



COMPREHENSIVE
Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Farmington Area Public Schools
Independent School District No. 192
20655 Flagstaff Avenue
Farmington, MN 55024

**INDEPENDENT SCHOOL DISTRICT NO. 192
Farmington, Minnesota**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended June 30, 2014

**Submitted by: Business Department
Carl Colmark, Director of Finance
Jay Haugen, Superintendent**

INDEPENDENT SCHOOL DISTRICT NO. 192

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INDEPENDENT SCHOOL DISTRICT NO. 192
BOARD OF EDUCATION AND ADMINISTRATION
For the Year Ended June 30, 2014

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Tera Lee	Chair	January 1, 2015
Brian Treacle	Vice Chair	January 1, 2015
Julie Singewald	Clerk	January 1, 2017
Melissa Sauser	Treasurer	January 1, 2015
Laura Beem	Trustee	January 1, 2017
Jake Cordes	Trustee	January 1, 2017
<u>Administration</u>		
Jay Haugen	Superintendent	
Carl Colmark	Director of Finance	
Jane Houska	Fiscal Operations Manager	

Farmington Independent School District 192

Excellence, Integrity, Innovation

Business Office
20655 Flagstaff Ave ~ Farmington, MN 55024

Phone: (651) 463-5043
Fax: (651) 463-5071

December 10, 2014

To the School Board and citizens of Independent School District No. 192:

INTRODUCTION

We are submitting the comprehensive annual financial report (CAFR) of Farmington Area Public Schools, Independent School District No. 192 (the District) for the fiscal year ended June 30, 2014. This report fairly presents the District's financial position and results of operations and cash flows in accordance with national and state standards. The District is responsible for its contents and has made every effort to ensure the accuracy and completeness of this presentation. An independent firm of certified public accountants audits this report.

REPORT FORMAT

This CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this letter of transmittal, an organizational chart and a list of School Board members and administrative personnel. The financial section includes the independent auditor's report, Management's Discussion & Analysis (MD&A), basic financial statements and the combining and individual fund statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

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

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

The District is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act amendments of 1996 and the U.S. Office of Management and Budget's *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. The District is also required to undergo an annual Minnesota State legal compliance audit under Minnesota Statutes 6.65. Independent auditor reports and a Schedule of Expenditures of Federal Awards are included in a separately issued document. This report contains no significant findings or questioned costs.

REPORTING ENTITY AND ITS SERVICES

The legal name of the District is Independent School District No. 192 and is often referred to as Farmington Area Public Schools. The financial reporting entity includes all the funds of the primary government (the District). Component units are legally separate entities for which the District (primary government) is financially accountable. There are no organizations considered to be component units of the District.

REPORTING ENTITY AND ITS SERVICES

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through grade 12. These include regular and enriched academic education, special education for exceptional children and vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood and extended day programs, along with a variety of classes for lifelong learning experiences for children.

The District serves all or parts of the communities of Farmington and Lakeville and the townships of Empire, Castles Rock and Eureka in Dakota County. The District enrolled 6,915 students in 2013-2014 from a population of 33,308 citizens residing within the District.

The District is organized as a political subdivision of the State of Minnesota and is governed by an elected six 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. During 2013-2014, the District operated one high school, two middle schools, five elementary schools, an Instruction Services Center and the District Service Center. The instructional program is organized on the basis of K-5, 6-8, and grades 9-12.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The District is dependent on the state of Minnesota for its revenue authority with exceptions for the voter approved operating and bond referenda. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The State General Education Basic revenue formula provides approximately 57% of General Fund revenue. Since 2003-2004 the Basic per pupil revenue formula has increased by an average of only 1.4% per year.

As the economy starts to turn around, the enrollment growth in the District continues to be grow each year. Our demographic study completed in 2009-10 projects continued growth through the 2016-2017 school year. The district is currently in the process of updating our demographic study with a completion date of January 2015.

STRATEGIC PLANNING AND MISSION STATEMENT

In December 2006, the District conducted a comprehensive strategic planning process. The plan is revisited on an annual basis by a group of administrators, teachers, staff, parents and community members to measure progress and refine action steps and continue the implementation process. The District's refined belief statements, mission statement and strategies are summarized as follows:

District Belief statements

We believe that:

- Each person has the capacity and desire to learn.
- Each person has inherent, immeasurable worth.
- All people develop best in a nurturing environment.
- All people deserve to be treated with respect.
- The well-being of future generations depends on our stewardship of the environment.
- Communities thrive when all members are informed and involved.
- Each person is responsible to serve his or her community.
- Mutual communication is fundamental to effective relationships.
- Each person is responsible to do his or her best.
- Innovation and risk ignites learning.
- Diversity enriches both the individual and community.
- Integrity is critical for trusting relationships.

STRATEGIC PLANNING AND MISSION STATEMENT

Mission Statement

The mission of Farmington Area Public Schools, the center of inspiration and the cultivation of ideas, is to ensure each student reaches his or her highest aspirations while embracing responsibility to community through a system distinguished by:

- Supporting individuality while understanding our interdependence
- Developing wisdom and integrity of each individual
- Nurturing the will to succeed in each student
- Customized learning environments
- Deep community collaboration

Strategies

Strategy 1. We will create a culture of innovation in which students and staff are encouraged to take risks in order to ignite learning.

Strategy 2. We will create organizational systems whose only purpose is to serve the needs and highest aspirations of each student.

Strategy 3. We will ensure students identify and achieve their inner genius.

Strategy 4. We will create a culture by which staff are free to act by using their talents, passions and creativity for the worthy purpose of nourishing each student's spark.

Strategy 5. We will provide for each student customized learning experiences based on student strengths and aspirations.

Strategy 6. We will develop relationships and culture of interdependence throughout all communities for mutual benefit.

Strategy 7. We will develop leaders throughout the school community.

Strategy 8. We will ensure all students and staff effectively navigate in a global context.

STUDENT ASSESSMENT AND TESTING

Student academic growth and achievement in Farmington Area Public Schools is measured by various assessments, including the federally mandate state assessments, the NWEA-MAP tests, the Explore/Plan/ACT college readiness series and numerous classroom assessments. Results from these assessments are used to monitor individual student progress as well as building and district curriculum.

State Standardized Tests – The MCAs and NCLB

All students in Minnesota public schools are required to take the Minnesota Comprehensive Assessments in Reading (grades 3-8 & 10), Math (grades 3-8 & 11) and Science (grades 3, 5 & high school). The MCAs are criterion referenced tests that measure student achievement with respect to the state standards in each grade for that subject.

Staff in each school have high expectations in the classroom, which are reflected in the annual school goals. Schools examine and analyze many forms of student achievement data and write goals specifically based for student progress.

Trends:

Since 2008, Farmington's Reading results have consistently been at least 3 percent above the State averages.

Since 2008 Farmington's MCA Math results have been well above state average, and continues to increase at a faster pace than the rest of the state. In 2014 Farmington's overall proficiency was 71.1%, 10.6 percentage points above the State average.

Farmington students continue to demonstrate an upward trend in overall Science results. The 2014 results of 57% is 3.6 percentage points above the State average.

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. Continuing professional education opportunities are provided to employees and supervisors are encouraged to provide imbedded professional development activities as a means to ensure that an environment of continuous improvement is fostered. Operations are annually evaluated to assure they function effectively and provide appropriate levels of supervision and segregation of duties. The District has documented its processing, recording and reconciling activities as it relates to financial activities with an internal control questionnaire. The documentation denotes responsibility levels, reporting requirements and timeliness of reconciliation activities.

Budget and Financial Management

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

Budget Timeline – Provides a timeline for the major processes related to the preparation, approval, execution and review of the District's fiscal year financial budget. The budget process includes the following activities:

Budget Planning – The District utilizes a five year financial planning model. The model includes an enrollment projection component. Funding and expenditure assumptions are built into the model which provides a detailed analysis of revenue and expenditure trends and fund equity. The model is updated and or revised as projections become actual audited numbers and assumptions become known facts.

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 1. Major processes during the budget preparation cycle include enrollment projections and the development of revenue and expenditure assumptions. Enrollment and other data are 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. Allocations of district resources to the various expenditure categories are based upon budget parameters and district priorities as included in the District's Strategic Plan. Recommendations and actions taken by the administration and the School Board during the budget cycle are included in the completed budget document. A preliminary financial and operation budget document is then submitted to the School Board for review and subsequent approval prior to July 1.

Budget Approval – The School Board is required by Minnesota Statutes to adopt a preliminary budget prior to July 1. During the 12 month period that the budget is in place, 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 enrollment changes, grant awards, employee contract settlements and changes in estimates and projections that may have occurred since the budget was originally approved. The School Board receives periodic budget updates during the fiscal year.

MANAGEMENT SYSTEMS AND CONTROLS

Budget and Financial Management

Budget Review – During the fiscal year and at year-end, the actual financial results 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 model for future budget cycles.

Finance Committee – The District has established a finance committee that consists of administration, School Board, staff, parents and community members. This committee reviews district financial data and provides input for budget considerations to the administration.

FINANCIAL REPORTING

This is the sixth year the District has prepared a CAFR. The District was awarded a Certificate of Excellence in Financial Reporting from the Association of School Business Officials International for their 2013 CAFR.

The District is in the process, in conjunction with the State of Minnesota, of quantifying its liability for Pensions under GASB Statement No. 68. GASB Statement No. 68 is an all-encompassing and sweeping change to financial reporting requirements for governments. Public school districts are required to report liabilities for future pensions that are provided through pension plans administered as trusts or equivalent arrangements.

ACCOMPLISHMENTS

Farmington Area Public Schools continue to have strong assessment results and are exceeding State standards. In fact, two of our elementary schools classified as Title I schools have been recognized as Reward and Celebration Eligible Schools for two consecutive years.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efforts of the District's Finance Office staff in providing complete and accurate data for this report. We would also like to express our appreciation to the School Board for their interest and support in planning and conducting the financial operation of the District in a responsible manner.

Respectfully submitted,



Carl M. Colmark
Director of Finance

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Association of School Business Officials International



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

Farmington Area Public Schools

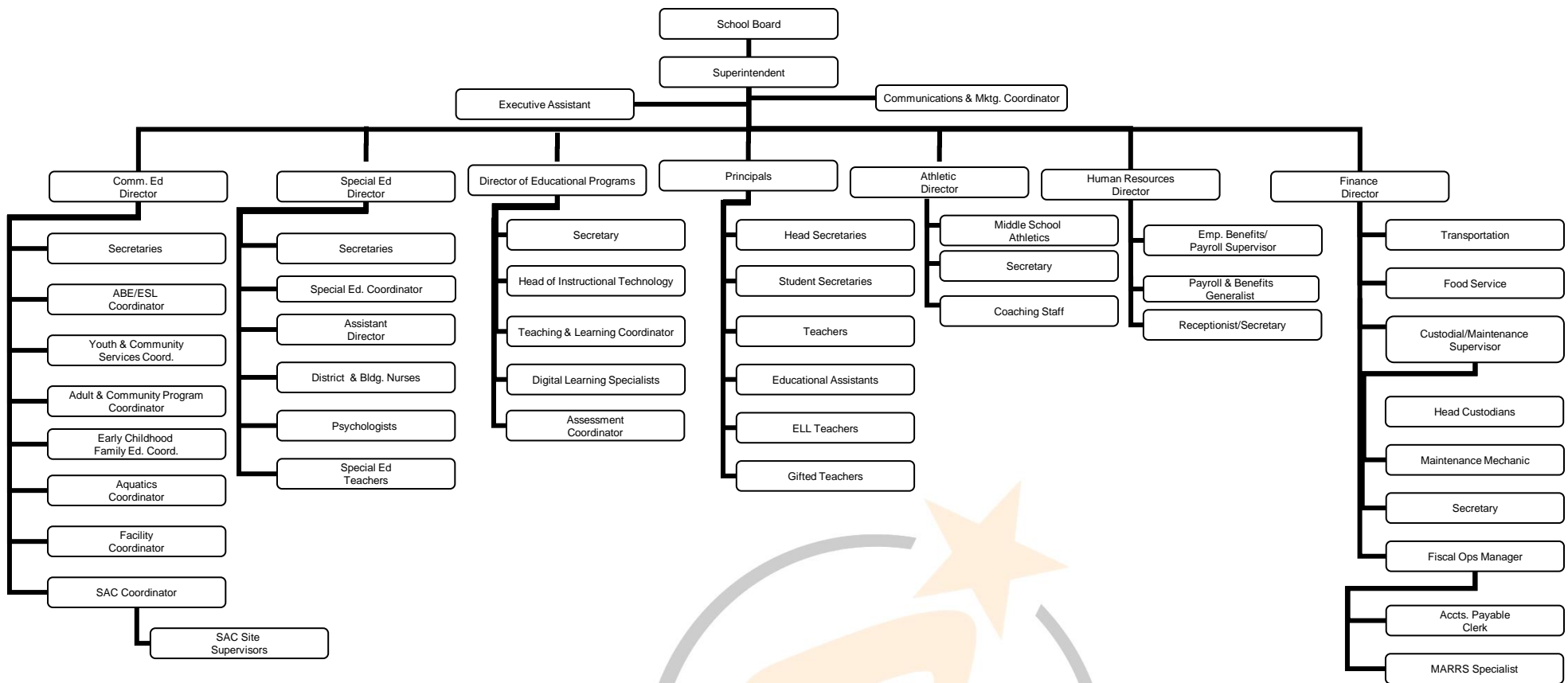
*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

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



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director



2013-2014

Organizational Chart

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 192
Farmington, 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. 192, Farmington, Minnesota, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 192, Farmington, Minnesota, as of June 30, 2014, and the respective changes in financial position 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, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits and the Schedule of Employer Contributions – Other Post Employment Benefits on page 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Supplementary Information identified in the table of contents and the Statistical Section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information identified in the table of contents 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 general accepted in the United States of America. In our opinion, the Supplementary Information identified in the table of contents 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.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

A handwritten signature in cursive script that reads "Kern, Dewenter, Viere, Ltd.".

