans, but assumptions are reviewed annually.

The actuarial assumptions used in the June 30, 2015, valuation for the TRA were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.00 percent annually with no increase to 2.50 percent projected. The prior year valuation assumed a 2.50 percent increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.90 percent for the GERP and 8.00 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks	45%	5.50%
International stocks	15%	6.00%
Bonds	18%	1.45%
Alternative assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.90 percent for the GERP and 8.00 percent for the TRA. This is a decrease from the discount rate at the prior measurement date of 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2016 contribution rates, 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, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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

H. 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	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 11,343,077	\$ 7,214,066	\$ 3,804,138
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	\$ 44,800,738	\$ 29,432,936	\$ 16,608,061

I. 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; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

Detailed information about the TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at the TRA website at www.MinnesotaTRA.org; by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-2088; 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 its OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a separate publicly available financial report. These benefits are summarized as follows:

Post-Employment Insurance Benefits – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement 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.

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

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. The District has established a Post-Employment Benefits Trust Fund to finance these obligations.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 383,104
Interest on net OPEB obligation	(151,097)
Adjustment to ARC	214,206
Annual OPEB cost (expense)	<u>446,213</u>
Contributions made	<u>458,323</u>
Change in net OPEB obligation	<u>(12,110)</u>
Net OPEB obligation (asset) – beginning of year	<u>(3,777,414)</u>
Net OPEB obligation (asset) – end of year	<u><u>\$ (3,789,524)</u></u>

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2014	\$ 431,150	\$ 277,974	64.5%	\$ (3,857,746)
June 30, 2015	\$ 432,838	\$ 352,506	81.4%	\$ (3,777,414)
June 30, 2016	\$ 446,213	\$ 458,323	102.7%	\$ (3,789,524)

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 117.4 percent funded. The actuarial accrued liability for benefits was \$5,050,638, and the actuarial value of assets was \$5,927,125, resulting in an overfunded actuarial accrued liability of \$876,487. The covered payroll (annual payroll of active employees covered by the plan) was \$28,547,058, and the ratio of the overfunded actuarial accrued liability to the covered payroll was 3.1 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of investment expenses) based on the District's own investments; an annual dental trend rate of 4.0 percent; and an annual medical trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. All rates include a 2.5 percent inflation assumption. The actuarial accrued liability is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2014 for the various amortization layers ranged from 24 to 30 years.

F. Post-Employment Benefits Trust Fund

The District administers a defined benefit OPEB plan. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan.

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

The Post-Employment Benefits Trust Fund is reported using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

G. Membership

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

Retirees and beneficiaries receiving benefits	41
Active plan members	<u>632</u>
Total members	<u><u>673</u></u>

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a “cafeteria plan” (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

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

The Plan is administered by an independent contract administrator for child care and medical expense reimbursements. The flexible benefit plan is included in the financial statements within the District’s General Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District’s general creditors. Participants’ rights under the Plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – INTERFUND BALANCES AND TRANSACTIONS

The General Fund had a receivable of \$86,019 due from the Post-Employment Benefits Trust Fund at June 30, 2016 to reimburse OPEB payments the General Fund made during the year. The General Fund also had a receivable of \$10,850 due from the Capital Projects – Building Construction Fund to cover a short-term cash flow deficit. Interfund balances are generally eliminated in the government-wide financial statements. Because fiduciary fund activity is not included in the government-wide financial statements, this receivable is included as due from OPEB trust in the governmental activities on the Statement of Net Position.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

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

C. Construction Contracts

At June 30, 2016, the District had commitments totaling \$98,783 under various construction contracts for which the work was not yet completed.

NOTE 11 – SUBSEQUENT EVENTS

In July 2016, the District issued \$46,245,000 of General Obligation School Building Bonds, Series 2016A. The bonds bear an interest rate between 3.00–5.00 percent and mature in 2035. The proceeds of this debt issue will be used to finance construction and improvements at district facilities.

Also in July 2016, the District entered into a lease agreement with Apple, Inc. for a 24-month period ending on July 8, 2018 to provide Apple iPads to students at the District. The lease bears an interest rate of 0.99 percent per annum and total principal and interest payments totaling \$1,164,222.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 16

Schedule of District's Proportionate Share of Net Pension Liability
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

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 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	0.1457%	\$ 6,844,256	\$ 7,648,268	89.49%	78.70%
06/30/2016	06/30/2015	0.1392%	\$ 7,214,066	\$ 8,226,387	87.69%	78.20%

Schedule of District Contributions
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement 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	06/30/2015	\$ 603,458	\$ 603,458	\$ —	\$ 8,226,387	7.34%
06/30/2016	06/30/2016	\$ 669,149	\$ 669,149	\$ —	\$ 9,150,283	7.31%

Note 1: **Changes of Benefit Terms.** (1) The Minneapolis Employees Retirement Fund was merged into the GERF on January 1, 2015. (2) Revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

Note 2: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 16

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

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	0.5053%	\$ 23,283,860	\$ 1,637,846	\$ 24,921,706	\$ 23,066,641	100.94%	81.50%
06/30/2016	06/30/2015	0.4758%	\$ 29,432,936	\$ 3,610,491	\$ 33,043,427	\$ 24,331,811	120.96%	76.80%

Schedule of District Contributions
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement 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	06/30/2015	\$ 1,811,160	\$ 1,811,160	\$ —	\$ 24,331,811	7.44%
06/30/2016	06/30/2016	\$ 1,870,955	\$ 1,870,955	\$ —	\$ 25,221,123	7.42%

Note 1: **Changes of Benefit Terms.** The DTRFA was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions.** The annual cost of living adjustment 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. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 16

Schedule of Funding Progress
Other Post-Employment Benefits Plan
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (Overfunded)	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Payroll
July 1, 2010	\$ 5,213,071	\$ 5,625,915	\$ (412,844)	107.9 %	\$ 26,016,633	(1.6) %
July 1, 2012	\$ 5,108,318	\$ 5,627,131	\$ (518,813)	110.2 %	\$ 26,675,525	(1.9) %
July 1, 2014	\$ 5,050,638	\$ 5,927,125	\$ (876,487)	117.4 %	\$ 28,547,058	(3.1) %

Schedule of District Contributions
Other Post-Employment Benefits Plan
Year Ended June 30, 2016

Year Ended June 30,	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2011	\$ 327,674	\$ —	— %	\$ (4,280,612)
2012	\$ 351,459	\$ 330,414	94.0 %	\$ (4,183,288)
2013	\$ 339,173	\$ 251,889	74.3 %	\$ (4,010,922)
2014	\$ 349,141	\$ 277,974	79.6 %	\$ (3,857,746)
2015	\$ 368,386	\$ 352,506	95.7 %	\$ (3,777,414)
2016	\$ 383,104	\$ 458,323	119.6 %	\$ (3,789,524)

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 16

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2016

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 461,804	\$ 229,183	\$ 690,987
Receivables			
Current taxes	—	272,150	272,150
Delinquent taxes	—	7,070	7,070
Accounts and interest	—	80,793	80,793
Due from other governmental units	—	39,546	39,546
Inventory	28,370	—	28,370
Prepaid items	2,554	7,232	9,786
Total assets	<u>\$ 492,728</u>	<u>\$ 635,974</u>	<u>\$ 1,128,702</u>
Liabilities			
Salaries payable	\$ 8,342	\$ 41,173	\$ 49,515
Accounts and contracts payable	17,436	58,734	76,170
Unearned revenue	44,899	37,307	82,206
Total liabilities	<u>70,677</u>	<u>137,214</u>	<u>207,891</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	—	476,515	476,515
Unavailable revenue – delinquent taxes	—	6,183	6,183
Total deferred inflows of resources	<u>—</u>	<u>482,698</u>	<u>482,698</u>
Fund balances			
Nonspendable	30,924	7,232	38,156
Restricted	391,127	8,830	399,957
Total fund balances	<u>422,051</u>	<u>16,062</u>	<u>438,113</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 492,728</u>	<u>\$ 635,974</u>	<u>\$ 1,128,702</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 381,235	\$ 381,235
Investment earnings	1,208	467	1,675
Other	1,270,499	2,331,487	3,601,986
State sources	151,679	465,726	617,405
Federal sources	1,504,144	—	1,504,144
Total revenue	2,927,530	3,178,915	6,106,445
Expenditures			
Current			
Food service	2,851,174	—	2,851,174
Community service	—	3,160,924	3,160,924
Capital outlay	12,984	12,830	25,814
Total expenditures	2,864,158	3,173,754	6,037,912
Excess of revenue over expenditures	63,372	5,161	68,533
Other financing sources			
Sale of capital assets	234	—	234
Net change in fund balances	63,606	5,161	68,767
Fund balances			
Beginning of year	358,445	10,901	369,346
End of year	\$ 422,051	\$ 16,062	\$ 438,113