KERN, DEWENTER, VIERE, LTD.
Minneapolis, Minnesota
December 4, 2014

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INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

This section of the District's annual financial report presents a discussion and analysis of the District's financial performance during fiscal year ended June 30, 2014. Please read it in conjunction with the financial statements that immediately follow this section.

The MD&A is an element of required supplementary information specified in the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The School Board approved the sale of \$ 6 million of General Obligation (G.O). Taxable Other Post Employment Benefits (OPEB) Bonds in March of 2009, which was half of the amount needed to fund the \$ 12 million liability at the time. As of June 30, 2014 the District currently has an OPEB liability of \$ 4,286,334.
- The General Fund net change in fund balance increased by approximately \$ 951,993, with an end of year balance of \$ 2.90 million.
- The Special Revenue Funds, which include Food Service and Community Service Funds, ended the year with positive fund balances of \$ 198,633 and \$ 400,535, respectively.
- The Capital Projects Fund reflects the spend down of the 2013A Alternative Facilities Bonds and related expenditures for building remodeling projects of \$ 6.8 million and revenue of approximately \$ 1,800 resulting from investment interest.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditor's Report, required supplementary information, including the MD&A, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

OVERVIEW OF THE FINANCIAL STATEMENTS

Figure A-1
Organization of the District's
Annual Financial Report



INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

Major Features of the Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	District Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and the related liability is due and payable	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

Government-wide Statements

The Government-wide statements 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 and liabilities. 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.

INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Statements (Continued)

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets plus deferred outflows of resources and liabilities plus 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 an indicator of whether its financial position is improving or declining, respectively.
- To assess the District's overall health, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- **Business-Type Activities:** The District charges fees to help it cover the costs of certain services it provides. For fiscal year 2013-2014, none of the District's financial activities were included in this category.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer 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 statements, reconciliations are provided between the governmental funds and the government-wide statements, which do present a long-term focus.

INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FUND FINANCIAL STATEMENTS

- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others such as the Agency Fund. The District established an agency fund in fiscal year 2004 and recorded fundraising activity in this Fund. In fiscal year 2009, the District established the Post Employment Benefits Irrevocable Trust Fund. This Fund was funded by the bond proceeds issued to fund the District's OPEB obligation. Payments due to employees will be paid out of the General Fund and are reimbursed by this Trust Fund. The District is responsible for ensuring the assets reported in the Agency Fund are used only for their intended purposes and by those to whom the assets belong. The District cannot use these funds to finance operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's total net position as of June 30, 2014 was \$ (31,692,747) which is summarized in Figure A-3 below. Comparisons are made to the prior year in an effort to quantify and explain changes that took place in the current fiscal year.

Figure A-3

Net Position – Governmental Activities

	<u>2013-2014</u>	<u>2012-2013</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 120,427,020	\$ 50,759,364	137.25%
Capital Assets	<u>169,565,177</u>	<u>168,314,924</u>	0.74%
Total Assets	<u><u>\$ 289,992,197</u></u>	<u><u>\$ 219,074,288</u></u>	32.37%
Long-Term Liabilities	\$ 198,514,345	\$ 204,234,855	-2.80%
Other Liabilities	<u>105,549,341</u>	<u>33,352,079</u>	216.47%
Total Liabilities	<u><u>\$ 304,063,686</u></u>	<u><u>\$ 237,586,934</u></u>	27.98%
Property Taxes Levied for Subsequent Year's Expenditures	17,621,258	15,926,880	10.64%
NET POSITION			
Net Investment in Capital Assets	\$ (20,728,015)	\$ (18,029,060)	-14.97%
Restricted	695,172	378,099	83.86%
Unrestricted	<u>(11,659,904)</u>	<u>(16,788,565)</u>	30.55%
Total Net Position	<u><u>\$ (31,692,747)</u></u>	<u><u>\$ (34,439,526)</u></u>	7.98%

INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position (Continued)

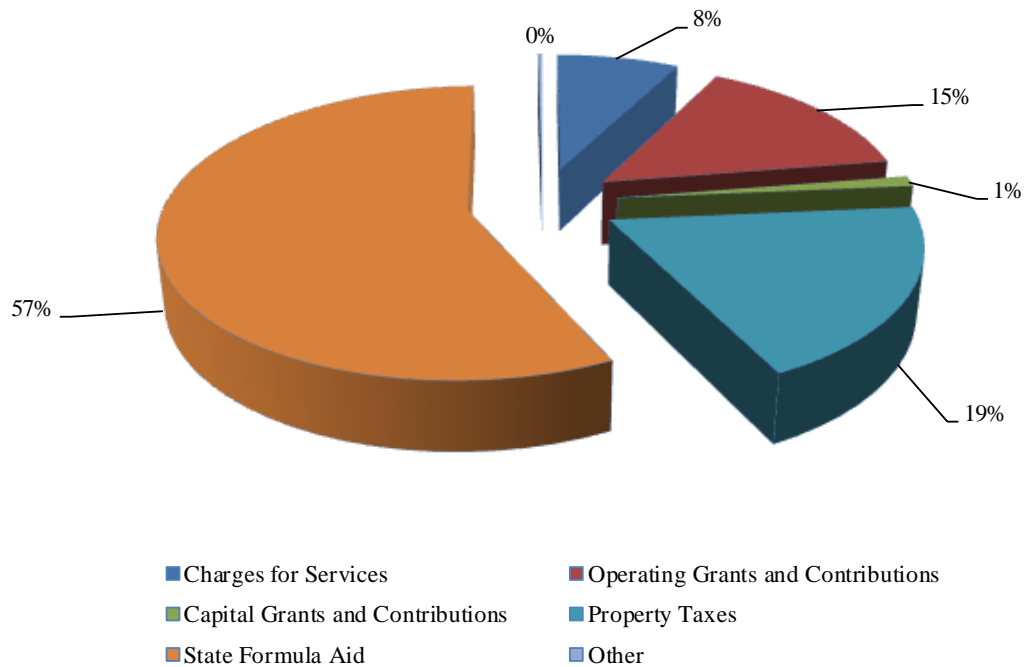
The change in net position for 2013-2014 was \$ 2,746,779. The change is based on total revenues of \$ 88,201,912 and total expenses of \$ 85,455,133. Figure A-4 below shows the breakdown into the various revenue and expense categories. Comparisons are made to the prior year in an effort to quantify and explain changes that took place in the current fiscal year.

Figure A-4

Change in Net Position			
REVENUES	<u>2013-2014</u>	<u>2012-2013</u>	<u>Percentage Change</u>
Program Revenues:			
Charges for Services	\$ 6,751,068	\$ 6,390,257	5.65%
Operating Grants and Contributions	13,079,334	11,322,874	15.51%
Capital Grants and Contributions	988,310	947,931	4.26%
General Revenues:			
Property Taxes	16,884,844	19,198,147	-12.05%
State Formula Aid	50,270,485	47,033,816	6.88%
Other	227,871	387,696	-41.22%
Total Revenues	<u>88,201,912</u>	<u>85,280,721</u>	3.43%
 EXPENSES			
District and School Administration	\$ 3,020,958	2,861,239	5.58%
District Support Services	3,236,185	2,979,027	8.63%
Regular Instruction	29,608,354	30,149,009	-1.79%
Vocational Instruction	526,164	591,705	-11.08%
Special Education Instruction	11,412,057	10,979,602	3.94%
Instructional Support Services	3,498,036	3,022,306	15.74%
Pupil Support Services	5,793,138	5,753,865	0.68%
Sites, Buildings, and Equipment	6,278,475	6,086,373	3.16%
Fiscal and Other Fixed Cost Programs	269,291	311,549	-13.56%
Food Service	3,005,615	3,096,756	-2.94%
Community Education and Services	4,652,640	4,621,956	0.66%
Unallocated Depreciation	5,038,359	5,324,013	-5.37%
Interest and Fiscal Charges on Long-Term Debt	9,115,861	9,491,794	-3.96%
Total Expenses	<u>85,455,133</u>	<u>85,269,194</u>	0.22%
 Excess of Revenues Over Expenses	2,746,779	11,527	-23729.09%
 Change in Accounting Principle - GASB 65	-	(183,705)	
Net Position - Beginning	<u>(34,439,526)</u>	<u>(34,267,348)</u>	-0.50%
 Net Position - Ending	<u>\$ (31,692,747)</u>	<u>\$ (34,439,526)</u>	7.98%

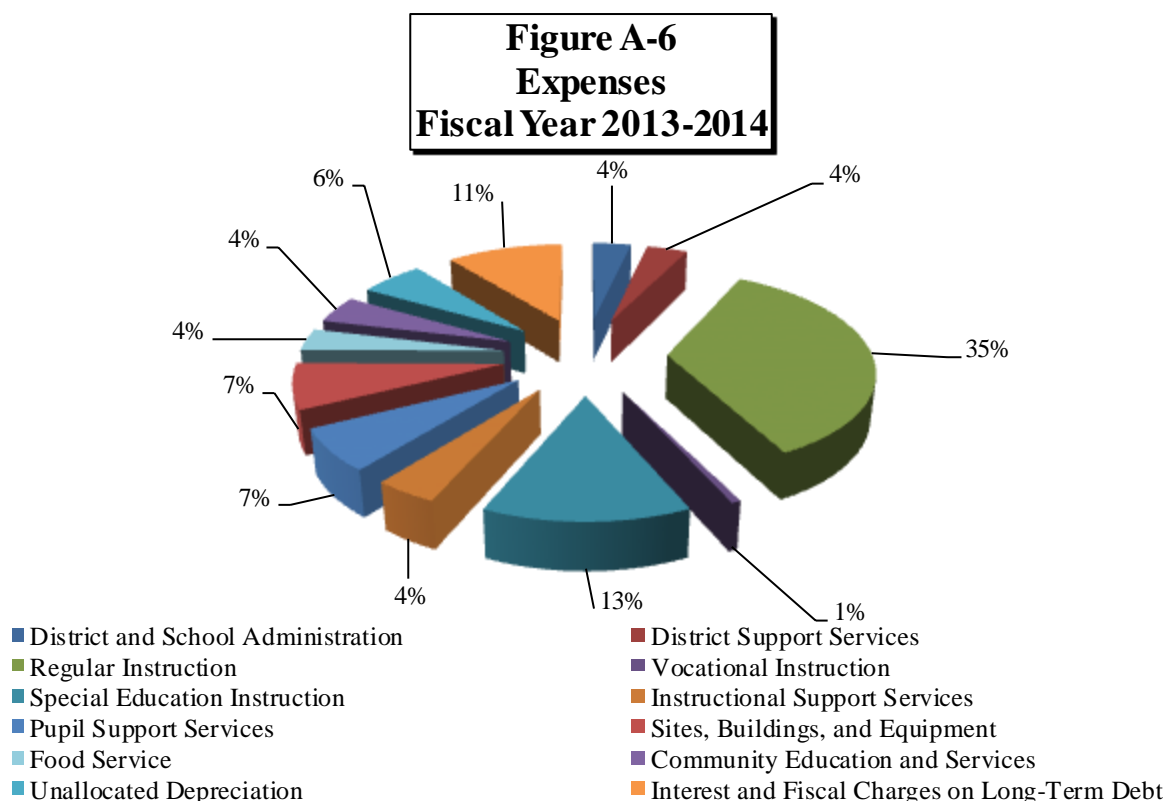
INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Figure A-5
Sources of Revenue
Fiscal Year 2013-2014



As you can see in Figure A-5, state aid, operating grants and contributions and property taxes accounted for most of the District's revenue, with state aid representing 57%, operating grants and contributions 15% and property taxes 19%. The remainder comes from fees charged for services and other sources.

INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014



The major category of District's expenses is related to instructing students. Figure A-6 indicates the breakdown of the total expenses on a percentage basis. The direct instruction categories of expense, which include regular instruction, vocational instruction and special education instruction, represent approximately 49% of the total expenses. The expenses for sites, buildings and equipment amount to 7% and interest and fiscal charges on long-term debt amount to 11% which reflect costs for a building program designed to meet increasing enrollment each year. The indirect categories of instructional and pupil support (which includes student transportation) amount to about 11% and administration and District support services combined represented 8% of the total expenses for the year. Other major categories of expense included food service, community service and unallocated depreciation.

GOVERNMENTAL ACTIVITIES

The District continues to invest in instructional improvements, while making reductions in those areas that do not directly affect the instructional setting.

The negative net position balance of the District is the result of debt service scheduled payments that will become positive as years progress and larger principal payments are made. The payments for the principal will come from future tax levies.

INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

GOVERNMENTAL ACTIVITIES

Figure A-7 represents the total cost of the District's functions and programs. The table also shows each function and program's net cost which represents the total cost less fees and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the state and local taxpayers by each of these functions and programs.

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services 2013-2014	Net Cost of Services 2013-2014	Total Cost of Services 2012-2013	Net Cost of Services 2012-2013
Administration	\$ 3,020,958	\$ 3,020,958	\$ 2,861,239	\$ 2,861,239
District Support Services	3,236,185	3,122,570	2,979,027	2,978,658
Elementary and Secondary Regular Instruction	29,608,354	23,967,590	30,149,009	25,425,899
Vocational Education Instruction	526,164	364,086	591,705	507,151
Special Education Instruction	11,412,057	5,013,737	10,979,602	5,270,391
Instructional Support Services	3,498,036	3,497,036	3,022,306	3,020,464
Pupil Support Services	5,793,138	5,749,790	5,753,865	5,731,949
Sites and Buildings	6,278,475	5,181,725	6,086,373	5,028,293
Fiscal and Other Fixed Cost Programs	269,291	269,291	311,549	311,549
Food Service	3,005,615	86,000	3,096,756	138,755
Community Education and Services	4,652,640	209,418	4,621,956	517,977
Interest and Fiscal Charges on Long-Term Debt/Depreciation	14,154,220	14,154,220	14,815,807	14,815,807
Total	<u>\$ 85,455,133</u>	<u>\$ 64,636,421</u>	<u>\$ 85,269,194</u>	<u>\$ 66,608,132</u>

The cost of all governmental activities this year was \$ 85,455,133.

- The users of the District's programs through fees and other charges financed \$ 6,751,068, or 8%, of the cost.
- The federal and state governments subsidized specific programs with grants and contributions totaling \$ 14,067,644, or 16%, of the cost.
- State and local taxpayers, however, financed the majority of the costs. State aid and local property taxes as determined by the State Legislature through the state-wide funding formulas, amounted to \$ 50,270,485 and \$ 16,884,844, respectively, for a total of \$ 67,155,329, or 79%, of the District's total costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$ 84,953,891.

INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund operations of the District showed an unassigned fund balance increase of \$ 2,167,828. The increase in the District's financial position is largely attributable to increase in revenue related to the District's enrollment coming in above the projections. The District's operating capital showed a decrease of \$ 31,798, mostly attributable to improved technology throughout the district.

The Debt Service Fund operations showed a fund balance increase of \$ 76,901,072, mostly attributable to the crossover advance refunding of 2005B General Obligation bonds which is currently sitting in escrow until the call date.

The Capital Project Fund showed a decrease in fund balance of \$ 6,796,616 resulting from the completion of ongoing projects in the district including the Alternative Facility Bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenue – Actual General Fund revenue was \$ 1,943,619 more than the projected budget. Of this total, without factoring the property tax shift, revenue from state sources was more than projected due to enrollment growth.

Expenditures – Actual General Fund expenditures were \$ 1,016,315 greater than projected. Special education instruction expenditures were larger than budgeted as a result of unforeseen staffing adjustments based on needs of the students. Additionally, the ADSIS program was incorrectly budgeted for.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014, the District had invested \$ 243,222,211 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices (See Figure A-8 on the following page). Depreciation expense for the year was \$ 5,683,541 with total accumulated depreciation amounting to \$ 73,657,034 (more detailed information for capital assets can be found in Note 4 to the financial statements).

INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets (Continued)

Figure A-8

Capital Assets

	Governmental Activities		Percentage
	2013-2014	2012-2013	Change
Land	\$ 14,109,141	\$ 14,109,141	0.00%
Construction in Progress	6,898,759	1,942,010	255.24%
Buildings	200,240,174	198,382,310	0.94%
Improvements Other Than Buildings	10,070,540	10,034,487	0.36%
Buildings			
Equipment and Furnishing	11,903,597	11,820,469	0.70%
Total	<u>\$ 243,222,211</u>	<u>\$ 236,288,417</u>	2.93%

LONG-TERM DEBT

At year-end, the District had \$ 283,622,512 in G.O. bonds and other long-term liabilities outstanding, an increase of 33% from last year, as shown in Figure A-9 (more detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-9

Outstanding Long-Term Liabilities

	Total School District		Percentage
	2013-2014	2012-2013	Change
G.O. Bonds	\$ 277,935,874	\$ 209,856,465	32.44%
Compensated Absences	1,400,304	1,111,219	26.02%
Net Other Post Employment Benefits			
(OPEB) Obligation	4,286,334	2,310,612	465.88%
Amount Due Within One Year	(85,108,167)	(9,043,441)	841.10%
Total	<u>\$ 198,514,345</u>	<u>\$ 204,234,855</u>	-2.80%

INDEPENDENT SCHOOL DISTRICT NO. 192
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District would like to note existing circumstances that could affect its financial health in the future:

- The District sold \$ 6 million of G.O. Taxable OPEB bonds in March 2009. This amount was half of the amount required to fully fund the actuarial liability.
- The District sold \$ 71,220,000 million of G.O. Refunding bonds during the 2013-2014 school year, to refund 2005B G.O. bonds for a savings of \$ 10.7 million.
- The District sold \$ 5.6 million G.O. Taxable OPEB Refunding bonds in November 2013, to refund 2009A G.O. Taxable OPEB bonds for a savings of \$ 810,000.
- The District will have an updated demographic study completed in January 2015.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and 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 Director of Finance (phone number 651-463-5043) at the District Service Center for Farmington Area Public Schools located at 20655 Flagstaff Ave, Farmington, Minnesota 55024.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 192

**STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 22,273,948
Cash with Fiscal Agent	76,040,958
Current Property Taxes Receivable	10,569,699
Delinquent Property Taxes Receivable	575,348
Accounts Receivable	73,766
Due from Department of Education	8,273,718
Due from Federal Government through Department of Education	1,139,446
Due from Other Governmental Units	733,555
Inventory	119,920
Prepaid Items	626,662
Capital Assets, Not Being Depreciated:	
Land	14,109,141
Construction in Progress	6,898,759
Capital Assets, Net of Accumulated Depreciation:	
Buildings	140,997,940
Improvements Other than Buildings	4,913,652
Machinery and Equipment	2,645,685
	<hr/>
Total Assets	\$ 289,992,197
	<hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Liabilities	
Accounts Payable	\$ 1,144,086
Salaries and Benefits Payable	3,865,211
Interest Payable	3,709,519
Due to Other Minnesota School Districts	89,421
Due to Other Governmental Units	44,232
Unearned Revenue	288,705
Certificate of Indebtedness	11,300,000
Bond Principal Net of Premium:	
Payable Within One Year	84,253,278
Payable After One Year	193,682,596
Compensated Absences Payable:	
Payable Within One Year	854,889
Payable After One Year	545,415
Net Other Post Employment Benefits (OPEB) Obligation	
Payable After One Year	4,286,334
Total Liabilities	<hr/> 304,063,686 <hr/>
Deferred Inflows of Resources	
Property Taxes Levied for Subsequent Year's Expenditures	17,621,258
Net Position	
Net Investment in Capital Assets	(20,728,015)
Restricted for:	
Other Purposes	695,172
Unrestricted	(11,659,904)
Total Net Position	<hr/> (31,692,747) <hr/>
	<hr/>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 289,992,197
	<hr/>

INDEPENDENT SCHOOL DISTRICT NO. 192

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					Governmental Activities
Administration	\$ 3,020,958	\$ -	\$ -	\$ -	\$ (3,020,958)
District Support Services	3,236,185	113,615	-	-	(3,122,570)
Elementary and Secondary Regular Instruction	29,608,354	670,614	4,970,150	-	(23,967,590)
Vocational Education Instruction	526,164	-	162,078	-	(364,086)
Special Education Instruction	11,412,057	92,262	6,306,058	-	(5,013,737)
Instructional Support Services	3,498,036	1,000	-	-	(3,497,036)
Pupil Support Services	5,793,138	-	43,348	-	(5,749,790)
Sites and Buildings	6,278,475	108,440	-	988,310	(5,181,725)
Fiscal and Other Fixed Cost Programs	269,291	-	-	-	(269,291)
Food Service	3,005,615	1,932,980	986,635	-	(86,000)
Community Education and Services	4,652,640	3,832,157	611,065	-	(209,418)
Unallocated Depreciation (Excludes Direct Depreciation Expense of Various Programs)	5,038,359	-	-	-	(5,038,359)
Interest and Fiscal Charges on Long-Term Debt	9,115,861	-	-	-	(9,115,861)
Total Governmental Activities	\$ 85,455,133	\$ 6,751,068	\$ 13,079,334	\$ 988,310	(64,636,421)
General Revenues					
Taxes:					
Property Taxes, Levied for General Purposes					3,960,769
Property Taxes, Levied for Community Service					281,363
Property Taxes, Levied for Debt Service					12,642,712
State Aid-Formula Grants					50,270,485
Other General Revenues					208,794
Investment Income					19,077
Total General Revenues					67,383,200
Change in Net Position					2,746,779
Net Position - Beginning					(34,439,526)
Net Position - Ending					\$ (31,692,747)

INDEPENDENT SCHOOL DISTRICT NO. 192

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 9,415,136	\$ 8,810,684	\$ 1,547,688	\$ 1,399,475	\$ 21,172,983
Cash with Fiscal Agent	-	76,040,958	-	-	76,040,958
Current Property Taxes Receivable	2,812,015	7,192,336	-	565,348	10,569,699
Delinquent Property Taxes Receivable	179,767	368,253	-	27,328	575,348
Accounts Receivable	41,558	2,664	-	29,544	73,766
Due from Department of Education	7,695,296	516,127	-	62,295	8,273,718
Due from Federal Government					
through Department of Education	1,123,264	-	-	16,182	1,139,446
Due from Other Governmental Units	733,555	-	-	-	733,555
Inventory	39,397	-	-	80,523	119,920
Prepaid Items	602,010	-	-	24,652	626,662
Total Assets	<u>\$ 22,641,998</u>	<u>\$ 92,931,022</u>	<u>\$ 1,547,688</u>	<u>\$ 2,205,347</u>	<u>\$ 119,326,055</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 280,164	\$ -	\$ 338,688	\$ 82,018	\$ 700,870
Salaries and Benefits Payable	3,682,444	-	39	182,728	3,865,211
Interest Payable	85,830	-	-	-	85,830
Due to Other Minnesota School Districts	89,421	-	-	-	89,421
Due to Other Governmental Units	43,632	-	-	600	44,232
Unearned Revenue	87,249	-	-	201,456	288,705
Certificate of Indebtedness	11,300,000	-	-	-	11,300,000
Total Liabilities	<u>15,568,740</u>	<u>-</u>	<u>338,727</u>	<u>466,802</u>	<u>16,374,269</u>
Deferred Inflows of Resources					
Property Taxes Levied for Subsequent					
Year's Expenditures	4,050,649	12,581,637	-	988,972	17,621,258
Unavailable Revenue - Delinquent Property Taxes	125,445	235,046	-	16,146	376,637
Total Deferred Inflows of Resources	<u>4,176,094</u>	<u>12,816,683</u>	<u>-</u>	<u>1,005,118</u>	<u>17,997,895</u>
Fund Balances					
Nonspendable	641,407	-	-	105,175	746,582
Restricted	87,929	80,114,339	1,208,961	628,252	82,039,481
Unassigned	2,167,828	-	-	-	2,167,828
Total Fund Balances	<u>2,897,164</u>	<u>80,114,339</u>	<u>1,208,961</u>	<u>733,427</u>	<u>84,953,891</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,641,998</u>	<u>\$ 92,931,022</u>	<u>\$ 1,547,688</u>	<u>\$ 2,205,347</u>	<u>\$ 119,326,055</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2014

Total Fund Balances - Governmental Funds	\$	84,953,891
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets		243,222,211
Less Accumulated Depreciation		(73,657,034)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond Principal Payable		(269,290,000)
Unamortized Bond Premium, Discount and Issuance Costs		(8,645,874)
Compensated Absences Payable		(1,400,304)
Net OPEB Obligation		(4,286,334)

Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

376,637

The Self Insured Medical Benefit Plans Internal Service Fund is used by management to charge the costs of the self-insured plans. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position and interfund activity is removed.

657,749

Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.

(3,623,689)

Total Net Position - Governmental Activities	\$	<u>(31,692,747)</u>
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INDEPENDENT SCHOOL DISTRICT NO. 192

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Local Property Taxes	\$ 3,997,913	\$ 12,127,292	\$ -	\$ 886,268	\$ 17,011,473
Other Local and County Revenues	1,197,922	2,664	1,759	3,853,451	5,055,796
Revenue from State Sources	55,771,357	5,161,266	-	934,607	61,867,230
Revenue from Federal Sources	1,572,372	-	-	880,493	2,452,865
Sales and Other Conversion of Assets	8,197	-	-	1,932,980	1,941,177
Total Revenues	<u>62,547,761</u>	<u>17,291,222</u>	<u>1,759</u>	<u>8,487,799</u>	<u>88,328,541</u>
EXPENDITURES					
Current					
Administration	2,863,077	-	-	-	2,863,077
District Support Services	2,055,614	-	-	-	2,055,614
Elementary and Secondary Regular Instruction	28,671,604	-	-	-	28,671,604
Vocational Education Instruction	532,579	-	-	-	532,579
Special Education Instruction	11,141,882	-	-	-	11,141,882
Instructional Support Services	3,352,488	-	-	-	3,352,488
Pupil Support Services	5,783,144	-	-	-	5,783,144
Sites and Buildings	5,356,602	-	174,043	-	5,530,645
Fiscal and Other Fixed Cost Programs	269,291	-	-	-	269,291
Food Service	-	-	-	2,932,891	2,932,891
Community Education and Services	-	-	-	4,638,784	4,638,784
Capital Outlay					
Administration	3,288	-	-	-	3,288
District Support Services	1,030,586	-	-	-	1,030,586
Elementary and Secondary Regular Instruction	150,005	-	-	-	150,005
Special Education Instruction	6,369	-	-	-	6,369
Instructional Support Services	7,897	-	-	-	7,897
Sites and Buildings	371,848	-	6,624,332	-	6,996,180
Food Service	-	-	-	883	883
Community Education and Services	-	-	-	15,766	15,766
Debt Service					
Principal	-	7,970,000	-	5,935,000	13,905,000
Interest and Fiscal Charges	-	8,966,960	-	484,213	9,451,173
Total Expenditures	<u>61,596,274</u>	<u>16,936,960</u>	<u>6,798,375</u>	<u>14,007,537</u>	<u>99,339,146</u>
Excess of Revenues Over (Under) Expenditures	951,487	354,262	(6,796,616)	(5,519,738)	(11,010,605)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Assets	506	-	-	-	506
Bond Issuance - Refunding	-	71,220,000	-	5,840,000	77,060,000
Bond Premium	-	5,326,810	-	-	5,326,810
Total Other Financing Sources (Uses)	<u>506</u>	<u>76,546,810</u>	<u>-</u>	<u>5,840,000</u>	<u>82,387,316</u>
Net Change in Fund Balances	951,993	76,901,072	(6,796,616)	320,262	71,376,711
FUND BALANCES					
Beginning of Year	<u>1,945,171</u>	<u>3,213,267</u>	<u>8,005,577</u>	<u>413,165</u>	<u>13,577,180</u>
End of Year	<u>\$ 2,897,164</u>	<u>\$ 80,114,339</u>	<u>\$ 1,208,961</u>	<u>\$ 733,427</u>	<u>\$ 84,953,891</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ 71,376,711
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays are reported in governmental funds as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated over the
estimated useful lives as depreciation expense.