INDEPENDENT SCHOOL DISTRICT NO. 16

General Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	\$ 22,272,203	\$ 18,460,130
Receivables		
Current taxes	5,772,760	5,698,246
Delinquent taxes	166,999	196,905
Accounts and interest	27,569	40,211
Due from other governmental units	6,462,208	6,175,107
Due from other funds	96,869	84,379
Inventory	117,732	117,733
Prepaid items	33,451	123,176
Total assets	<u>\$ 34,949,791</u>	<u>\$ 30,895,887</u>
Liabilities		
Salaries payable	\$ 379,001	\$ 448,043
Accounts and contracts payable	747,585	1,289,044
Due to other governmental units	513,566	295,583
Unearned revenue	137,879	138,079
Total liabilities	<u>1,778,031</u>	<u>2,170,749</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	8,864,848	8,737,038
Unavailable revenue – delinquent taxes	143,152	156,377
Total deferred inflows of resources	<u>9,008,000</u>	<u>8,893,415</u>
Fund balances (deficits)		
Nonspendable for inventory	117,732	117,733
Nonspendable for prepaid items	33,451	123,176
Restricted for operating capital	1,036,832	1,020,553
Assigned for Q Comp	247,187	228,575
Assigned for capital projects	4,900,000	2,500,000
Assigned for technology	320,000	320,000
Unassigned – health and safety restricted account deficit	(137,917)	(143,160)
Unassigned	17,646,475	15,664,846
Total fund balances	<u>24,163,760</u>	<u>19,831,723</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,949,791</u>	<u>\$ 30,895,887</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Over (Under)	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 9,796,833	\$ 9,821,867	\$ 25,034	\$ 9,797,077
Investment earnings	20,000	72,834	52,834	20,127
Other	695,000	1,275,010	580,010	1,137,873
State sources	47,702,887	48,660,180	957,293	46,346,573
Federal sources	1,652,000	1,702,676	50,676	1,657,981
Total revenue	59,866,720	61,532,567	1,665,847	58,959,631
Expenditures				
Current				
Administration				
Salaries	1,277,422	1,363,250	85,828	1,285,253
Employee benefits	384,395	387,369	2,974	348,029
Purchased services	67,880	36,401	(31,479)	22,781
Supplies and materials	31,700	12,259	(19,441)	12,756
Capital expenditures	—	276	276	2,256
Other expenditures	44,675	31,165	(13,510)	33,202
Total administration	1,806,072	1,830,720	24,648	1,704,277
District support services				
Salaries	1,351,500	1,290,584	(60,916)	1,424,802
Employee benefits	415,023	385,352	(29,671)	418,493
Purchased services	527,470	478,787	(48,683)	581,807
Supplies and materials	28,800	468	(28,332)	136,695
Capital expenditures	2,000	169,224	167,224	17,802
Other expenditures	8,200	3,073	(5,127)	(229)
Total district support services	2,332,993	2,327,488	(5,505)	2,579,370
Elementary and secondary regular instruction				
Salaries	18,972,874	17,364,205	(1,608,669)	16,340,628
Employee benefits	5,555,832	5,673,826	117,994	4,756,989
Purchased services	941,051	1,140,833	199,782	1,105,128
Supplies and materials	997,435	770,466	(226,969)	932,276
Capital expenditures	869,500	504,695	(364,805)	58,734
Other expenditures	38,700	24,653	(14,047)	22,398
Total elementary and secondary regular instruction	27,375,392	25,478,678	(1,896,714)	23,216,153

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 16

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	317,075	202,512	(114,563)	271,362
Employee benefits	103,540	61,425	(42,115)	88,370
Purchased services	102,400	81,546	(20,854)	60,205
Supplies and materials	14,918	13,877	(1,041)	12,173
Other expenditures	—	270	270	—
Total vocational education instruction	537,933	359,630	(178,303)	432,110
Special education instruction				
Salaries	5,611,700	5,637,694	25,994	5,555,648
Employee benefits	1,828,388	1,853,856	25,468	1,715,473
Purchased services	1,063,450	744,609	(318,841)	1,012,638
Supplies and materials	99,250	91,701	(7,549)	114,251
Capital expenditures	10,000	11,973	1,973	2,959
Other expenditures	1,000	1,154	154	744
Total special education instruction	8,613,788	8,340,987	(272,801)	8,401,713
Community service				
Salaries	100,000	105,400	5,400	108,554
Employee benefits	25,000	29,584	4,584	16,446
Total community service	125,000	134,984	9,984	125,000
Instructional support services				
Salaries	3,035,042	3,260,408	225,366	3,257,912
Employee benefits	950,205	887,730	(62,475)	759,726
Purchased services	728,532	798,710	70,178	928,497
Supplies and materials	216,557	274,548	57,991	266,647
Capital expenditures	1,766,529	1,740,143	(26,386)	520,469
Other expenditures	18,610	42,090	23,480	45,154
Total instructional support services	6,715,475	7,003,629	288,154	5,778,405
Pupil support services				
Salaries	922,788	1,063,570	140,782	878,389
Employee benefits	164,761	302,709	137,948	252,735
Purchased services	4,121,850	4,295,104	173,254	3,768,164
Supplies and materials	45,100	73,334	28,234	83,889
Capital expenditures	—	137	137	275
Total pupil support services	5,254,499	5,734,854	480,355	4,983,452

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 16

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Over (Under)	2015
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,555,746	1,497,956	(57,790)	1,415,427
Employee benefits	524,426	480,945	(43,481)	463,954
Purchased services	1,676,900	1,994,305	317,405	1,891,773
Supplies and materials	202,500	327,198	124,698	329,464
Capital expenditures	2,519,087	1,204,004	(1,315,083)	2,930,015
Other expenditures	300	8,505	8,205	1,612
Total sites and buildings	6,478,959	5,512,913	(966,046)	7,032,245
Fiscal and other fixed cost programs				
Purchased services	215,500	179,921	(35,579)	265,168
Debt service				
Principal	223,286	223,286	—	828,474
Interest and fiscal charges	82,440	82,440	—	99,783
Total debt service	305,726	305,726	—	928,257
Total expenditures	59,761,337	57,209,530	(2,551,807)	55,446,150
Excess of revenue over expenditures	105,383	4,323,037	4,217,654	3,513,481
Other financing sources (uses)				
Sale of capital assets	—	9,000	9,000	3,000
Transfers out	—	—	—	(79,392)
Total other financing sources (uses)	—	9,000	9,000	(76,392)
Net change in fund balances	\$ 105,383	4,332,037	\$ 4,226,654	3,437,089
Fund balances				
Beginning of year		19,831,723		16,394,634
End of year		\$ 24,163,760		\$ 19,831,723

INDEPENDENT SCHOOL DISTRICT NO. 16

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 461,804	\$ 408,983
Receivables		
Due from other governmental units	—	20,929
Inventory	28,370	29,327
Prepaid items	2,554	—
	<u> </u>	<u> </u>
Total assets	<u>\$ 492,728</u>	<u>\$ 459,239</u>
Liabilities		
Salaries payable	\$ 8,342	\$ 10,782
Accounts and contracts payable	17,436	18,393
Unearned revenue	44,899	71,619
Total liabilities	<u>70,677</u>	<u>100,794</u>
Fund balances		
Nonspendable for inventory	28,370	29,327
Nonspendable for prepaid items	2,554	—
Restricted for food service	391,127	329,118
Total fund balances	<u>422,051</u>	<u>358,445</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 492,728</u>	<u>\$ 459,239</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ —	\$ 1,208	\$ 1,208	\$ 609
Other – primarily meal sales	1,115,000	1,270,499	155,499	1,119,719
State sources	160,000	151,679	(8,321)	149,205
Federal sources	1,325,000	1,504,144	179,144	1,421,969
Total revenue	<u>2,600,000</u>	<u>2,927,530</u>	<u>327,530</u>	<u>2,691,502</u>
Expenditures				
Current				
Salaries	804,727	806,747	2,020	832,688
Employee benefits	233,983	227,538	(6,445)	257,419
Purchased services	213,700	227,513	13,813	183,423
Supplies and materials	1,422,590	1,578,911	156,321	1,486,502
Other expenditures	45,000	10,465	(34,535)	67,901
Capital outlay	40,000	12,984	(27,016)	98,697
Total expenditures	<u>2,760,000</u>	<u>2,864,158</u>	<u>104,158</u>	<u>2,926,630</u>
Excess (deficiency) of revenue over expenditures	(160,000)	63,372	223,372	(235,128)
Other financing sources				
Sale of capital assets	<u>—</u>	<u>234</u>	<u>234</u>	<u>11,800</u>
Net change in fund balances	<u>\$ (160,000)</u>	<u>63,606</u>	<u>\$ 223,606</u>	<u>(223,328)</u>
Fund balances				
Beginning of year		<u>358,445</u>		<u>581,773</u>
End of year		<u>\$ 422,051</u>		<u>\$ 358,445</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 229,183	\$ 226,461
Receivables		
Current taxes	272,150	230,363
Delinquent taxes	7,070	9,275
Accounts and interest	80,793	18,994
Due from other governmental units	39,546	25,477
Prepaid items	<u>7,232</u>	<u>—</u>
Total assets	<u><u>\$ 635,974</u></u>	<u><u>\$ 510,570</u></u>
Liabilities		
Salaries payable	\$ 41,173	\$ 32,824
Accounts and contracts payable	58,734	29,792
Unearned revenue	<u>37,307</u>	<u>46,190</u>
Total liabilities	137,214	108,806
Deferred inflows of resources		
Property taxes levied for subsequent year	476,515	383,523
Unavailable revenue – delinquent taxes	<u>6,183</u>	<u>7,340</u>
Total deferred inflows of resources	482,698	390,863
Fund balances		
Nonspendable for prepaid items	7,232	—
Restricted for community education programs	—	10,659
Restricted for school readiness	580	—
Restricted for community service	<u>8,250</u>	<u>242</u>
Total fund balances	<u><u>16,062</u></u>	<u><u>10,901</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 635,974</u></u>	<u><u>\$ 510,570</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 450,878	\$ 381,235	\$ (69,643)	\$ 474,725
Investment earnings	—	467	467	566
Other – primarily tuition and fees	1,917,265	2,331,487	414,222	1,996,289
State sources	431,857	465,726	33,869	351,264
Total revenue	2,800,000	3,178,915	378,915	2,822,844
Expenditures				
Current				
Salaries	2,008,931	2,242,542	233,611	1,985,095
Employee benefits	598,324	635,396	37,072	572,938
Purchased services	69,648	172,478	102,830	267,170
Supplies and materials	97,897	105,223	7,326	120,203
Other expenditures	2,800	5,285	2,485	9,056
Capital outlay	22,400	12,830	(9,570)	57,762
Total expenditures	2,800,000	3,173,754	373,754	3,012,224
Net change in fund balances	\$ —	5,161	\$ 5,161	(189,380)
Fund balances				
Beginning of year		10,901		200,281
End of year		\$ 16,062		\$ 10,901

INDEPENDENT SCHOOL DISTRICT NO. 16

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ —	\$ —
	<u> </u>	<u> </u>
Liabilities		
Accounts and contracts payable	\$ 8,520	\$ —
Due to other funds	<u> 10,850</u>	<u> —</u>
Total liabilities	19,370	—
Fund balances (deficit)		
Unassigned	<u> (19,370)</u>	<u> —</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ —	\$ —
	<u> </u>	<u> </u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Capital Projects – Building Construction Fund
Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue		
Local sources		
Investment earnings	\$ —	\$ 13
Expenditures		
Capital outlay		
Purchased services	11,957	—
Supplies and materials	41	—
Capital expenditures	<u>7,372</u>	<u>11,414</u>
Total expenditures	<u>19,370</u>	<u>11,414</u>
Net change in fund balances	(19,370)	(11,401)
Fund balances (deficit)		
Beginning of year	<u>—</u>	<u>11,401</u>
End of year	<u><u>\$ (19,370)</u></u>	<u><u>\$ —</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 16

Debt Service Fund
Balance Sheet by Account
as of June 30, 2016
(With Comparative Totals as of June 30, 2015)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2016	2015
Assets				
Cash and temporary investments	\$ 5,925,368	\$ 530,592	\$ 6,455,960	\$ 6,435,921
Cash and investments held by trustee	31,981,028	—	31,981,028	41,248,932
Receivables				
Current taxes	5,301,436	554,324	5,855,760	5,982,189
Delinquent taxes	161,000	9,357	170,357	195,148
Accounts and interest	195,415	—	195,415	321,527
Due from other governmental units	1,312	—	1,312	11,684
Total assets	<u>\$ 43,565,559</u>	<u>\$ 1,094,273</u>	<u>\$ 44,659,832</u>	<u>\$ 54,195,401</u>
Liabilities				
Accounts and contracts payable	\$ 1,350	\$ —	\$ 1,350	\$ —
Deferred inflows of resources				
Property taxes levied for subsequent year	8,984,591	972,670	9,957,261	10,271,283
Unavailable revenue – delinquent taxes	137,777	7,638	145,415	154,171
Total deferred inflows of resources	<u>9,122,368</u>	<u>980,308</u>	<u>10,102,676</u>	<u>10,425,454</u>
Fund balances				
Restricted for bond refunding	32,176,443	—	32,176,443	41,570,459
Restricted for debt service	2,265,398	113,965	2,379,363	2,199,488
Total fund balances	<u>34,441,841</u>	<u>113,965</u>	<u>34,555,806</u>	<u>43,769,947</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 43,565,559</u>	<u>\$ 1,094,273</u>	<u>\$ 44,659,832</u>	<u>\$ 54,195,401</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

		2016	
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 10,115,366	\$ 9,514,612	\$ 684,589
Investment earnings	5,000	291,626	961
State sources	120,000	13,124	—
Total revenue	10,240,366	9,819,362	685,550
Expenditures			
Debt service			
Principal	5,450,000	5,090,000	360,000
Interest	6,652,735	6,361,965	290,770
Fiscal charges and other	169,932	171,232	—
Total expenditures	12,272,667	11,623,197	650,770
Excess (deficiency) of revenue over expenditures	(2,032,301)	(1,803,835)	34,780
Other financing sources (uses)			
Refunding debt issued	29,715,000	29,715,000	—
Premium on debt issued	2,394,914	2,394,914	—
Payments to refunded bond escrow agent	(39,555,000)	(39,555,000)	—
Total other financing sources	(7,445,086)	(7,445,086)	—
Net change in fund balances	\$ (9,477,387)	(9,248,921)	34,780
Fund balances			
Beginning of year		43,690,762	79,185
End of year		\$ 34,441,841	\$ 113,965

		2015
Total	Over (Under) Budget	Actual
\$ 10,199,201	\$ 83,835	\$ 9,803,316
292,587	287,587	76,925
13,124	(106,876)	122,561
10,504,912	264,546	10,002,802
5,450,000	—	4,835,000
6,652,735	—	4,750,020
171,232	1,300	125,632
12,273,967	1,300	9,710,652
(1,769,055)	263,246	292,150
29,715,000	—	36,025,000
2,394,914	—	5,596,062
(39,555,000)	—	—
(7,445,086)	—	41,621,062
(9,214,141)	\$ 263,246	41,913,212
43,769,947		1,856,735
\$ 34,555,806		\$ 43,769,947

INDEPENDENT SCHOOL DISTRICT NO. 16

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2016
(With Comparative Totals as of June 30, 2015)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2016	2015
Assets				
Current assets				
Cash and temporary investments	\$ 1,182,511	\$ 202,500	\$ 1,385,011	\$ 940,783
Receivables				
Accounts and interest	12,187	4,488	16,675	15,374
Total current assets	1,194,698	206,988	1,401,686	956,157
Liabilities				
Current liabilities				
Claims incurred, but not reported	232,720	11,980	244,700	319,272
Net position				
Unrestricted	\$ 961,978	\$ 195,008	\$ 1,156,986	\$ 636,885

INDEPENDENT SCHOOL DISTRICT NO. 16

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2016	2015
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 4,554,795	\$ 398,494	\$ 4,953,289	\$ 4,944,291
Operating expenses				
Health benefit claims	4,093,567	—	4,093,567	4,039,967
Dental benefit claims	—	340,627	340,627	346,831
Total operating expenses	<u>4,093,567</u>	<u>340,627</u>	<u>4,434,194</u>	<u>4,386,798</u>
Operating income	461,228	57,867	519,095	557,493
Nonoperating revenue				
Investment earnings	<u>686</u>	<u>320</u>	<u>1,006</u>	<u>—</u>
Income before transfers	461,914	58,187	520,101	557,493
Transfer in	<u>—</u>	<u>—</u>	<u>—</u>	<u>79,392</u>
Change in net position	461,914	58,187	520,101	636,885
Net position				
Beginning of year	<u>500,064</u>	<u>136,821</u>	<u>636,885</u>	<u>—</u>
End of year	<u>\$ 961,978</u>	<u>\$ 195,008</u>	<u>\$ 1,156,986</u>	<u>\$ 636,885</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Health Benefits Self-Insurance	Dental Self-Insurance	Total	
			2016	2015
Cash flows from operating activities				
Contributions from governmental funds	\$ 4,554,418	\$ 397,570	\$ 4,951,988	\$ 4,928,917
Payment for health claims	(4,159,377)	—	(4,159,377)	(3,741,437)
Payment for dental claims	—	(349,389)	(349,389)	(326,089)
Net cash flows from operating activities	395,041	48,181	443,222	861,391
Cash flows from noncapital financing activities				
Transfers in	—	—	—	79,392
Cash flows from investing activities				
Investment earnings received	686	320	1,006	—
Net change in cash and cash equivalents	395,727	48,501	444,228	940,783
Cash and cash equivalents				
Beginning of year	786,784	153,999	940,783	—
End of year	\$ 1,182,511	\$ 202,500	\$ 1,385,011	\$ 940,783
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 461,228	\$ 57,867	\$ 519,095	\$ 557,493
Adjustments to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	(377)	(924)	(1,301)	(15,374)
Claims incurred, but not reported	(65,810)	(8,762)	(74,572)	319,272
Net cash flows from operating activities	\$ 395,041	\$ 48,181	\$ 443,222	\$ 861,391