Capital Outlays	6,933,794
Depreciation Expense	(5,683,541)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(289,085)
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	13,905,000
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Net post employment benefit obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(1,975,722)
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(67,089)
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Governmental funds report the effects of bond premiums, discounts and issuance costs
when debt is first issued, whereas these amounts are deferred and amortized in the
Statement of Activities.

Net premium on new debt issuance and related amortization	(4,924,409)
---	-------------

The issuance of long-term debt provides current financial resources to governmental
funds and has no effect on net position. These amounts are reported in the governmental
funds as a source of financing. These amounts are not shown as revenues in the Statement
of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

Bond Issuance	(77,060,000)
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The Self-Insured Medical Benefit Plans Internal Service Fund is used by management to charge the costs of the self insured plans. The increase in net position is reported within the governmental activities in the Statement of Activities.	657,749
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Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(126,629)
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Change in Net Position - Governmental Activities	<u>\$ 2,746,779</u>
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The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 192

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2014**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Local Property Taxes	\$ 5,659,287	\$ 3,997,913	\$ (1,661,374)
Other Local and County Revenues	1,163,921	1,197,922	34,001
Revenue from State Sources	52,232,186	55,771,357	3,539,171
Revenue from Federal Sources	1,548,748	1,572,372	23,624
Sales and Other Conversion of Assets	-	8,197	8,197
Total Revenues	<u>60,604,142</u>	<u>62,547,761</u>	<u>1,943,619</u>
EXPENDITURES			
Current			
Administration	2,858,272	2,863,077	4,805
District Support Services	2,557,274	2,055,614	(501,660)
Elementary and Secondary Regular Instruction	28,764,384	28,671,604	(92,780)
Vocational Education Instruction	469,140	532,579	63,439
Special Education Instruction	9,949,853	11,141,882	1,192,029
Instructional Support Services	3,436,059	3,352,488	(83,571)
Pupil Support Services	5,703,345	5,783,144	79,799
Sites and Buildings	5,184,076	5,356,602	172,526
Fiscal and Other Fixed Cost Programs	205,683	269,291	63,608
Capital Outlay			
Administration	-	3,288	3,288
District Support Services	1,209,223	1,030,586	(178,637)
Elementary and Secondary Regular Instruction	167,595	150,005	(17,590)
Special Education Instruction	73,494	6,369	(67,125)
Instructional Support Services	1,561	7,897	6,336
Sites and Buildings	-	371,848	371,848
Total Expenditures	<u>60,579,959</u>	<u>61,596,274</u>	<u>1,016,315</u>
Excess of Revenues Under Expenditures	24,183	951,487	927,304
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Assets	-	506	506
Net Change in Fund Balance	<u>\$ 24,183</u>	951,993	<u>\$ 927,810</u>
FUND BALANCE			
Beginning of Year		<u>1,945,171</u>	
End of Year		<u>\$ 2,897,164</u>	

INDEPENDENT SCHOOL DISTRICT NO. 192
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2014

	Governmental Activities - Internal Service Funds
ASSETS	
Cash and Cash Equivalents	<u>\$ 1,100,965</u>
LIABILITIES AND NET POSITION	
Liabilities	
Accounts Payable	\$ 443,216
Net Position	
Unrestricted	<u>657,749</u>
Total Liabilities and Net Position	<u><u>\$ 1,100,965</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 192

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2014**

	Governmental Activities - Internal Service Funds
OPERATING REVENUE	
District Contribution	\$ 7,754,804
OPERATING EXPENSES	
Employee Claims Paid	<u>7,098,090</u>
Operating Income	656,714
NONOPERATING REVENUE	
Interest Revenue	<u>1,035</u>
Change in Net Position	657,749
NET POSITION	
Beginning of Year	<u>-</u>
End of Year	<u><u>\$ 657,749</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 192

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2014

	Governmental Activities - Internal Service Funds
CASH FLOWS - OPERATING ACTIVITIES	
Receipts from District Contributions	\$ 7,754,804
Employee Claims Paid	(6,654,874)
Net Cash Flows - Operating Activities	<u>1,099,930</u>
CASH FLOWS - INVESTMENT ACTIVITIES	
Interest Received	<u>1,035</u>
Net Change in Cash and Cash Equivalents	1,100,965
CASH AND CASH EQUIVALENTS	
Beginning of Year	<u>-</u>
End of Year	<u><u>\$ 1,100,965</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS - OPERATING ACTIVITIES	
Operating Income	\$ 656,714
Increase in Accounts Payable	443,216
	<u><u>\$ 1,099,930</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 192

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	Post Employment Benefits Irrevocable Trust Fund	Agency Fund
ASSETS		
Current		
Cash	\$ 6	\$ 449,267
Brokered Money Market Accounts	770,322	-
Brokered Certificates of Deposit	2,620,031	-
Government Bonds	860,990	-
Other Receivables	-	2,052
Total Assets	<u>\$ 4,251,349</u>	<u>\$ 451,319</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 451,319
Due To Other Governments	733,555	-
Total Liabilities	<u>\$ 733,555</u>	<u>\$ 451,319</u>
NET POSITION		
Held in Trust for OPEB	<u>\$ 3,517,794</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	Post Employment Benefits Irrevocable Trust Fund
ADDITIONS	
Interest Revenue	\$ 38,341
Less Investment Management Fees	(229)
Total Additions	<u>38,112</u>
DEDUCTIONS	
Employee Benefits	<u>723,575</u>
Change in Net Position	(685,463)
NET POSITION	
Beginning of Year	<u>4,203,257</u>
End of Year	<u>\$ 3,517,794</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six member board elected by the voters of the District to serve four-year staggered terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are not under the School Board's control; therefore, separate audited financial statements have been issued.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These Statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 items not properly included among program revenues are reported instead as general revenues.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basic Financial Statement Information (Continued)

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these Statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Agency and Trust Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these Funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the Post Employment Benefits Irrevocable Trust Fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Agency Fund is reported using the accrual basis of accounting. 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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of fund balances exist: committed, assigned and unassigned.

Description of Funds:

Major Funds:

General Fund – This Fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This Fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest and related costs.

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

Nonmajor Funds:

Food Service Special Revenue Fund – This Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This Fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education or other similar services.

Post Employment Benefits Debt Service Fund – This Fund is used to record levy proceeds and the payment of the OPEB bond's principal and interest related costs.

Fiduciary Funds:

OPEB Trust Fund – This Fund is used to account for the financial resources held by the District in a trustee capacity to be used by the District to pay OPEB benefits to employees.

Agency Fund – This Fund is custodial in nature and does not represent results of operations or have a measurement focus. This Fund accounts for assets held by the District in a custodial capacity as a result of fundraising activities of external groups.

Proprietary Fund:

Internal Service Fund – This Fund is used to account for self insured employee medical costs and related stop loss insurance.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Deposits and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described below.

1. District Funds Other than OPEB Trust Fund

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Minnesota Statutes requires all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

Short-term, highly liquid debt instruments (including banker's acceptances and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Cash and investments at June 30, 2014 were comprised of deposits, brokered money markets, brokered certificates of deposit, government securities, Term Series Notes and shares in the Minnesota School District Liquid Asset Fund (MSDLAF). The MSDLAF is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

The District had a formal deposit and investment policy in place as of June 30, 2014 to address the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a formal policy in place as of June 30, 2014 to address custodial credit risk for deposits. *Minnesota Statutes* requires all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance or corporate surety bonds.

Interest Rate Risk: The District's investment policy states the District shall manage investments in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Deposits and Investments (Continued)

1. District Funds Other than OPEB Trust Fund (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy refers to *Minnesota Statutes* 118A.04 and 118A.05. Statutes limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk: The District's investment policy states the District will attempt to diversify their investments according to type and maturity. The policy states investment maturities shall be scheduled to coincide with projected District cash flow needs. Portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The policy does not state the maximum percentage of the District's investment portfolio that may be invested in a single type of investment instrument.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or securities that are in the possession of an outside party. The District's investment policy states all investments shall be held in third party safekeeping by an institution designated as custodial agent.

2. OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2014, they were comprised of brokered money markets, certificates of deposit and government bonds.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

The District is currently investing the OPEB investments in compliance with the District Governmental Funds Investment Policy.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years and is deferred and included in the deferred inflows of resources section of the fund financial statements because they are not available to finance the operations of the District in the current year.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2013, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2014. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

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

I. Property Taxes

The District is located in Dakota County.

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.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of five years. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

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

K. 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 Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Compensated Absences

1. Vacation and Sick Pay

Eligible District employees earn vacation based upon years of service according to the various contracts. Vacation must be used by August 31 of the following year in which it was earned. An employee who is unable to use their vacation may, with the agreement of their immediate supervisor and human resources, negotiate an extension of the time for unused vacation.

Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.M. Sick leave pay taken, including related benefits, is shown as an expenditure in the year paid.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Post Employment Severance Benefits

Post employment severance benefits consist of lump sum early retirement incentive payments.

1. Convertible Sick Leave

Certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination, subject to certain conditions. The amount of the retirement payment is calculated by converting a portion of accrued sick leave. An accrual is made in the governmental fund incurring the liability at the time of termination. The amount of yearly retirement incentive payment that is based on convertible sick leave is recorded as a liability in the Statement of Net Position as it is earned and when it becomes probable that it will vest at some point in the future.

N. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

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

O. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are either not in spendable form as they are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- **Restricted Fund Balances** – These amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Fund Equity (Continued)

- **Committed Fund Balances** – These amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to year-end; however, the specific amounts actually committed can be determined in the subsequent year.
- **Assigned Fund Balances** – These amounts are comprised of unrestricted funds constrained by the District's intent that they will be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the General Fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the District's intended use of those resources. The action to assign fund balance may be taken after the end of the year. The School board, by majority vote, may assign balances to be used for specific purposes. The board also delegated the power to assign fund balances to the Superintendent or designee.
- **Unassigned Fund Balances** – Residual amount in the General Fund not reported in any other classification, available for expenditure of any purpose. Also negative unassigned fund balance may be reported in other governmental funds if expenditures exceeded the restricted, committed or assigned amounts available to those purposes.
- **Minimum Fund Balance** – The District will strive to maintain a minimum unassigned General Fund balance of 6% of the annual budget.

P. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows in the government-wide financial statements. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net Position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Q. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS June 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information (Continued)

2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
4. Budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

B. Excess of Expenditures Over Appropriations

Budgetary control for governmental funds is established by each fund's total appropriations. Expenditures exceeded appropriations in the following Funds for the year ended June 30, 2014.

	<u>Appropriations</u>	<u>Expenditures</u>
Major Funds:		
General Fund	\$ 60,579,959	\$ 61,596,274
Debt Service	16,432,508	16,936,960
Capital Projects	-	6,798,375
Nonmajor Funds:		
Community Service	4,614,128	4,654,550
Post Employment Benefits Debt Service	577,539	6,419,213

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

1. District Funds Other than OPEB Trust Fund

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk: As of June 30, 2014, the District's bank balance of \$ 4,385,979 was not exposed to custodial credit risk as it was secured by FDIC insurance and collateral pledged by the depository.

Checking Accounts	\$ 2,847,775
Certificates of Deposits	18,377
Petty Cash	<u>1,677</u>
Total Deposits	<u><u>\$ 2,867,829</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 192**NOTES TO THE FINANCIAL STATEMENTS****June 30, 2014****NOTE 3 – DEPOSITS AND INVESTMENTS****B. Investments****1. District Funds Other than OPEB Trust Fund**

As of June 30, 2014, the District's governmental funds had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
Brokered Money Market Accounts	\$ 6,609,188	N/A	N/A
Brokered Certificates of Deposit	3,000,000	0.18	N/A
Term Series	10,000,000	0.14	AAAm
MSDLAF + Liquid Class	246,202	N/A	AAAm
MSDLAF + Max Class	2	N/A	AAAm
US Treasury	76,040,958	0.59	N/A
Total Investments	<u>\$ 95,896,350</u>		

Credit Risk: The District's investments are rated as in the table above, also as indicated in the table, there are certain investments that are not subject to credit risk and therefore not rated.

2. OPEB Trust Fund

As of June 30, 2014, the District's OPEB Trust Fund had the following investments:

<u>Investment Type</u>	<u>Cost</u>	<u>Weighted Average Maturity (Years)</u>	<u>Rating</u>
Brokered Money Markets	\$ 770,322	N/A	N/A
Fixed Income:			
Certificates of Deposit	2,620,031	0.34	N/A
Municipal Bonds	860,990	0.96	AA+
Total Investments	<u>\$ 4,251,343</u>		

Credit Risk: The District's OPEB Trust Fund investments are rated as indicated in the table above; there are certain investments that are not subject to credit risk and therefore not rated.