SECTION III

Statistical Section | Annual Financial Report
(Unaudited)



STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 16'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 financial statements 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. 16

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

				Fiscal Year
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 2,956,306	\$ 5,789,045	\$ 6,621,999	\$ 6,481,307
Restricted	789,286	613,332	697,641	1,324,641
Unrestricted	<u>(5,737,273)</u>	<u>(6,703,373)</u>	<u>(5,083,002)</u>	<u>(4,108,831)</u>
Total governmental activities net position	<u>\$ (1,991,681)</u>	<u>\$ (300,996)</u>	<u>\$ 2,236,638</u>	<u>\$ 3,697,117</u>

Note: 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 \$33.5 million.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 4,598,728	\$ 3,242,963	\$ 3,227,368	\$ 8,940,408	\$ 12,151,342	\$ 12,651,203
1,436,954	1,504,512	1,495,340	1,953,196	1,397,239	1,892,627
<u>(474,216)</u>	<u>4,032,799</u>	<u>8,403,472</u>	<u>11,267,479</u>	<u>(17,216,760)</u>	<u>(11,365,538)</u>
<u>\$ 5,561,466</u>	<u>\$ 8,780,274</u>	<u>\$ 13,126,180</u>	<u>\$ 22,161,083</u>	<u>\$ (3,668,179)</u>	<u>\$ 3,178,292</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

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

	Fiscal Year							
	2007		2008		2009		2010	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Governmental activities								
Expenses								
Administration	\$ 1,852,552	3.6 %	\$ 1,916,312	3.5 %	\$ 1,951,772	3.4 %	\$ 1,937,326	3.4 %
District support services	1,623,639	3.2	1,938,262	3.6	1,798,042	3.2	1,989,149	3.5
Elementary and secondary regular instruction	20,232,689	39.5	20,671,509	38.0	20,185,875	36.1	22,797,662	39.7
Vocational education instruction	881,016	1.7	738,190	1.4	865,658	1.5	1,345,957	2.3
Special education instruction	6,531,463	12.8	6,443,405	11.8	7,200,015	12.9	7,530,877	13.1
Instructional support services	3,363,247	6.6	3,563,232	6.6	3,776,159	6.7	4,096,434	7.1
Pupil support services	3,902,872	7.6	4,301,876	7.9	4,909,021	8.8	4,964,914	8.7
Sites and buildings	4,290,692	8.4	5,557,286	10.2	4,956,080	8.9	2,094,308	3.7
Fiscal and other fixed cost programs	211,018	0.4	127,005	0.2	212,609	0.4	123,003	0.2
Food service	1,785,276	3.5	1,827,473	3.4	2,046,324	3.7	2,192,389	3.8
Community service	2,255,638	4.4	2,123,654	3.9	2,463,568	4.4	2,671,356	4.6
Interest and fiscal charges on debt	4,281,016	8.3	5,189,123	9.5	5,605,281	10.0	5,707,686	9.9
Total governmental activities expenses	51,211,118	<u>100.0 %</u>	54,397,327	<u>100.0 %</u>	55,970,404	<u>100.0 %</u>	57,451,061	<u>100.0 %</u>
Program revenues								
Charges for services								
Elementary and secondary regular instruction	551,433		470,687		414,501		350,314	
Instructional support services	—		—		—		—	
Food service	937,356		1,020,318		1,012,379		1,045,255	
Community service	1,289,972		1,283,090		1,522,706		1,644,371	
Operating grants and contributions	7,550,361		8,210,785		8,920,948		10,035,483	
Total governmental activities program revenues	10,329,122		10,984,880		11,870,534		13,075,423	
Net (expense) revenue	(40,881,996)		(43,412,447)		(44,099,870)		(44,375,638)	
General revenues and other changes in net position								
Taxes								
Property taxes, levied for general purposes	5,850,608		6,906,788		8,539,985		9,258,118	
Property taxes, levied for capital projects	1,542,000		1,000,000		—		—	
Property taxes, levied for community service	362,844		388,883		341,209		406,682	
Property taxes, levied for debt service	2,751,502		5,968,147		7,127,602		7,731,018	
General grants and aids	26,538,444		27,533,998		27,861,994		27,630,494	
Other general revenues	671,142		746,006		626,702		634,577	
Gain on sale of capital assets	—		—		—		—	
Investment earnings	3,369,505		2,559,310		999,979		175,228	
Total general revenues and other changes in net position	41,086,045		45,103,132		45,497,471		45,836,117	
Change in net position	<u>\$ 204,049</u>		<u>\$ 1,690,685</u>		<u>\$ 1,397,601</u>		<u>\$ 1,460,479</u>	

2011		2012		2013		2014		2015		2016	
Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
\$ 2,270,995	3.8 %	\$ 2,121,139	3.5 %	\$ 2,267,774	3.6 %	\$ 2,443,292	3.9 %	\$ 2,000,118	3.0 %	\$ 2,142,397	3.0 %
1,917,069	3.2	1,915,141	3.1	1,802,058	2.8	2,950,163	4.7	2,880,485	4.3	2,555,546	3.6
24,321,365	40.3	23,361,045	38.2	25,204,294	39.6	24,386,405	39.2	24,691,702	36.9	27,119,057	38.0
972,491	1.6	785,658	1.3	796,322	1.3	801,469	1.3	741,544	1.1	678,090	1.0
7,455,967	12.4	8,067,367	13.2	8,311,210	13.1	8,572,352	13.7	8,545,167	12.8	8,570,155	12.0
3,526,360	5.9	4,916,913	8.0	4,646,026	7.3	4,676,092	7.5	5,935,999	8.9	7,264,022	10.2
4,496,255	7.5	4,429,260	7.2	4,544,746	7.1	5,114,047	8.2	4,971,500	7.4	5,727,763	8.0
4,132,180	6.9	4,318,306	7.0	4,743,456	7.4	1,918,958	3.0	4,537,852	6.8	4,644,930	6.5
233,066	0.4	182,492	0.3	190,313	0.3	158,443	0.3	265,168	0.4	179,921	0.3
2,310,024	3.8	2,540,061	4.1	2,765,437	4.3	2,892,206	4.6	3,225,187	4.8	3,177,702	4.5
2,848,073	4.7	3,062,562	5.0	3,432,478	5.4	3,567,356	5.7	3,441,499	5.1	3,649,195	5.1
5,732,273	9.5	5,580,278	9.1	4,953,054	7.8	4,902,942	7.9	5,650,508	8.5	5,566,543	7.8
60,216,118	<u>100.0 %</u>	61,280,222	<u>100.0 %</u>	63,657,168	<u>100.0 %</u>	62,383,725	<u>100.0 %</u>	66,886,729	<u>100.0 %</u>	71,275,321	<u>100.0 %</u>
435,767		569,562		523,919		598,363		613,638		577,201	
—		—		—		—		69,784		43,096	
1,055,523		1,082,307		1,105,062		1,117,760		1,119,719		1,270,499	
1,790,031		2,119,858		2,333,625		2,498,408		1,996,289		2,331,487	
10,012,509		11,080,073		11,243,596		12,430,780		12,479,689		12,137,627	
13,293,830		14,851,800		15,206,202		16,645,311		16,279,119		16,359,910	
(46,922,288)		(46,428,422)		(48,450,966)		(45,738,414)		(50,607,610)		(54,915,411)	
11,631,235		8,681,625		10,014,928		6,200,112		9,776,471		9,808,642	
1,431,952		—		—		—		—		—	
595,866		420,717		458,789		232,962		473,957		380,078	
8,313,033		8,530,214		9,274,242		9,469,476		9,789,787		10,190,445	
26,185,512		31,572,954		32,600,990		38,589,416		37,569,864		40,359,902	
603,124		388,928		420,466		546,134		525,899		654,713	
—		—		—		—		14,800		—	
25,915		52,792		27,457		7,064		98,240		368,102	
48,786,637		49,647,230		52,796,872		55,045,164		58,249,018		61,761,882	
<u>\$ 1,864,349</u>		<u>\$ 3,218,808</u>		<u>\$ 4,345,906</u>		<u>\$ 9,306,750</u>		<u>\$ 7,641,408</u>		<u>\$ 6,846,471</u>	