Concentration of Credit Risk: The District's investment in Mcleod West municipal bonds (13%) was above 5% of total investments and was, therefore, exposed to concentration of credit risk.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS

C. Deposits and Investments

The following is a summary of total deposits and investments as of June 30, 2014:

District Funds:	
Deposits	\$ 2,867,829
Investments	95,896,350
OPEB Trust Fund:	
Investments	<u>4,251,343</u>
Total	<u><u>\$ 103,015,522</u></u>

Deposits and investments are presented in the June 30, 2014 basic financial statements as follows:

ement of Net Position:	
Cash and Investments	\$ 22,273,948
Cash with Fiscal Agent	76,040,958

ement of Fiduciary Net Position:	
Post Employment Benefits Trust Fund:	
Cash and Investments	4,251,349
Agency Fund:	
Cash and Investments	<u>449,267</u>
Total Deposits and Investments	<u><u>\$ 103,015,522</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS June 30, 2014

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 14,109,141	\$ -	\$ -	\$ 14,109,141
Construction in Progress	1,942,010	6,701,486	1,744,737	6,898,759
Total Capital Assets not being Depreciated	16,051,151	6,701,486	1,744,737	21,007,900
Capital Assets being Depreciated:				
Buildings	198,382,310	1,857,864	-	200,240,174
Improvements Other than Buildings	10,034,487	36,053	-	10,070,540
Machinery and Equipment	11,820,469	83,128	-	11,903,597
Total Capital Assets being Depreciated	220,237,266	1,977,045	-	222,214,311
Less Accumulated Depreciation for:				
Buildings	54,644,132	4,598,102	-	59,242,234
Improvements Other than Buildings	4,716,696	440,192	-	5,156,888
Machinery and Equipment	8,612,665	645,247	-	9,257,912
Total Accumulated Depreciation	67,973,493	5,683,541	-	73,657,034
Total Capital Assets being Depreciated, Net	152,263,773	(3,706,496)	-	148,557,277
Governmental Activities, Capital Assets Net	\$ 168,314,924	\$ 2,994,990	\$ 1,744,737	\$ 169,565,177

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 – CAPITAL ASSETS

Depreciation expense of \$ 5,683,541 for the year ended June 30, 2014 was charged to the following governmental functions:

Administration	\$ 369
District Support Services	2,301
Elementary and Secondary Regular Instruction	20,942
Special Education Instruction	317
Instructional Support Services	2,249
Pupil Support Services	4,531
Sites and Buildings	541,108
Food Service	73,277
Community Service	88
Unallocated	<u>5,038,359</u>
Total Depreciation Expense	<u>\$ 5,683,541</u>

NOTE 5 – SHORT-TERM DEBT

A. Aid Anticipation Certificates

On August 2, 2012 and September 26, 2013 the District received proceeds from G.O. Aid Anticipation Certificates of Indebtedness to assist with cash flow of the District. The details are as follows:

	Issue Date	Maturity Date	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance
Short- Term Liabilities:							
G.O. Aid Anticipation Certificate of Indebtedness:							
Series 2013B	9/26/2013	9/26/2014	1.00%	\$ -	\$ 11,300,000	\$ -	\$ 11,300,000
Series 2012C	8/2/2012	9/2/2013	1.50%	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>	<u>-</u>
Total Short-Term Liabilities				<u>\$ 15,000,000</u>	<u>\$ 11,300,000</u>	<u>\$ 15,000,000</u>	<u>\$ 11,300,000</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS June 30, 2014

NOTE 6 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Maturity Date	Principal Outstanding	Due Within One Year
Long-Term Liabilities:						
G.O. Bonds, Including						
Refunding Bonds:						
2005B Building Bonds	04/12/05	3.00%-5.00%	\$ 85,000,000	02/01/27	\$ 76,910,000	\$ 76,910,000
2006A Refunding Bonds	03/21/06	4.00%-4.50%	37,455,000	02/01/24	35,595,000	695,000
2006B School Building Bonds	05/17/06	3.70%-5.00%	26,800,000	02/01/27	24,995,000	820,000
2007A Refunding Bonds	02/15/07	4.00%-5.00%	18,425,000	02/01/21	16,545,000	1,310,000
2009A OPEB Bonds	04/01/09	5.94%	6,000,000	02/01/23	-	-
2011B Refunding Building Bonds	12/19/11	2.00%-4.00%	19,210,000	02/01/23	16,725,000	1,470,000
2012B Refunding Building Bonds	07/05/12	3.00%	6,520,000	02/01/15	2,215,000	2,215,000
2012D Refunding Bonds	11/27/12	4.00%	14,945,000	06/01/20	16,985,000	-
2013A Alternative Facilities Bonds	03/06/13	2%-2.75%	2,260,000	02/01/28	2,260,000	140,000
2013C OPEB Refunding	12/05/13	2.85%	5,840,000	02/01/23	5,840,000	300,000
2014A Refunding Bonds	06/04/14	2.72%	71,220,000	02/01/27	71,220,000	-
Plus Unamortized Premium					8,645,874	393,278
Total G.O. Bonds					277,935,874	84,253,278
Compensated Absences					1,400,304	854,889
Total all Long-Term Liabilities					\$ 279,336,178	\$ 85,108,167

The long-term liabilities listed above were issued to finance acquisition and construction of capital facilities provide funding for the District's post employment benefits or to refinance (refund) previous bond issues.

During 2014, \$ 5,840,000 OPEB Refunding Bonds, Series 2013C, were issued to perform a current refunding of the 2009A series. The refunding resulted in \$ 933,377 of cash flow savings to the District and a present value economic benefit of \$ 806,647.

During 2014, \$ 71,220,000 Refunding Bonds, Series 2014A, were issued to refund the Series 2005B bonds. Proceeds from the 2014A series were placed in escrow and will be used to pay debt service on the 2014A issue until the crossover date of February 1, 2015 when the escrow balance will be utilized to redeem the 2005B series. The refunding resulted in \$ 12,739,064 in cash flow savings for the District and a present value economic benefit of \$ 10,713,803.

B. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance
Long-Term Liabilities:				
G.O. Bonds (including premiums)	\$ 206,135,000	\$ 77,060,000	\$ 13,905,000	\$ 269,290,000
Bond Premiums	3,721,465	5,326,810	402,401	8,645,874
Compensated Absences	1,111,219	742,855	453,770	1,400,304
Total Long-Term Liabilities	\$ 210,967,684	\$ 83,129,665	\$ 14,761,171	\$ 279,336,178

Compensated absences have typically been liquidated from the General Fund. The G.O. bonds are liquidated from the Debt Service Fund and the Post Employment Benefits Debt Service Fund.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 – LONG-TERM DEBT

C. Minimum Debt Payments for Bonds and Loans

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending June 30,	Bonds	
	Principal	Interest
2015	\$ 83,860,000	\$ 10,030,074
2016	11,340,000	6,886,090
2017	12,270,000	6,548,384
2018	13,255,000	6,200,253
2019	14,315,000	5,741,568
2020-2024	85,425,000	20,006,039
2025-2029	48,825,000	3,814,714
Total	269,290,000	59,227,122
Plus Net Bond Premium	8,645,874	-
Total	\$ 277,935,874	\$ 59,227,122

D. Operating Leases

The District is committed under various non-cancelable operating leases with Apple, Inc., primarily for the use of technology equipment. Future minimum operating lease commitments are as follows:

Year Ending June 30,	
2015	\$ 707,096
2016	246,928
2017	55,204
Total	\$ 1,009,228

Total amount paid for the year ended June 30, 2014 totaled \$ 707,096.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS June 30, 2014

NOTE 7 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

A. Restricted Fund Balance

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable for:					
Inventory	\$ 39,397	\$ -	\$ -	\$ 80,523	\$ 119,920
Prepaid Items	602,010	-	-	24,652	626,662
	<u>641,407</u>	<u>-</u>	<u>-</u>	<u>105,175</u>	<u>746,582</u>
Restricted for:					
Safe School Crime -					
Crime Levy	26,883	-	-	-	26,883
Staff Development	56,785	-	-	-	56,785
Operating Capital	4,261	-	-	-	4,261
Community Education	-	-	-	323,760	323,760
Early Childhood and Family Education	-	-	-	36,090	36,090
School Readiness	-	-	-	13,286	13,286
Adult Basic Education	-	-	-	3,154	3,154
Food Service	-	-	-	116,165	116,165
Community Service	-	-	-	1,538	1,538
Debt Service	-	80,114,339	-	134,259	80,248,598
Alternative Facilities Program	-	-	59,790	-	59,790
Capital Projects	-	-	1,149,171	-	1,149,171
	<u>87,929</u>	<u>80,114,339</u>	<u>1,208,961</u>	<u>628,252</u>	<u>82,039,481</u>
Unassigned	<u>2,167,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,167,828</u>
Total Fund Balance	<u>\$ 2,897,164</u>	<u>\$ 80,114,339</u>	<u>\$ 1,208,961</u>	<u>\$ 733,427</u>	<u>\$ 84,953,891</u>

Nonspendable for Inventory – This balance represents the portion of fund balance that is not available as amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents the portion of fund balance that is not available as the amounts have already been spent by the District on items for the next year.

Restricted for Safe Schools – Crime Levy – The unspent resources available from the levy must be reserved in this account for future use.

Restricted for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless stipulations are met (*Minnesota Statutes* 122A.61, subdivision 1).

Restricted for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 7 – FUND BALANCES/NET POSITION

Fund Equity (Continued)

A. Restricted/Reserved Fund Balance (Continued)

Restricted for Health and Safety – This balance represents available resources to be used for health and safety projects in accordance with an approved health and safety plan. While the state mandates tracking this restriction regardless of whether it has a negative balance, generally accepted accounting principles do not permit a negative restricted presentation. As a result, the \$ 162,459 deficit in this account is included in the unassigned fund balance.

Restricted for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Restricted for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming. While the state mandates tracking this restriction regardless of whether it has a negative balance accounting principles generally accepted in the United States of America do not permit a negative restricted presentation.

Restricted for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund.

Restricted for Debt Service – This balance represents the resources available for the payment of G.O. bond principal, interest and related costs.

Restricted for Alternative Facilities Program – This balance represents the resources available for approved expenditures based on the 10 year plan for capital projects for districts qualifying under *Minnesota Statutes* 123B.59, subd. 1a.

Restricted for Capital Projects – This balance represents accumulated resources for capital projects.

B. Net Position

Net Investment in Capital Assets – This amount represents the net book value of the District's capital assets less the balance of outstanding debt used to acquire them.

Restricted for Other Purpose – This amount represents total positive General Fund reserved fund balances, plus the fund balances in the Community Service and Food Service Funds.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Substantially all employees of the District are required by state law to belong to pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these Plans follow.

Teachers' Retirement Association

A. Plan Description

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

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 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:

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

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)

Tier I Benefits: (Continued)

With these provisions:

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

Tier II Benefits:

For years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated Plan members and 2.7% per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated Plan members and 2.7% for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4.0% to 5.4% per year.

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which 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 also eligible for a refund of their employee contributions plus interest.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

B. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These Statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 6.5% and 10.0%, respectively, of their annual covered salary during year 2013 as employee contributions. The TRA employer contribution rates are 6.0% for Coordinated Plan members and 10.5% for Basic Plan members during 2013. Total covered payroll salaries for all TRA members state-wide during the year ended June 30, 2013 was approximately \$ 3.92 billion. TRA covered payroll for all members state-wide for the years ended June 30, 2012 and 2011 were \$ 3.87 billion and \$ 3.84 billion, respectively. The District's contributions for the years ended June 30, 2014, 2013 and 2012 were \$ 2,181,052, \$ 1,940,757, and \$ 1,771,062, respectively, equal to the required contributions for each year as set by state statute.

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

Public Employees' Retirement Association

A. Plan Description

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. In 2013, The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members and 7.25% for Coordinated Plan members. The District's contributions to the Public Employees' Retirement Fund for the years ended June 30, 2014, 2013 and 2012 were \$617,759, \$ 625,681, and \$ 646,703, respectively, equal to the contractually required contributions for each year as set by state statute.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS June 30, 2014

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2014.

All funds of the District participate in the Dental Self-Insurance program. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The District self-insures for dental coverage up to certain limits. A stop-loss policy was purchased that limits the District's loss to \$ 1,000 per incident. The total claims liability reported in the fund at June 30, 2014 was \$36,237 and included amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amounts for the past two years are as listed:

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2012	\$ 35,184	\$ 345,358	\$ 351,270	\$ 29,272
2013	29,272	408,110	403,737	33,645
2014	33,645	437,431	434,839	36,237

Beginning in 2014, the District has provided a health care self-insurance program. Under this program, the fund provides up to a maximum of \$ 125,000 for each health claim. All funds of the District participate in this program and make payments to the Health Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A stop-loss policy was purchased that limits the District's loss to 125% of premiums. The total claims liability reported in the fund at June 30, 2014 was \$ 443,216 which is comprised of the liability for known claims as well as an estimate for claims incurred but not yet reported.

Changes in the fund's claims liability amounts for the past year are as follows:

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2013-2014	\$ -	7,098,090	6,654,874	\$ 443,216

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by BlueCross BlueShield. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

Under the terms of collectively bargained employment contracts, the District is required to pay the health and dental insurance premiums for retired employees until they reach the age 65 up to a maximum of 10 years. For employees meeting a certain length of service experience requirements, the amounts to be paid is equal to the same insurance premium benefit as a full-time employee in the retiring employee's respective bargaining unit.

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with BlueCross BlueShield. The required contributions are based on projected pay-as-you-go financing requirements. For 2014, the District did not contribute to the plan.

As of July 1, 2012, there were approximately 60 retirees and dependents receiving health benefits from the District's health plan. The plan has a total of 798 possible participants and dependents. Of that total, 738 are active participants in the plan.

C. Annual Other Post Employment Benefits Cost and Net Other Post Employment Benefits Obligation

The District's annual other post employment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The District prospectively implemented this Statement during 2010. The ARC represents a level of 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 costs of the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

C. Annual Other Post Employment Benefits Cost and Net Other Post Employment Benefits Obligation (Continued)

ARC	\$ 2,007,737
Interest on Net OPEB Obligation	80,871
Adjustment to ARC	(112,886)
Annual OPEB Cost (Expense)	<u>1,975,722</u>
Contributions Made	<u>-</u>
Increase in net OPEB Obligation	1,975,722
Net OPEB Obligation - Beginning of Year	<u>2,310,612</u>
Net OPEB Obligation - End of Year	<u><u>\$ 4,286,334</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligations were as follows:

Year Ended,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/12	\$ 1,844,610	\$ -	9%	\$ 408,322
06/30/13	1,902,290	-	0%	2,310,612
06/30/14	1,975,722	-	0%	4,286,334

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the District had plan assets at fair value of \$ 4,849,293 deposited to fund the plan. The actuarial accrued liability for benefits was \$ 18,937,335 and the actuarial value of assets was \$ 4,849,293, resulting in a \$ 14,088,042 unfunded actuarial accrued liability (UAAL). The covered payroll (annual payroll of active employees covered by the plan) was \$ 34,465,873, and the ratio of the UAAL to the covered payroll was 40.9%. In April 2010, the District issued G.O. Taxable OPEB Bonds, established an irrevocable trust and contributed \$ 5,970,675 of bond proceeds into the trust to fund the plan. As of June 30, 2014, the ending market value of these assets was \$ 3,517,794.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

D. Funded Status and Funding Progress (Continued)

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the Notes to the 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.

The Schedule of Employer Contributions – Other Post Employment Benefits, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about employer contributions in relation to annual OPEB costs.

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, consistent with the long-term perspective of the calculations.

At the July 1, 2012 actuarial valuation date, the entry age normal cost method was used. The actuarial assumptions included a 3.5% discount rate, which is based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Also, a 3% salary increase is assumed based on cost of living and step increases. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 8% initially, reduced incrementally to an ultimate rate of 5% over 6 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012 was 30 years.

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

F. Condensed Financial Statements

The financial statements for the OPEB Plan are reported below because the OPEB Plan does not issue a separate report.

**OPEB PLAN
STATEMENT OF PLAN NET POSITION
June 30, 2014**

ASSETS

Current:

Cash and Investments	\$ 6
Brokered Money Market Accounts	770,322
Brokered Certificates of Deposit	2,620,031
Government Bonds	<u>860,990</u>

Total Assets	<u><u>\$ 4,251,349</u></u>
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LIABILITIES

Due To Other Governments	<u>\$ 733,555</u>
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NET POSITION

Held in Trust for OPEB	<u><u>\$ 3,517,794</u></u>
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STATEMENT OF CHANGES IN PLAN NET POSITION

For the Year ended June 30, 2014

ADDITIONS

Interest Revenue	\$ 38,341
Less: Investment Management Fees	<u>(229)</u>
Total Additions	38,112

DEDUCTIONS

Employee Benefits	<u>723,575</u>
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Change in Net Position	(685,463)
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NET POSITION

Beginning of Year	<u>4,203,257</u>
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End of Year	<u><u>\$ 3,517,794</u></u>
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INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

F. Condensed Financial Statements (Continued)

1. Notes to the Condensed Financial Statements

a. Plan Provisions

The Plan is described in detail on the previous pages, including Plan provisions and the authority for Plan changes.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements shown above and on the previous page are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Benefits are recognized when due and payable.

b. Investments

The details of the investments and the investment policy are described in Note 1.D. of the District's financial statements.

c. 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 various estimates. Actual results could differ from those estimates.

NOTE 11 – COMMITMENTS

As of June 30, 2014, the District had commitments with a contractor as shown below.

Project	Contractor	Contract Amount	Expensed to Date	Commitment
Farmington Elementary School Remodeling	Jorgenson Construction Inc	\$ 6,257,551	\$ 5,446,253	\$ 811,299

INDEPENDENT SCHOOL DISTRICT NO. 192

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 192

**SCHEDULE OF FUNDING PROGRESS –
OTHER POST EMPLOYMENT BENEFITS
June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/08	\$ -	\$ 11,873,191	\$ 11,873,191	0.0%	\$ 30,141,942	39.4%
07/01/10	5,673,717	17,011,556	11,337,839	33.4%	33,857,754	33.5%
07/01/12	4,849,293	18,937,335	14,088,042	25.6%	34,465,873	40.9%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS –
OTHER POST EMPLOYMENT BENEFITS
June 30, 2014**

Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Contributed	Net OPEB Obligation (Asset)
06/30/12	1,844,610	-	0%	408,322
06/30/13	1,902,290	-	0%	2,310,612
06/30/14	1,975,722	-	0%	4,286,334

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 192

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

	Special Revenue			Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total	Post Employment Benefits Debt Service	
ASSETS					
Cash and Investments	\$ 212,312	\$ 861,500	\$ 1,073,812	\$ 325,663	\$ 1,399,475
Current Property Taxes Receivable	-	301,473	301,473	263,875	565,348
Delinquent Property Taxes Receivable	-	13,183	13,183	14,145	27,328
Accounts Receivable	-	29,544	29,544	-	29,544
Due from Department of Education	1,489	60,559	62,048	247	62,295
Due from Federal Government through Department of Education	9,354	6,828	16,182	-	16,182
Inventory	80,523	-	80,523	-	80,523
Prepaid Items	1,945	22,707	24,652	-	24,652
Total Assets	<u>\$ 305,623</u>	<u>\$ 1,295,794</u>	<u>\$ 1,601,417</u>	<u>\$ 603,930</u>	<u>\$ 2,205,347</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 40,655	\$ 41,363	\$ 82,018	\$ -	\$ 82,018
Salaries and Benefits Payable	7,962	174,766	182,728	-	182,728
Due to Other Governmental Units	-	600	600	-	600
Deferred Revenue	58,373	143,083	201,456	-	201,456
Total Liabilities	<u>106,990</u>	<u>359,812</u>	<u>466,802</u>	<u>-</u>	<u>466,802</u>
Deferred Inflows of Resources					
Property Taxes Levied for Subsequent Year's Expenditures	-	527,372	527,372	461,600	988,972
Unavailable Revenue - Delinquent Property Taxes	-	8,075	8,075	8,071	16,146
Total Deferred Inflows of Resources	<u>-</u>	<u>535,447</u>	<u>535,447</u>	<u>469,671</u>	<u>1,005,118</u>
Fund Balances					
Nonspendable	82,468	22,707	105,175	-	105,175
Restricted	116,165	377,828	493,993	134,259	628,252
Total Fund Balances	<u>198,633</u>	<u>400,535</u>	<u>599,168</u>	<u>134,259</u>	<u>733,427</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 305,623</u>	<u>\$ 1,295,794</u>	<u>\$ 1,601,417</u>	<u>\$ 603,930</u>	<u>\$ 2,205,347</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	Special Revenue Funds			Debt Service Post Employment Benefits Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
REVENUES					
Local Property Taxes	\$ -	\$ 284,273	\$ 284,273	\$ 601,995	\$ 886,268
Other Local and County Revenues	1,519	3,851,932	3,853,451	-	3,853,451
Revenue from State Sources	112,970	819,164	932,134	2,473	934,607
Revenue from Federal Sources	873,665	6,828	880,493	-	880,493
Sales and Other Conversion of Assets	1,932,980	-	1,932,980	-	1,932,980
Total Revenues	<u>2,921,134</u>	<u>4,962,197</u>	<u>7,883,331</u>	<u>604,468</u>	<u>8,487,799</u>
EXPENDITURES					
Current					
Food Service	2,932,891	-	2,932,891	-	2,932,891
Community Education and Services	-	4,638,784	4,638,784	-	4,638,784
Capital Outlay					
Food Service	883	-	883	-	883
Community Education and Services	-	15,766	15,766	-	15,766
Debt Service					
Principal	-	-	-	5,935,000	5,935,000
Interest and Fiscal Charges	-	-	-	484,213	484,213
Total Expenditures	<u>2,933,774</u>	<u>4,654,550</u>	<u>7,588,324</u>	<u>6,419,213</u>	<u>14,007,537</u>
Excess of Revenues Over (Under) Expenditures	(12,640)	307,647	295,007	(5,814,745)	(5,519,738)
OTHER FINANCING SOURCES (USES):					
Bond Issuance	-	-	-	5,840,000	5,840,000
Net Change in Fund Balances	(12,640)	307,647	295,007	25,255	320,262
FUND BALANCES					
Beginning of Year	<u>211,273</u>	<u>92,888</u>	<u>304,161</u>	<u>109,004</u>	<u>413,165</u>
End of Year	<u>\$ 198,633</u>	<u>\$ 400,535</u>	<u>\$ 599,168</u>	<u>\$ 134,259</u>	<u>\$ 733,427</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FOOD SERVICE FUND
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Other Local and County Revenues	\$ -	\$ 1,519	\$ 1,519
Revenue from State Sources	111,455	112,970	1,516
Revenue from Federal Sources	828,742	873,665	44,923
Sales and Other Conversion of Assets	2,069,708	1,932,980	(136,728)
Total Revenues	<u>3,009,905</u>	<u>2,921,134</u>	<u>(88,770)</u>
EXPENDITURES			
Current:			
Food Service	2,980,978	2,932,891	(48,087)
Capital Outlay			
Food Service	-	883	883
Total Expenditures	<u>2,980,978</u>	<u>2,933,774</u>	<u>(47,204)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 28,927</u>	(12,640)	<u>\$ (41,566)</u>
FUND BALANCE			
Beginning of Year		<u>211,273</u>	
End of Year		<u>\$ 198,633</u>	

INDEPENDENT SCHOOL DISTRICT NO. 192

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COMMUNITY SERVICE FUND
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Local Property Taxes	\$ 454,094	\$ 284,273	\$ (169,821)
Other Local and County Revenues	3,620,983	3,851,932	230,949
Revenue from State Sources	554,942	819,164	264,222
Revenue from Federal Sources	5,380	6,828	1,448
Total Revenues	<u>4,635,399</u>	<u>4,962,197</u>	<u>326,798</u>
EXPENDITURES			
Current			
Community Education and Services	4,592,545	4,638,784	46,239
Capital Outlay			
Community Education and Services	21,583	15,766	(5,817)
Total Expenditures	<u>4,614,128</u>	<u>4,654,550</u>	<u>40,422</u>
	-		
Excess of Revenues Over Expenditures	<u>\$ 21,271</u>	307,647	<u>\$ 286,376</u>
FUND BALANCE			
Beginning of Year		<u>92,888</u>	
End of Year		<u>\$ 400,535</u>	

INDEPENDENT SCHOOL DISTRICT NO. 192

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Local Property Taxes	\$ 12,060,137	\$ 12,127,292	\$ 67,155
Other Local and County Revenues	-	2,664	2,664
Revenue from State Sources	<u>5,148,357</u>	<u>5,161,266</u>	<u>12,909</u>
Total Revenues	<u>17,208,494</u>	<u>17,291,222</u>	<u>82,728</u>
EXPENDITURES			
Debt Service			
Principal	7,970,000	7,970,000	-
Interest and Fiscal Charges	<u>8,462,508</u>	<u>8,966,960</u>	<u>504,452</u>
Total Expenditures	<u>16,432,508</u>	<u>16,936,960</u>	<u>504,452</u>
Excess of Revenues Over (Under) Expenditures	775,986	354,262	(421,724)
OTHER FINANCING SOURCES AND USES			
Bond Issuance	-	71,220,000	71,220,000
Bond Premium	<u>-</u>	<u>5,326,810</u>	<u>5,326,810</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>76,546,810</u>	<u>76,546,810</u>
Net Change in Fund Balance	<u>\$ 775,986</u>	76,901,072	<u>\$ 76,125,086</u>
FUND BALANCE			
Beginning of Year		<u>3,213,267</u>	
End of Year		<u>\$ 80,114,339</u>	

INDEPENDENT SCHOOL DISTRICT NO. 192

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - POST EMPLOYMENT
BENEFITS DEBT SERVICE FUND
For the Year Ended June 30, 2014**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over
REVENUES			
Local Property Taxes	\$ 607,868	\$ 601,995	\$ (5,873)
Revenue from State Sources	-	2,473	2,473
Total Revenues	<u>607,868</u>	<u>604,468</u>	<u>(3,400)</u>
EXPENDITURES			
Debt Service			
Principal	-	5,935,000	5,935,000
Interest and Fiscal Charges	<u>577,539</u>	<u>484,213</u>	<u>(93,326)</u>
Total Expenditures	<u>577,539</u>	<u>6,419,213</u>	<u>5,841,674</u>
Excess of Revenues Over (Under) Expenditures	30,329	(5,814,745)	(5,845,074)
OTHER FINANCING SOURCES (USES):			
Bond Issuance	<u>-</u>	<u>5,840,000</u>	<u>5,840,000</u>
Net Change in Fund Balance	<u><u>\$ 30,329</u></u>	25,255	<u><u>\$ (5,074)</u></u>
FUND BALANCE			
Beginning of Year		<u>109,004</u>	
End of Year		<u><u>\$ 134,259</u></u>	

INDEPENDENT SCHOOL DISTRICT NO. 192

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u> Original and Final	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Other Local and County Revenues	\$ -	\$ 1,759	\$ 1,759
EXPENDITURES			
Current			
Sites and Buildings	-	174,043	174,043
Capital Outlay			
Sites and Buildings	-	6,624,332	6,624,332
Total Expenditures	-	6,798,375	6,798,375
 Net Change in Fund Balance	 \$ -	 (6,796,616)	 \$ (6,796,616)
FUND BALANCE			
Beginning of Year		8,005,577	
End of Year		\$ 1,208,961	

INDEPENDENT SCHOOL DISTRICT NO. 192

STATEMENT OF CHANGES IN AGENCY FUND

ASSETS AND LIABILITIES

For the Year Ended June 30, 2014

	June 30, 2013	Additions	Deletions	June 30, 2014
ASSETS				
Cash and Investments	\$ 450,139	\$ 921,325	\$ 922,197	\$ 449,267
Other Receivables	-	2,052	-	2,052
Total Assets	<u>\$ 450,139</u>	<u>\$ 923,377</u>	<u>\$ 922,197</u>	<u>\$ 451,319</u>
LIABILITIES				
Accounts Payable	<u>\$ 450,139</u>	<u>\$ 992,767</u>	<u>\$ 991,587</u>	<u>\$ 451,319</u>

INDEPENDENT SCHOOL DISTRICT NO. 192
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
For the Year Ended June 30, 2014