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INDEPENDENT SCHOOL DISTRICT NO. 16

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

Fiscal Year	Property Tax					Total
	General Purposes	Community Service	Capital Projects	Debt Service		
2007	\$ 5,850,608	\$ 362,844	\$ 1,542,000	\$ 2,751,502	\$ 10,506,954	
2008	6,906,788	388,883	1,000,000	5,968,147	14,263,818	
2009	8,539,985	341,209	—	7,127,602	16,008,796	
2010	9,258,118	406,682	—	7,731,018	17,395,818	
2011	11,631,235	595,866	1,431,952	8,313,033	21,972,086	
2012	8,681,625	420,717	—	8,530,214	17,632,556	
2013	10,014,928	458,789	—	9,274,242	19,747,959	
2014	6,200,112	232,962	—	9,469,476	15,902,550	
2015	9,776,471	473,957	—	9,789,787	20,040,215	
2016	9,808,642	380,078	—	10,190,445	20,379,165	

Note: The change in the “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. 16

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

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 1,677,393	\$ 1,407,436	\$ 1,055,095	\$ 1,187,345
Unreserved	1,095,222	(85,086)	183,544	1,364,543
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	<u>\$ 2,772,615</u>	<u>\$ 1,322,350</u>	<u>\$ 1,238,639</u>	<u>\$ 2,551,888</u>
All other governmental funds				
Reserved	\$ 58,580,712	\$ 38,625,602	\$ 5,967,222	\$ 2,067,115
Unreserved, reported in				
Special revenue funds	131,878	243,322	274,163	441,167
Capital projects funds	(10,000)	—	(1,431,952)	(1,431,952)
Debt service funds	258,153	240,914	437,351	548,113
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Unassigned	—	—	—	—
Total all other governmental funds	<u>\$ 58,960,743</u>	<u>\$ 39,109,838</u>	<u>\$ 5,246,784</u>	<u>\$ 1,624,443</u>
Total all governmental funds	<u>\$ 61,733,358</u>	<u>\$ 40,432,188</u>	<u>\$ 6,485,423</u>	<u>\$ 4,176,331</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011. This required new classifications of fund balance.

2011	2012	2013	2014	2015	2016
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
142,562	120,852	148,460	126,670	240,909	151,183
846,833	723,751	731,754	1,127,192	1,020,553	1,036,832
352,214	1,832,175	2,255,998	3,078,505	3,048,575	5,467,187
3,811,403	6,558,816	10,829,467	12,062,267	15,521,686	17,508,558
<u>\$ 5,153,012</u>	<u>\$ 9,235,594</u>	<u>\$ 13,965,679</u>	<u>\$ 16,394,634</u>	<u>\$ 19,831,723</u>	<u>\$ 24,163,760</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
24,506	20,098	25,861	22,918	29,327	38,156
12,591,202	12,905,670	4,007,333	2,627,272	44,109,966	34,955,763
—	—	—	—	—	(19,370)
<u>\$ 12,615,708</u>	<u>\$ 12,925,768</u>	<u>\$ 4,033,194</u>	<u>\$ 2,650,190</u>	<u>\$ 44,139,293</u>	<u>\$ 34,974,549</u>
<u>\$ 17,768,720</u>	<u>\$ 22,161,362</u>	<u>\$ 17,998,873</u>	<u>\$ 19,044,824</u>	<u>\$ 63,971,016</u>	<u>\$ 59,138,309</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Local sources				
Taxes	\$ 10,477,643	\$ 14,208,492	\$ 15,901,600	\$ 17,318,260
Investment earnings	3,369,505	2,762,832	896,002	75,683
Other	3,449,903	3,520,101	3,576,288	3,674,517
State sources	31,601,453	33,343,535	34,352,294	31,690,949
Federal sources	2,487,352	2,401,248	2,430,648	5,975,028
Total revenues	<u>51,385,856</u>	<u>56,236,208</u>	<u>57,156,832</u>	<u>58,734,437</u>
Expenditures				
Current				
Administration	1,739,997	1,819,821	2,145,635	1,808,170
District support services	1,481,356	1,808,259	1,793,991	1,624,320
Elementary and secondary regular instruction	19,483,941	20,117,178	23,147,873	20,189,151
Vocational education instruction	738,733	608,187	730,742	989,378
Special education instruction	6,389,180	6,313,402	7,748,140	7,099,674
Instructional support services	3,368,652	3,568,832	4,464,753	4,113,451
Pupil support services	3,755,184	4,166,273	4,918,502	4,586,456
Sites and buildings	7,849,618	5,430,906	5,380,965	4,154,670
Fiscal and other fixed cost programs	211,018	127,005	212,609	123,003
Food service	1,642,473	1,685,851	1,814,715	1,831,509
Community service	2,080,137	1,969,880	2,213,221	2,268,044
Capital outlay	16,652,038	50,150,284	34,782,056	3,936,841
Debt service				
Principal	2,168,240	1,887,274	2,116,939	2,497,077
Interest and fiscal charges	2,948,355	5,139,519	5,842,446	5,821,785
Total expenditures	<u>70,508,922</u>	<u>104,792,671</u>	<u>97,312,587</u>	<u>61,043,529</u>
Excess of revenues over (under) expenditures	(19,123,066)	(48,556,463)	(40,155,755)	(2,309,092)
Other financing sources (uses)				
Debt issued	34,458,925	27,263,742	6,200,000	—
(Discourt) on bonds issued	—	(8,449)	—	—
Premium on bonds issued	304,943	—	8,990	—
Payments to refunded bond escrow agent	—	—	—	—
Sale of capital assets	—	—	—	—
Transfers out	—	—	—	—
Total other financing sources (uses)	<u>34,763,868</u>	<u>27,255,293</u>	<u>6,208,990</u>	<u>—</u>
Net change in fund balances	<u>\$ 15,640,802</u>	<u>\$ (21,301,170)</u>	<u>\$ (33,946,765)</u>	<u>\$ (2,309,092)</u>
Debt service as a percentage of noncapital expenditures	<u>9.5%</u>	<u>12.9%</u>	<u>12.7%</u>	<u>14.6%</u>

2011	2012	2013	2014	2015	2016
\$ 21,904,980	\$ 17,651,210	\$ 19,822,408	\$ 15,899,333	\$ 20,075,118	\$ 20,402,303
25,915	52,792	27,457	7,064	98,240	367,096
3,884,445	4,160,655	4,383,072	4,760,665	4,253,881	4,876,996
32,980,484	39,073,061	40,577,574	48,047,812	46,969,603	49,290,709
3,217,537	3,579,966	3,267,012	2,972,384	3,079,950	3,206,820
62,013,361	64,517,684	68,077,523	71,687,258	74,476,792	78,143,924
1,882,778	1,779,488	1,929,576	2,102,120	1,704,277	1,830,720
1,547,251	1,573,756	1,538,273	2,624,583	2,579,370	2,327,488
21,348,686	20,959,631	22,898,286	21,997,094	23,216,153	25,478,678
610,909	442,614	466,432	467,331	432,110	359,630
7,031,127	7,724,323	7,981,320	8,238,214	8,401,713	8,340,987
3,479,624	4,581,637	4,311,145	4,332,088	5,778,405	7,003,629
4,102,890	4,424,288	4,538,906	5,105,645	4,983,452	5,734,854
4,120,536	4,458,700	8,497,706	6,295,186	7,032,245	5,512,913
233,066	182,492	190,313	158,443	265,168	179,921
1,938,754	2,191,775	2,385,262	2,518,755	2,827,933	2,851,174
2,399,086	2,648,743	3,035,533	3,145,981	3,079,462	3,295,908
79,287	41,957	498,539	1,724,273	167,873	45,184
2,892,713	3,368,869	5,292,142	6,888,713	5,663,474	5,673,286
5,829,210	5,849,964	5,666,679	5,053,830	4,975,435	6,906,407
57,495,917	60,228,237	69,230,112	70,652,256	71,107,070	75,540,779
4,517,444	4,289,447	(1,152,589)	1,035,002	3,369,722	2,603,145
8,795,000	97,094	5,647,100	—	36,025,000	29,715,000
—	—	—	—	—	—
279,945	—	—	—	5,596,062	2,394,914
—	—	(8,660,000)	—	—	(39,555,000)
—	6,101	3,000	10,949	14,800	9,234
—	—	—	—	(79,392)	—
9,074,945	103,195	(3,009,900)	10,949	41,556,470	(7,435,852)
\$ 13,592,389	\$ 4,392,642	\$ (4,162,489)	\$ 1,045,951	\$ 44,926,192	\$ (4,832,707)
15.3%	15.4%	17.0%	18.6%	15.6%	17.0%