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total Revenue	\$ 62,547,761	\$ 62,547,761	\$ -	Total Revenue	\$ 1,759	\$ 1,758	\$ 1
Total Expenditures	61,596,274	61,596,273	1	Total Expenditures	6,798,375	6,798,373	2
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	641,407	641,406	1	460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	56,785	56,785	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	-	-	-	409 Alternative Facility Program	59,790	59,790	-
406 Health and Safety	(162,459)	(162,459)	-	413 Building Projects Funded by COP/LP	-	-	-
407 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	1,149,171	1,149,173	(2)
409 Alternative Facility Program	-	-	-	<i>Unassigned:</i>			
414 Operating Debt	-	-	-	463 Unassigned Fund Balance	-	-	-
416 Levy Reduction	-	-	-				
417 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
424 Operating Capital	4,261	4,261	-	Total Revenue	\$ 17,291,222	\$ 17,291,222	\$ -
426 \$ 25 Taconite	-	-	-	Total Expenditures	16,936,960	16,936,960	-
427 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
428 Learning and Development	-	-	-	460 Nonspendable Fund Balance	-	-	-
434 Area Learning Center	-	-	-	<i>Restricted/Reserved:</i>			
435 Contracted Alternative Programs	-	-	-	425 Bond Refundings	76,040,958	76,040,958	-
436 State Approved Alternative Program	-	-	-	451 QZAB and QSCB Payments	-	-	-
438 Gifted and Talented	-	-	-	<i>Restricted:</i>			
441 Basic Skills Programs	-	-	-	464 Restricted Fund Balance	4,073,381	4,073,380	1
445 Career Technical Programs	-	-	-	<i>Unassigned:</i>			
448 Achievement of Integration Revenue	-	-	-	463 Unassigned Fund Balance	-	-	-
449 Safe School Crime	26,883	26,883	-				
450 Transition for Pre-Kindergarten	-	-	-	08 TRUST FUND			
451 QZAB and QSCB Payments	-	-	-	Total Revenue	\$ -	\$ -	\$ -
452 OPEB Liabilities not Held in Trust	-	-	-	Total Expenditures	-	-	-
453 Unfunded Severance and Retirement Levy	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				422 Unassigned Fund Balance (Net Position)	-	-	-
464 Restricted Fund Balance	-	-	-				
<i>Committed:</i>				20 INTERNAL SERVICE FUND			
418 Committed for Separation	-	-	-	Total Revenue	\$ 7,755,839	\$ 7,755,839	\$ -
461 Committed	-	-	-	Total Expenditures	\$ 7,098,090	7,098,090	-
<i>Assigned:</i>				<i>Unassigned:</i>			
462 Assigned Fund Balance	-	-	-	422 Unassigned Fund Balance (Net Position)	657,749	657,749	-
<i>Unassigned:</i>							
422 Unassigned Fund Balance (Net Position)	2,330,287	2,330,287	-	25 OPEB REVOCABLE TRUST			
				Total Revenue	\$ -	\$ -	\$ -
02 FOOD SERVICES FUND				Total Expenditures	-	-	-
Total Revenue	\$ 2,921,134	\$ 2,921,136	\$ (2)	<i>Unassigned:</i>			
Total Expenditures	2,933,774	2,933,777	(3)	422 Unassigned Fund Balance (Net Position)	-	-	-
<i>Nonspendable:</i>							
460 Nonspendable Fund Balance	82,468	82,468	-	45 OPEB IRREVOCABLE TRUST			
<i>Restricted/Reserved:</i>				Total Revenue	\$ 38,341	\$ 38,341	\$ -
452 OPEB Liabilities not Held in Trust	-	-	-	Total Expenditures	723,804	723,805	(1)
<i>Restricted:</i>				<i>Unassigned:</i>			
464 Restricted Fund Balance	116,165	116,166	(1)	422 Unassigned Fund Balance (Net Position)	3,517,794	3,517,794	-
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-	47 OPEB DEBT SERVICE			
				Total Revenue	\$ 604,468	\$ 604,469	\$ (1)
04 COMMUNITY SERVICE FUND				Total Expenditures	6,419,213	6,419,213	-
Total Revenue	\$ 4,962,197	\$ 4,962,198	\$ (1)	<i>Nonspendable:</i>			
Total Expenditures	4,654,550	4,654,550	-	460 Nonspendable Fund Balance	-	-	-
<i>Nonspendable:</i>				<i>Restricted:</i>			
460 Nonspendable Fund Balance	22,707	22,707	-	425 Bond Refundings	-	-	-
<i>Restricted/Reserved:</i>				464 Restricted Fund Balance	134,259	134,259	-
426 \$ 25 Taconite	-	-	-	<i>Unassigned:</i>			
431 Community Education	323,760	323,760	-	463 Unassigned Fund Balance	-	-	-
432 ECFE	36,090	36,090	-				
444 School Readiness	13,286	13,286	-				
447 Adult Basic Education	3,154	3,154	-				
452 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	1,538	1,538	-				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

STATISTICAL SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 192

STATISTICAL SECTION (UNAUDITED)

June 30, 2014

III. Statistical Section (Unaudited)

This part of the Independent School District No. 192's comprehensive annual financial report 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.

<u>Contents</u>	<u>Page</u>
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.	84
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	88
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.	94
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.	99
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	101

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 192

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GOVERNMENTAL ACTIVITIES										
Net Investment in Capital Assets	\$ (18,444,685)	\$ (16,591,095)	\$ (11,289,435)	\$ (11,577,957)	\$ (13,208,908)	\$ (21,935,043)	\$ (19,410,971)	\$ (19,484,672)	\$ (18,029,060)	\$ (20,728,015)
Restricted	2,486,345	1,713,439	1,781,530	1,733,913	1,643,480	1,726,121	1,044,706	599,394	378,099	695,172
Unrestricted	(11,910,536)	(18,711,137)	(20,268,890)	(19,383,179)	(19,739,507)	(23,849,059)	(26,893,302)	(15,382,070)	(16,788,565)	(11,659,904)
Total Governmental Activities Net Assets	<u>\$ (27,868,876)</u>	<u>\$ (33,588,793)</u>	<u>\$ (29,776,795)</u>	<u>\$ (29,227,223)</u>	<u>\$ (31,304,935)</u>	<u>\$ (44,057,981)</u>	<u>\$ (45,259,567)</u>	<u>\$ (34,267,348)</u>	<u>\$ (34,439,526)</u>	<u>\$ (31,692,747)</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENSES										
Governmental Activities										
Administration	\$ 2,159,171	\$ 2,199,444	\$ 2,045,598	\$ 2,281,553	\$ 2,493,136	\$ 2,793,108	\$ 2,972,746	\$ 3,039,382	\$ 2,861,239	\$ 3,020,958
District Support Services	1,601,567	1,474,859	1,386,428	1,976,340	2,524,801	2,232,400	2,269,164	2,410,921	2,979,027	3,236,185
Elementary and Secondary Regular Instruction	19,231,161	21,084,864	22,880,685	23,156,343	25,750,887	27,335,092	28,479,726	29,617,751	30,149,009	29,608,354
Vocational Education Instruction	350,987	389,280	314,300	302,777	326,669	631,690	578,780	592,817	591,705	526,164
Special Education Instruction	7,670,169	8,355,791	9,050,031	10,139,144	9,427,975	10,216,472	10,151,500	10,885,818	10,979,602	11,412,057
Instructional Support Services	1,483,902	2,373,744	2,865,364	3,113,444	3,757,421	3,289,443	3,784,372	3,644,676	3,022,306	3,498,036
Pupil Support Services	3,800,847	4,206,293	4,386,666	4,640,911	4,936,253	5,457,701	5,737,995	5,812,966	5,753,865	5,793,138
Sites and Buildings	8,111,469	8,687,424	7,245,002	9,451,157	12,592,569	14,623,090	9,089,024	8,437,907	6,086,373	6,278,475
Fiscal and Other Fixed Cost Programs	325,323	320,307	297,844	221,342	114,430	134,620	200,678	235,465	311,549	269,291
Food Service	2,029,470	2,098,449	2,194,665	2,419,329	2,538,910	2,711,058	2,955,163	2,939,948	3,096,756	3,005,615
Community Education and Services	2,070,566	2,386,326	2,842,337	3,142,501	3,313,200	3,592,038	3,930,389	4,038,348	4,621,956	4,652,640
Depreciation not Included in Other Functions	-	-	-	-	1,240,579	5,257,054	5,254,198	5,310,623	5,324,013	5,038,359
Interest and Fiscal Charges on Long-Term Debt	8,406,203	11,118,369	13,277,703	14,112,327	13,998,006	14,128,567	13,027,014	10,010,468	9,491,794	9,115,861
Total Governmental Activities Expenses	57,240,835	64,695,150	68,786,623	74,957,168	83,014,836	92,402,333	88,430,749	86,977,090	85,269,194	85,455,133
PROGRAM REVENUES										
Governmental Activities										
Charges for Services:										
Administration	-	-	-	-	-	-	-	-	-	-
District Support Services	-	-	-	-	-	-	-	-	369	113,615
Elementary and Secondary Regular Instruction	506,390	505,948	517,491	553,860	590,295	604,896	666,609	694,908	633,563	670,614
Vocational Education Instruction	-	-	-	-	-	-	-	-	-	-
Special Education Instruction	89,925	113,804	116,070	73,309	71,105	27,122	95,087	180,078	147,138	92,262
Instructional Support Services	-	-	-	-	-	-	-	-	1,402	1,000
Pupil Support Services	-	-	-	-	-	-	-	-	-	-
Sites and Buildings	-	61,809	134,799	96,031	82,769	106,271	99,476	106,463	110,149	108,440
Fiscal and Other Fixed Cost Programs	41,979	-	-	-	-	-	-	-	-	-
Food Service	1,492,809	1,556,484	1,673,475	1,745,636	1,807,013	1,955,817	2,016,380	2,039,120	2,013,403	1,932,980
Community Education and Services	1,426,736	1,600,415	1,731,933	2,131,144	2,279,554	2,551,956	2,914,478	3,031,376	3,484,233	3,832,157
Depreciation not Included in Other Functions	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	7,841,787	8,940,906	10,652,686	11,728,792	10,375,129	11,047,034	12,519,519	12,650,254	11,322,874	13,079,334
Capital Grants and Contributions	1,211,077	1,083,807	866,873	1,129,915	1,177,888	786,149	787,713	895,304	947,931	988,310
Total Governmental Activities Program Revenues	12,610,703	13,863,173	15,693,327	17,458,687	16,383,753	17,079,245	19,099,262	19,597,503	18,661,062	20,818,712
Net Expense	(44,630,132)	(50,831,977)	(53,093,296)	(57,498,481)	(66,631,083)	(75,323,088)	(69,331,487)	(67,379,587)	(66,608,132)	(64,636,421)
GENERAL REVENUES										
Governmental Activities										
Taxes:										
Property Taxes, Levied for General Purposes	1,352,575	1,495,101	3,020,744	3,519,886	6,085,529	6,813,122	9,093,054	5,619,114	6,169,145	3,960,769
Property Taxes, Levied for Community Service	395,917	202,907	317,638	358,543	367,776	371,894	593,380	399,820	476,237	281,363
Property Taxes, Levied for Debt Service	5,277,357	6,353,857	8,630,602	10,386,732	11,863,282	12,898,003	13,367,159	12,411,603	12,552,765	12,642,712
General Grants and Aids	30,986,947	32,738,450	36,413,278	38,756,876	40,317,867	37,329,268	39,579,320	45,746,433	47,033,816	50,270,485
Gain on Sale of Capital Assets	-	405	-	3,337	-	22,860	1,525	-	-	-
Other General Revenues	433,241	347,079	273,657	143,906	2,075,524	4,002,777	4,563,378	317,307	351,280	208,794
Investment Earnings	1,330,435	3,370,923	8,249,375	8,154,098	3,843,393	1,132,118	932,085	541,878	36,416	19,077
Special Item	-	-	-	-	-	-	-	13,335,651	-	-
Total Governmental Activities	39,776,472	44,508,722	56,905,294	61,323,378	64,553,371	62,570,042	68,129,901	78,371,806	66,619,659	67,383,200
Change in Net Position	\$ (4,853,660)	\$ (6,323,255)	\$ 3,811,998	\$ 3,824,897	\$ (2,077,712)	\$ (12,753,046)	\$ (1,201,586)	\$ 10,992,219	\$ 11,527	\$ 2,746,779

INDEPENDENT SCHOOL DISTRICT NO. 192

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GENERAL FUND										
Reserved	\$ 1,093,360	\$ 964,795	\$ 1,326,611	\$ 1,020,686	\$ 967,426	\$ 1,132,802	\$ -	\$ -	\$ -	\$ -
Unreserved	2,750,747	394,976	713,894	1,560,721	3,215,451	2,859,312	-	-	-	-
Nonspendable	-	-	-	-	-	-	742,158	647,965	633,768	641,407
Restricted	-	-	-	-	-	-	711,150	268,338	62,952	87,929
Committed	-	-	-	-	-	-	345,968	12,370	-	-
Unassigned	-	-	-	-	-	-	1,815,379	1,601,105	1,248,451	2,167,828
Total General Fund	<u>\$ 3,844,107</u>	<u>\$ 1,359,771</u>	<u>\$ 2,040,505</u>	<u>\$ 2,581,407</u>	<u>\$ 4,182,877</u>	<u>\$ 3,992,114</u>	<u>\$ 3,614,655</u>	<u>\$ 2,529,778</u>	<u>\$ 1,945,171</u>	<u>\$ 2,897,164</u>
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 709,288	\$ 118,061	\$ 140,088	\$ 105,175
Restricted	-	-	-	-	-	-	39,284,106	10,404,021	11,503,067	81,951,552
Reserved	614,875	748,644	454,919	58,678,017	59,017,377	43,748,872	-	-	-	-
Unassigned/ Unreserved, Reported in:										
Special Revenue Funds	66,523	80,978	232,323	338,533	385,059	537,111	(2,387)	(6,573)	(11,146)	-
Capital Projects Fund	96,198,599	120,263,858	104,290,945	57,164,392	25,061,705	17,271,309	-	-	-	-
Debt Service Fund	4,017,953	38,701,403	57,851,703	1,202,510	1,119,835	1,621,821	-	-	-	-
Total All Other Governmental Funds	<u>\$ 100,897,950</u>	<u>\$ 159,794,883</u>	<u>\$ 162,829,890</u>	<u>\$ 117,383,452</u>	<u>\$ 85,583,976</u>	<u>\$ 63,179,113</u>	<u>\$ 39,991,007</u>	<u>\$ 10,515,509</u>	<u>\$ 11,632,009</u>	<u>\$ 82,056,727</u>
Unassigned - Operating Account as a Percentage of Total Expenditures	<u>3.4%</u>	<u>2.7%</u>	<u>3.6%</u>	<u>2.5%</u>	<u>2.2%</u>	<u>2.4%</u>	<u>3.5%</u>	<u>2.7%</u>	<u>2.1%</u>	<u>3.5%</u>

Note: GASB Statement No. 54 was implemented in year 2011.

Only year 2011 through 2013 are reported in compliance with GASB Statement No. 54. years 2004-2010 are reported as previously stated.