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INDEPENDENT SCHOOL DISTRICT NO. 16

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

Fiscal Year	Property Tax					
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	OPEB Debt Service	Total
2007	\$ 5,828,107	\$ 361,941	\$ 1,542,000	\$ 2,745,595	\$ –	\$ 10,477,643
2008	6,887,311	387,979	1,000,000	5,933,202	–	14,208,492
2009	8,489,952	339,607	–	7,072,041	–	15,901,600
2010	9,214,244	404,865	–	7,699,151	–	17,318,260
2011	11,609,045	595,008	1,431,952	7,976,418	292,557	21,904,980
2012	8,698,528	421,033	–	8,238,829	292,820	17,651,210
2013	10,052,990	460,335	–	9,001,555	307,528	19,822,408
2014	6,197,170	233,069	–	9,162,019	307,075	15,899,333
2015	9,797,077	474,725	–	9,382,781	420,535	20,075,118
2016	9,821,867	381,235	–	9,514,612	684,589	20,402,303

Note: The change in the “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. 16

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Net Tax Capacities			
	Fiscal Disparities			
	Agricultural	Non-Agricultural	Contribution Valuation	Distribution Valuation
2007	\$ 1,627	\$ 42,282,805	\$ (5,775,599)	\$ 3,715,227
2008	2,224	45,487,935	(6,616,924)	4,370,247
2009	—	47,183,555	(7,258,442)	5,033,822
2010	—	45,487,550	(8,040,935)	5,239,319
2011	32,200	41,330,430	(8,080,486)	5,395,153
2012	30,202	37,983,110	(7,122,240)	4,846,173
2013	111	34,432,459	(6,777,857)	4,662,940
2014	100	33,657,935	(5,846,912)	4,780,536
2015	—	37,198,274	(5,721,433)	4,924,374
2016	—	37,922,814	(5,913,629)	4,929,573

Source: State of Minnesota School Tax Report

<hr/>					
<u>Tax Increment</u>	<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>	
\$ (2,359,053)	\$ 37,865,007	25.78 %	\$ 3,280,864,700	1.15 %	
(2,487,243)	40,756,239	26.21	3,503,645,700	1.16	
(1,329,392)	43,629,543	27.16	3,588,954,900	1.22	
(1,317,395)	41,368,539	31.65	3,430,731,100	1.21	
(1,098,078)	37,579,219	34.03	3,124,028,600	1.20	
(1,042,981)	34,694,264	39.44	3,009,760,200	1.15	
(545,861)	31,771,792	44.44	2,754,988,200	1.15	
(522,234)	32,069,425	44.56	2,720,435,700	1.18	
(529,962)	35,871,253	40.05	3,030,771,800	1.18	
(250,642)	36,688,116	39.61	3,084,822,400	1.19	

INDEPENDENT SCHOOL DISTRICT NO. 16

Tax Capacity Rates
Direct and Overlapping Governments (1)
Last Ten Fiscal Years

Governmental Unit	Fiscal Year			
	2007	2008	2009	2010
ISD No. 16 (Spring Lake Park)	25.779 %	26.213 %	27.155 %	31.654 %
Overlapping governments				
Anoka County	30.696	31.078	32.078	35.189
City of Blaine	29.658	29.135	29.151	29.510
City of Fridley	31.349	30.324	28.640	32.258
City of Spring Lake Park	46.958	47.433	45.001	54.455
Anoka County RR Authority	1.297	2.435	1.148	1.281
Anoka County HRA	1.297	1.331	1.235	1.754
Anoka County HRA/EDA	–	0.178	0.141	–
Fridley HRA	1.318	1.277	1.614	1.614
Rice Creek Watershed	1.315	1.608	1.545	1.511
North Suburban Hospital District	1.646	1.558	1.486	1.559
Metropolitan Council (1)	0.840	0.800	0.797	0.811
Metropolitan Mosquito	0.478	0.480	0.476	0.471
Metropolitan Transit	–	1.258	1.278	1.420
Referendum market value rates				
ISD No. 16 (Spring Lake Park)	0.137	0.136	0.143	0.137
Overlapping governments				
City of Blaine	0.007	0.006	0.005	0.005
City of Fridley	0.011	0.011	0.011	0.012

(1) Metro levies include the Metropolitan Council.

Source: Anoka County

2011	2012	2013	2014	2015	2016
34.028 %	39.443 %	44.440 %	44.562 %	40.045 %	39.609 %
39.952	41.146	44.410	43.239	38.123	38.894
32.798	33.564	36.740	36.379	35.495	35.578
36.986	39.615	47.362	48.577	43.508	44.960
54.490	62.655	49.311	57.460	52.877	54.703
1.332	0.650	0.777	0.882	0.941	0.851
1.784	1.683	1.677	1.670	1.438	1.616
—	—	—	—	—	—
1.695	1.627	1.660	1.645	1.356	1.527
1.639	2.309	2.333	2.219	1.913	2.069
1.711	1.858	2.028	1.939	1.702	1.690
0.854	0.983	1.053	1.061	0.933	0.958
0.508	0.559	0.587	0.555	0.485	0.501
1.521	1.721	1.840	1.621	1.429	1.522
0.154	0.175	0.199	0.173	0.162	0.159
0.006	0.006	0.007	0.006	0.006	—
0.013	0.014	0.016	0.018	0.016	0.016

INDEPENDENT SCHOOL DISTRICT NO. 16

Principal Taxpayers
For Years 2007 and 2015

Taxpayer	Type of Property	2007	
		Net Tax Capacity	Percent of Total Net Tax Capacity
Northtown Mall (Glimcher Realty Trust)	Mall	\$ 1,048,510	2.77 %
Medtronic, Inc.	Manufacturing	915,648	2.42
Cummins Power Generation (Onan Corp.)	Manufacturing	282,468	0.75
Target Corporation (Dayton-Hudson Corp.)	Retail	640,830	1.69
University Avenue Associates	Apartments	268,063	0.71
Xcel Energy	Utility	—	—
HR Fridley, LLC	Commercial	—	—
CSM Properties, Inc.	Commercial/industrial	234,624	0.62
Menards, Inc.	Retail	272,900	0.72
Walmart Stores, Inc.	Retail	—	—
Northcourt Commons Retail, LLC	Commercial/industrial	322,108	0.85
Shamrock Investments	Commercial/industrial	280,200	0.74
Infinity Rainbow Village	Mall	243,328	0.64
		<u>\$ 4,508,679</u>	<u>11.91 %</u>

Note: This is the best information available for table presentation.

Sources: Current property valuations, net tax capacity by classification, trend of valuations, and principal taxpayers have been furnished by Anoka County. County Board of Equalization and Assessment.

2015		
Net Tax Capacity	Percent of Total Net Tax Capacity	
\$ 943,642	2.63 %	
853,760	2.38	
595,006	1.66	
543,092	1.51	
266,475	0.74	
245,166	0.68	
239,540	0.67	
213,054	0.59	
199,134	0.56	
191,716	0.53	
—	—	
—	—	
—	—	
<u>\$ 4,290,585</u>	<u>11.95 %</u>	

INDEPENDENT SCHOOL DISTRICT NO. 16

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	First Year Levy Recognized	
					Amount	Percentage of Levy
2007	\$ 13,016,710	\$ 1,202,916	\$ 363,175	\$ 14,582,801	N/A	N/A
2008	14,019,587	1,703,872	353,064	16,076,523	N/A	N/A
2009	15,309,827	1,979,299	369,813	17,658,939	\$ 17,224,812	97.54 %
2010	15,768,254	2,119,094	423,499	18,310,847	17,863,944	97.56
2011	15,367,996	2,409,207	454,955	18,232,158	17,931,823	98.35
2012	17,114,297	2,371,571	–	19,485,868	19,189,660	98.48
2013	17,577,213	2,662,680	–	20,239,893	19,968,801	98.66
2014	16,947,624	3,092,099	–	20,039,723	19,816,718	98.89
2015	17,365,564	3,045,234	–	20,410,798	20,235,243	99.14
2016	17,545,728	2,754,942	–	20,300,670	8,400,000	41.38

N/A – Not Available (first year collections were not readily available for years collectible prior to 2009)

Note 1: A portion of the total spread levy is paid through various property tax credits which are paid through state aids. Legislative changes beginning with taxes collectible in 2012 significantly changed the calculation of tax credits applied and 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	Total to Date		Uncollected Taxes Receivable as of June 30, 2016			
	Amount	Percentage of Levy	Delinquent		Current	
			Amount	Percent	Amount	Percent
\$ 14,582,801	\$ 14,582,801	100.00 %	\$ —	— %	\$ —	— %
16,076,523	16,076,523	100.00	—	—	—	—
434,127	17,658,939	100.00	—	—	—	—
432,564	18,296,508	99.92	14,339	0.08	—	—
282,061	18,213,884	99.90	18,274	0.10	—	—
261,679	19,451,339	99.82	34,529	0.18	—	—
230,342	20,199,143	99.80	40,750	0.20	—	—
162,026	19,978,744	99.70	60,979	0.30	—	—
—	20,235,243	99.14	175,555	0.86	—	—
—	8,400,000	41.38	—	—	11,900,670	58.62
			<u>\$ 344,426</u>		<u>\$ 11,900,670</u>	

INDEPENDENT SCHOOL DISTRICT NO. 16

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Total Primary Government		
2007	\$ 94,105,000	\$ 3,578,938	\$ 97,683,938	9.81 %	\$ 3,744
2008	119,515,000	3,545,406	123,060,406	12.00	4,650
2009	123,805,000	3,338,467	127,143,467	12.64	4,760
2010	121,525,000	3,121,390	124,646,390	N/A	4,666
2011	127,655,000	2,893,677	130,548,677	N/A	4,366
2012	124,525,000	2,751,902	127,276,902	N/A	4,250
2013	112,225,000	6,746,860	118,971,860	N/A	3,890
2014	107,875,000	4,208,147	112,083,147	N/A	3,629
2015	139,065,000	3,379,673	142,444,673	N/A	4,570
2016	123,775,000	3,156,387	126,931,387	N/A	4,072

N/A – Not Available

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

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

INDEPENDENT SCHOOL DISTRICT NO. 16

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

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2007	\$ 94,105,000	\$ 258,153	\$ 93,846,847	\$ 3,280,864,700	2.86 %	26,091	\$ 3,597
2008	119,515,000	240,914	119,274,086	3,503,645,700	3.40	26,463	4,507
2009	123,805,000	437,351	123,367,649	3,588,954,900	3.44	26,712	4,618
2010	121,525,000	548,113	120,976,887	3,430,731,100	3.53	26,712	4,529
2011	127,655,000	9,937,334	117,717,666	3,124,028,600	3.77	29,903	3,937
2012	124,525,000	10,070,658	114,454,342	3,009,760,200	3.80	29,944	3,822
2013	112,225,000	1,621,114	110,603,886	2,754,988,200	4.01	30,584	3,616
2014	107,875,000	1,856,735	106,018,265	2,720,435,700	3.90	30,884	3,433
2015	139,065,000	43,769,947	95,295,053	3,030,771,800	3.14	31,171	3,057
2016	123,775,000	34,555,806	89,219,194	3,084,822,400	2.89	31,171	2,862

Source: District business office and related statistical table

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INDEPENDENT SCHOOL DISTRICT NO. 16

Direct and Overlapping Governmental Activities Debt as of June 30, 2016

Governmental Unit	Total G.O. Debt	Percent in ISD No. 16	ISD No. 16's Proportionate Share
ISD No. 16 (Spring Lake Park)	\$ 123,775,000	100.0 %	\$ 123,775,000
Overlapping debt			
Taxing district			
Anoka County	199,653,593	11.8	23,559,124
City of Blaine	34,770,000	41.7	14,499,090
City of Fridley	9,600,000	23.1	2,217,600
City of Spring Lake Park	5,518,000	97.5	5,380,050
Metropolitan Council	1,419,891,649	1.0	14,198,916
Total overlapping debt			<u>59,854,780</u>
Total direct and overlapping debt			<u>\$ 183,629,780</u>

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

Note 2: Only those taxing jurisdictions with general obligation debt are included in this section. It does not include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

Note 3: The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Metropolitan Council also has general obligation transit, sewer revenue, wastewater revenue, and radio revenue bonds; and lease obligations outstanding, all of which are supported entirely by revenues and have not been included on the overlapping debt or debt ratios section.

Source: Anoka County

INDEPENDENT SCHOOL DISTRICT NO. 16

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
District's estimated market value	<u>\$3,280,864,700</u>	<u>\$3,503,645,700</u>	<u>\$ 3,588,954,900</u>	<u>\$3,430,731,100</u>
Debt limit (15 percent of estimated market value)	\$ 492,129,705	\$ 525,546,855	\$ 538,343,235	\$ 514,609,665
Amount of debt applicable to debt limit	<u>94,105,000</u>	<u>119,515,000</u>	<u>123,805,000</u>	<u>121,525,000</u>
Legal debt margin at June 30	<u>\$ 398,024,705</u>	<u>\$ 406,031,855</u>	<u>\$ 414,538,235</u>	<u>\$ 393,084,665</u>
Legal debt margin as % of debt limit	<u>80.88%</u>	<u>77.26%</u>	<u>77.00%</u>	<u>76.39%</u>

Source: District business office and related statistical table

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>\$3,124,028,600</u>	<u>\$3,009,760,200</u>	<u>\$2,754,988,200</u>	<u>\$2,720,435,700</u>	<u>\$3,030,771,800</u>	<u>\$3,084,822,400</u>
\$ 468,604,290	\$ 451,464,030	\$ 413,248,230	\$ 408,065,355	\$ 454,615,770	\$ 462,723,360
<u>127,655,000</u>	<u>124,525,000</u>	<u>112,225,000</u>	<u>107,875,000</u>	<u>139,065,000</u>	<u>123,775,000</u>
<u>\$ 340,949,290</u>	<u>\$ 326,939,030</u>	<u>\$ 301,023,230</u>	<u>\$ 300,190,355</u>	<u>\$ 315,550,770</u>	<u>\$ 338,948,360</u>
<u>72.76%</u>	<u>72.42%</u>	<u>72.84%</u>	<u>73.56%</u>	<u>69.41%</u>	<u>73.25%</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (1)	Per Capita Personal Income (1)	Average Employment Anoka County	Average Unemployment Anoka County	Average Unemployment State of Minnesota
2007	26,091	\$ 995,684,742	\$ 38,162	186,749	4.5 %	4.5 %
2008	26,463	1,025,282,472	38,744	181,525	5.3	5.3
2009	26,712	1,005,599,952	37,646	175,832	9.2	8.4
2010	26,712	N/A	N/A	179,786	7.6	6.8
2011	29,903	N/A	N/A	177,397	7.2	6.9
2012	29,944	N/A	N/A	180,797	6.0	5.8
2013	30,584	N/A	N/A	182,790	4.8	5.6
2014	30,884	N/A	N/A	184,588	3.7	5.1
2015	31,171	N/A	N/A	184,079	3.3	4.1
2016	31,171	N/A	N/A	185,464	3.8	3.7

N/A – Not Available

(1) Information presented is for Anoka County, the county in which Spring Lake Park is included.

Sources: U.S. Census, Minnesota Department of Administration, and United States Bureau of Economic Analysis

INDEPENDENT SCHOOL DISTRICT NO. 16

Principal Employers
For Years 2010 and 2015

Employer	2010 (1)		2015 (2)	
	Employees	Percent of Employment	Employees	Percent of Employment
Medtronic, Inc. (4)	3,800	33.40 %	2,506	25.98 %
Northtown Mall (Glimcher Realty Trust)	1,600	14.07	1,500	15.55
Cummins Power Generation (3)	1,635	14.37	1,200	12.44
Unity Hospital	1,320	11.61	1,200	12.44
ISD No. 16 (Spring Lake Park)	675	5.93	800	8.29
Mid City Cleaners	—	—	800	8.29
Minco (Products, Inc.)	600	5.28	621	6.44
Target Corporation	894	7.86	450	4.66
Walmart Stores, Inc.	240	2.11	320	3.32
Fridley Medical Center	—	—	250	2.59
Rise, Inc.	360	3.17	—	—
National Sports Center	250	2.20	—	—
Total	11,374	100.00 %	9,647	100.00 %

(1) Source: Telephone survey of individual employers, October 2010. Information for individual years is not readily available. Years presented will be updated as information becomes available.

(2) Source: 2015 Refunding Bond documents.

(3) Formerly Onan Corporation.

(4) Spring Lake Park location no longer active. This number reflects the Fridley location only.

Note 1: The statistics for total employment are not available; therefore, the percentage represents the percentage of the top employers listed.

Note 2: This is the best information available for table presentation.

INDEPENDENT SCHOOL DISTRICT NO. 16

Cost per Pupil Based on Weighted Average Daily Membership
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2006–2007		2007–2008		2008–2009		2009–2010	
	Cost	Cost per Pupil	Cost	Cost per Pupil	Cost	Cost per Pupil	Cost	Cost per Pupil
District and school administration	\$ 1,739,997	\$ 329	\$ 1,819,821	\$ 341	\$ 2,145,635	\$ 406	\$ 1,808,170	\$ 335
District support services	1,481,356	280	1,808,259	339	1,793,991	340	1,624,320	301
Elementary and secondary regular instruction	19,483,941	3,682	20,117,178	3,769	23,147,873	4,384	20,189,151	3,746
Vocational education instruction	738,733	140	608,187	114	730,742	138	989,378	184
Special education instruction	6,389,180	1,207	6,313,402	1,183	7,748,140	1,467	7,099,674	1,317
Community education and services	2,080,137	393	1,969,880	369	2,213,221	419	2,268,044	421
Instructional support services	3,368,652	637	3,568,832	669	4,464,753	846	4,113,451	763
Pupil support services	3,755,184	710	4,166,273	780	4,918,502	932	4,586,456	851
Sites, buildings, and capital outlay	24,501,656	4,630	55,581,190	10,412	40,163,021	7,607	8,091,511	1,501
Fiscal and other fixed cost programs	211,018	40	127,005	24	212,609	40	123,003	23
Food service	1,642,473	310	1,685,851	316	1,814,715	344	1,831,509	340
Principal, interest, and fiscal charges on debt	5,116,595	967	7,026,793	1,316	7,959,385	1,507	8,318,862	1,543
Totals	<u>\$ 70,508,922</u>	<u>\$13,325</u>	<u>\$104,792,671</u>	<u>\$19,632</u>	<u>\$ 97,312,587</u>	<u>\$18,430</u>	<u>\$ 61,043,529</u>	<u>\$11,325</u>
Weighted ADM		<u>5,292</u>		<u>5,338</u>		<u>5,280</u>		<u>5,390</u>

Note: Includes all governmental funds.

Source: District business office and Minnesota Department of Education – District ADM Report

2010–2011		2011–2012		2012–2013		2013–2014		2014–2015		2015–2016	
Cost	Cost per Pupil	Cost	Cost per Pupil	Cost	Cost per Pupil	Cost	Cost per Pupil	Cost	Cost per Pupil	Cost	Cost per Pupil
\$ 1,882,778	\$ 338	\$ 1,779,488	\$ 305	\$ 1,929,576	\$ 319	\$ 2,102,120	\$ 338	\$ 1,704,277	\$ 285	\$ 1,830,720	\$ 302
1,547,251	278	1,573,756	270	1,538,273	254	2,624,583	422	2,579,370	431	2,327,488	383
21,348,686	3,838	20,959,631	3,591	22,898,286	3,784	21,997,094	3,535	23,216,153	3,882	25,478,678	4,196
610,909	110	442,614	76	466,432	77	467,331	75	432,110	72	359,630	59
7,031,127	1,264	7,724,323	1,324	7,981,320	1,319	8,238,214	1,324	8,401,713	1,405	8,340,987	1,374
2,399,086	431	2,648,743	454	3,035,533	502	3,145,981	506	3,079,462	515	3,295,908	543
3,479,624	625	4,581,637	785	4,311,145	712	4,332,088	696	5,778,405	966	7,003,629	1,153
4,102,890	738	4,424,288	758	4,538,906	750	5,105,645	821	4,983,452	833	5,734,854	944
4,199,823	755	4,500,657	771	8,996,245	1,487	8,019,459	1,289	7,200,118	1,204	5,558,097	915
233,066	42	182,492	31	190,313	31	158,443	25	265,168	44	179,921	30
1,938,754	349	2,191,775	376	2,385,262	394	2,518,755	405	2,827,933	473	2,851,174	470
8,721,923	1,568	9,218,833	1,580	10,958,821	1,811	11,942,543	1,919	10,638,909	1,779	12,579,693	2,072
<u>\$ 57,495,917</u>	<u>\$10,336</u>	<u>\$ 60,228,237</u>	<u>\$10,321</u>	<u>\$ 69,230,112</u>	<u>\$11,440</u>	<u>\$ 70,652,256</u>	<u>\$11,355</u>	<u>\$ 71,107,070</u>	<u>\$11,889</u>	<u>\$ 75,540,779</u>	<u>\$12,441</u>
	<u>5,563</u>		<u>5,836</u>		<u>6,051</u>		<u>6,222</u>		<u>5,981</u>		<u>6,072</u>

INDEPENDENT SCHOOL DISTRICT NO. 16

Food Service Information
Last Ten Fiscal Years

Meals	Number of Meals Served									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Lunches served										
Full price lunch	300,639	313,337	297,195	299,425	296,310	311,874	316,115	320,143	359,834	350,277
Reduced price lunch	34,826	36,002	49,804	47,860	50,947	45,510	51,418	56,468	58,541	62,012
Free lunch	138,776	139,249	140,173	170,336	179,741	206,225	214,810	217,349	225,579	221,343
Adult lunch	15,732	13,643	13,772	13,190	8,326	5,587	9,461	4,902	12,242	7,674
Total lunches served	<u>489,973</u>	<u>502,231</u>	<u>500,944</u>	<u>530,811</u>	<u>535,324</u>	<u>569,196</u>	<u>591,804</u>	<u>598,862</u>	<u>656,196</u>	<u>641,306</u>
Breakfasts served										
Full price breakfast	33,024	36,132	36,280	28,948	32,250	33,973	40,266	39,487	55,098	61,224
Reduced price breakfast	10,097	10,683	15,140	13,988	14,948	14,727	16,912	16,961	19,201	20,246
Free breakfast	51,989	52,587	56,428	63,796	71,099	85,209	91,913	87,744	97,908	95,555
Adult breakfast	268	873	3,204	3,860	293	339	1,261	566	751	465
Total breakfasts served	<u>95,378</u>	<u>100,275</u>	<u>111,052</u>	<u>110,592</u>	<u>118,590</u>	<u>134,248</u>	<u>150,352</u>	<u>144,758</u>	<u>172,958</u>	<u>177,490</u>
Percentage of students eligible for free lunch	23%	25%	25%	29%	28%	29%	29%	29%	30%	28%
Percentage of students eligible for reduced price lunch	6%	7%	8%	7%	8%	8%	7%	7%	7%	8%

Source: District business office

INDEPENDENT SCHOOL DISTRICT NO. 16

School Facilities
as of June 30, 2016

Facility	Year Construction Completed	Years of Addition	Grades Housed	Square Footage
Northpoint Elementary	2008	2014	K–3	87,600
Park Terrace Elementary	1969	1995, 2007, and 2014	K–3	93,630
Woodcrest Elementary	1950	1962, 1965, 1995, and 2007	K–5	67,000
Westwood Intermediate	1966	1995 and 2007	4–5	76,000
Westwood Middle School	1971	1995 and 2007–2009	6–8	210,000
Spring Lake Park High School	1962	1964, 1995, and 2007–2009	9–12	376,000

Source: District business office

INDEPENDENT SCHOOL DISTRICT NO. 16

Employees by Classification
Last Seven Fiscal Years

Employees (1)	2010	2011	2012	2013	2014	2015	2016
District directors/superintendent	4	6	5	5	6	7	7
Principals	9	9	9	9	9	9	9
Teachers, nurses, and counselors	343	346	359	359	375	408	403
Coordinators, supervisors, specialists, and technical support	57	61	59	63	64	64	63
Paraprofessionals	95	103	110	110	111	91	90
Food service	34	33	33	33	36	37	38
Custodians	34	33	33	35	35	36	36
Community education leads and assistants	43	45	45	45	47	56	51
Total	619	636	653	659	683	708	697

(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.

Note: The District added this table in 2010. Information for prior years was not readily available.

Source: District business office

INDEPENDENT SCHOOL DISTRICT NO. 16

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (Including Enrollment Option)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2007	41.25	312.14	1,968.48	2,238.22	4,560.09	5,291.59
2008	44.21	316.34	2,003.24	2,239.17	4,602.96	5,337.65
2009	56.00	328.87	2,064.42	2,126.89	4,576.18	5,280.01
2010	71.31	383.48	2,171.33	2,085.56	4,711.68	5,389.94
2011	64.21	362.54	2,311.29	2,115.78	4,853.82	5,562.80
2012	74.82	431.65	2,481.25	2,140.71	5,128.43	5,835.68
2013	73.26	427.68	2,560.93	2,240.93	5,302.80	6,050.75
2014	67.71	446.88	2,635.04	2,307.56	5,457.19	6,221.95
2015	92.45	436.29	2,732.67	2,266.18	5,527.59	5,980.80
2016	106.96	424.75	2,748.39	2,326.61	5,606.71	6,072.03

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 2007	1.250	1.000	0.557	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2016	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: District business office

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