INDEPENDENT SCHOOL DISTRICT NO. 192

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Local Sources										
Taxes	\$ 7,028,614	\$ 8,038,073	\$ 11,909,249	\$ 14,183,388	\$ 18,061,922	\$ 20,048,440	\$ 22,707,049	\$ 18,604,245	\$ 19,447,043	\$ 17,011,473
Investment Earnings	1,330,435	3,370,924	8,249,375	8,154,098	3,858,924	1,132,118	932,085	541,878	36,416	19,077
Other	3,992,606	4,186,570	4,459,994	4,743,635	6,900,847	5,688,939	10,361,597	6,381,291	6,762,590	6,977,896
State Sources	38,274,718	40,790,209	45,918,659	49,304,316	49,627,894	46,265,828	49,473,885	56,222,625	56,960,408	61,867,230
Federal Sources	1,763,567	1,971,922	2,001,609	2,311,518	2,232,872	6,456,523	3,405,891	3,057,327	2,323,160	2,452,865
Total Revenues	<u>52,389,940</u>	<u>58,357,698</u>	<u>72,538,886</u>	<u>78,696,955</u>	<u>80,682,459</u>	<u>79,591,848</u>	<u>86,880,507</u>	<u>84,807,366</u>	<u>85,529,617</u>	<u>88,328,541</u>
EXPENDITURES										
Current										
Administration	2,169,047	2,104,540	2,151,256	2,273,727	2,784,195	2,701,290	2,838,452	2,936,329	2,757,084	2,863,077
District Support Services	1,595,746	1,457,496	1,380,536	1,806,741	2,269,851	2,127,420	2,183,386	2,133,558	1,902,112	2,055,614
Elementary and Secondary Regular Instruction	19,192,583	20,856,695	22,739,055	23,324,926	28,655,607	26,545,687	27,336,472	28,583,029	29,071,218	28,671,604
Vocational Education Instruction	352,244	386,815	311,276	326,879	326,669	631,690	578,780	592,817	591,705	532,579
Special Education Instruction	7,688,258	8,358,750	9,026,320	10,113,624	10,434,612	9,641,660	9,794,887	10,469,268	10,558,288	11,141,882
Instructional Support Services	1,493,924	2,382,125	2,832,525	3,080,033	4,016,157	3,189,990	3,650,148	3,543,324	2,887,935	3,352,488
Pupil Support Services	3,805,103	4,243,475	4,383,841	4,637,504	5,068,579	5,410,832	5,682,397	5,755,556	5,725,205	5,783,144
Sites and Buildings	3,746,846	4,702,311	4,014,851	4,700,944	5,320,474	5,835,080	6,032,603	5,579,524	5,397,762	5,530,645
Fiscal and Other Fixed Cost Programs	325,323	320,307	303,601	221,342	114,430	134,620	200,678	235,465	311,549	269,291
Food Service	2,011,487	2,072,261	2,195,526	2,396,154	2,549,785	2,632,808	2,859,571	2,833,874	3,019,151	2,932,891
Community Service	2,055,892	2,365,876	2,834,191	3,147,091	3,284,913	3,532,809	3,894,751	3,971,963	4,595,830	4,638,784
Capital Outlay	10,024,933	6,110,543	21,398,422	52,074,262	36,361,678	8,925,900	3,173,230	4,031,726	3,558,018	8,210,974
Debt Service										
Principal	2,287,158	2,588,926	2,270,000	3,002,000	2,980,000	4,318,458	5,248,853	16,432,160	14,030,000	13,905,000
Interest and Fiscal Charges	6,923,031	8,670,211	12,376,451	12,992,601	13,683,867	13,409,540	12,853,976	10,225,384	9,935,729	9,451,173
Total Expenditures	<u>63,671,575</u>	<u>66,620,331</u>	<u>88,217,851</u>	<u>124,097,828</u>	<u>117,850,817</u>	<u>89,037,784</u>	<u>86,328,184</u>	<u>97,323,977</u>	<u>94,341,586</u>	<u>99,339,146</u>
Excess of Revenues Under Expenditures	(11,281,635)	(8,262,633)	(15,678,965)	(45,400,873)	(37,168,358)	(9,445,936)	552,323	(12,516,611)	(8,811,969)	(11,010,605)
OTHER FINANCING SOURCES (USES)										
Bonds Issued	106,171,619	68,685,000	18,425,000	492,000	6,000,000	-	-	19,210,000	25,765,000	77,060,000
Premium on Bonds Issued	2,458,961	459,825	(42,852)	-	-	-	-	1,315,357	853,862	5,326,810
Debt Service Loans Proceeds	3,810	-	-	-	-	-	-	-	-	-
Capital Loan Proceeds	885,616	-	1,012,558	-	-	-	-	-	-	-
Capital Lease/Certificates of Participation	-	-	-	-	1,077,926	-	-	-	-	-
Proceeds from Sale of Assets	-	405	-	3,337	4,876	22,860	2,112	-	-	506
Debt Retirement from Escrow Account	(20,302,679)	(4,470,000)	-	-	-	(13,285,000)	(24,120,000)	(38,569,121)	(17,275,000)	-
Total Other Financing Sources (Uses)	<u>89,217,327</u>	<u>64,675,230</u>	<u>19,394,706</u>	<u>495,337</u>	<u>7,082,802</u>	<u>(13,262,140)</u>	<u>(24,117,888)</u>	<u>(18,043,764)</u>	<u>9,343,862</u>	<u>82,387,316</u>
Net Change in Fund Balances	<u>\$ 77,935,692</u>	<u>\$ 56,412,597</u>	<u>\$ 3,715,741</u>	<u>\$ (44,905,536)</u>	<u>\$ (30,085,556)</u>	<u>\$ (22,708,076)</u>	<u>\$ (23,565,565)</u>	<u>\$ (30,560,375)</u>	<u>\$ 531,893</u>	<u>\$ 71,376,711</u>
Debt Services as a Percentage of Noncapital Expenditures	<u>15.94%</u>	<u>19.26%</u>	<u>17.57%</u>	<u>15.51%</u>	<u>24.51%</u>	<u>30.31%</u>	<u>21.09%</u>	<u>27.60%</u>	<u>25.83%</u>	<u>24.10%</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

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

Year Ended June 30,	Property Tax			Total
	General Purposes	Other Nonmajor	Debt Service	
2005	1,359,911	397,118	5,271,585	\$ 7,028,614
2006	1,496,886	202,030	6,339,157	8,038,073
2007	3,026,003	312,595	8,570,651	11,909,249
2008	3,448,868	352,735	10,381,785	14,183,388
2009	5,985,319	366,432	11,710,171	18,061,922
2010	6,780,389	738,390	12,529,661	20,048,440
2011	9,044,587	929,522	12,732,940	22,707,049
2012	5,659,094	771,368	12,173,783	18,604,245
2013	6,255,571	771,368	12,305,153	19,332,092
2014	3,997,913	886,268	12,127,292	17,011,473

INDEPENDENT SCHOOL DISTRICT NO. 192

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

Year Ended June 30	Property Tax				Total
	General Purposes	Community Service	Debt Service		
2005	\$ 1,352,575	\$ 395,917	\$ 5,277,357	\$	7,025,849
2006	1,495,101	202,907	6,353,857		8,051,865
2007	3,020,744	317,638	8,630,602		11,968,984
2008	3,519,886	358,543	10,386,732		14,265,161
2009	6,085,529	367,776	11,863,282		18,316,587
2010	6,813,122	371,894	12,898,003		20,083,019
2011	9,093,054	593,380	13,367,159		23,053,593
2012	5,619,114	399,820	12,411,603		18,430,537
2013	6,169,145	476,237	12,552,765		19,198,147
2014	3,960,769	281,363	12,642,712		16,884,844

INDEPENDENT SCHOOL DISTRICT NO.192

**Principal Property Tax Payers
Current Year and Nine years ago
(Unaudited)**

Taxpayer	2014			2005		
	Net Tax Capacity	Rank	Percentage Total City Tax Valuation	Net Tax Capacity	Rank	Percentage Total City Tax Valuation
Northern Natural Gas	\$ 669,882	1	2.92%	\$ 227,689	1	1.19%
Minnesota Pipeline Co	\$ 315,160	2	1.37%			
Northern State Power	225,128	3	0.98%	93,053	7	0.49%
Dakota Electric	154,432	4	0.67%	142,255	2	0.75%
Country View Lmted Partnership	134,133	5	0.58%			
MN Energy Resources Corp	131,742	6	0.57%			
Fulford Group LLC	123,862	7	0.54%	106,230	4	0.56%
Farmington Land LLC	88,358	8	0.39%			
Uniprop Manufactured Housing	87,022	9	0.38%	104,912	5	0.55%
Farmington City Center	86,348	10	0.38%	77,272	8	0.41%
Dakota Storage LLC				75,068	9	0.39%
Countryview Lmted Partnership				115,869	3	0.61%
St. Francis Health Services				94,014	6	0.49%
Utilicory United				72,297	10	0.38%
Total for Ten Largest Principal Taxpayers	<u>\$ 2,016,067</u>			<u>\$ 1,108,659</u>		

Source: Current property valuations and net tax capacity values have been furnished by Dakota County.

INDEPENDENT SCHOOL DISTRICT NO. 192

**Direct and Overlapping
Tax Capacity Rates
Last Eight Fiscal Years
(Unaudited)**

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>Proposed 2014-15</u>
GOVERNMENTAL UNIT								
ISD No. 192 (Farmington)	45.831%	49.226%	53.452%	52.157%	55.308%	57.226%	56.326%	53.410%
Overlapping Governments:								
Dakota County	25.177%	25.814%	27.269%	29.149%	31.417%	33.421%	31.827%	29.603%
City of Farmington	43.821%	44.186%	49.274%	55.733%	63.093%	66.821%	65.876%	61.498%
City of Lakeville	34.195%	33.973%	36.624%	38.250%	39.051%	41.234%	40.696%	39.318%
ISD No. 192 Market Value Referendum Rate	0.138%	0.137%	0.152%	0.146%	0.140%	0.151%	0.111%	0.115%

Source: Dakota County - Information prior to 2006-2007 was not available.

INDEPENDENT SCHOOL DISTRICT NO. 192

**Property Tax Levies and Collections
Last Ten Years
(Unaudited)**

For Taxes Collectible	Total Tax Levy for Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 8,051,865	\$ 3,068,331	38.11%	\$ 4,978,148	\$ 8,046,479	99.93%
2006	11,968,984	5,096,402	42.58%	6,859,923	11,979,938	100.09%
2007	14,265,161	5,806,817	40.71%	8,423,575	14,243,659	99.85%
2008	18,316,587	7,693,756	42.00%	10,500,275	18,252,791	99.65%
2009	19,904,838	8,442,262	42.41%	11,118,017	19,687,373	98.91%
2010	20,183,380	8,738,000	43.29%	11,132,876	19,870,876	98.45%
2011	19,637,823	8,016,000	40.82%	11,155,089	19,171,089	97.62%
2012	19,015,675	8,036,000	42.26%	10,998,231	19,034,231	100.10%
2013	18,916,187	7,946,000	42.01%	10,580,870	18,526,870	97.94%
2014	18,487,778	7,920,000	42.01%		7,920,000	42.84%

Note 1: 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.

Note 2: A portion of the total tax levy is paid through various property tax credits which are paid through state aids.

Note 3: Property taxes are remitted to the District based on a calendar year, the amount stated represents collections through the District's year end of June 30.

Source: State of Minnesota School Tax Report and Dakota County Certification report.

INDEPENDENT SCHOOL DISTRICT NO. 192

**Tax Capacities and Estimated Actual Value of Taxable Property
Last Ten Years
(Unaudited)**

For Taxes Collectible	Residential Property	Commercial Industrial Property	Other Property	Less: Tax Increment Property	Less: Net Fiscal Disparities	Net Taxable Tax Capacity	Total Direct Tax Rate	Estimated Taxable Market Value	Taxable Tax Capacity as a Percentage of Estimated Market Value
2005	\$ 17,361,790	\$ 3,356,929	\$ 351,921	\$ 1,394,850	\$ 613,055	\$ 19,062,735	0.36540	\$ 2,016,651,500	0.95%
2006	20,464,362	3,734,856	343,153	1,454,504	667,622	22,420,245	0.43708	2,359,935,700	0.95%
2007	23,239,293	4,370,247	363,047	495,460	722,202	26,754,925	0.44190	2,676,268,200	1.00%
2008	24,902,097	4,980,968	436,245	272,854	935,057	29,111,399	0.45831	2,887,245,700	1.01%
2009	24,933,539	5,320,233	681,897	276,401	1,149,212	29,510,056	0.49238	2,921,240,700	1.01%
2010	22,695,350	5,652,667	672,488	227,914	1,373,683	27,418,908	0.53452	2,731,917,100	1.00%
2011	20,771,306	5,348,988	963,216	143,056	1,469,322	25,471,132	0.52157	2,362,129,131	1.08%
2012	18,382,040	5,254,585	976,312	137,147	1,511,046	22,964,744	0.55308	2,296,409,991	1.00%
2013	17,128,253	5,384,965	1,029,198	130,805	1,478,574	21,933,037	0.57226	2,177,482,525	1.01%
2014	17,712,961	5,735,422	1,088,025	119,175	1,473,765	22,943,468	0.56326	2,234,391,750	1.03%

INDEPENDENT SCHOOL DISTRICT NO.192

**Ratios of Outstanding Debt by Type
Last Ten Years
(Unaudited)**

Year	G.O. Bonds	Capital Loans	Debt Service Loans	Energy Loans	Capital Leases	Total Primary Government	Estimated Population	Net Bonded Debt per Capita	Percentage of Outstanding Debt to Personal Income
2005	\$ 206,799,927	\$ 16,928,911	\$ 68,599	\$ 4,275	\$ 16,957	\$ 223,818,669	25,408	\$ 8,809	23.19%
2006	269,554,828	17,703,117	68,599	-	5,757	287,332,301	26,678	10,770	26.92%
2007	286,026,812	18,563,732	70,539	-	-	304,661,083	27,454	11,097	26.57%
2008	283,640,218	19,418,868	70,550	-	-	303,129,636	28,048	10,808	25.11%
2009	284,303,393	19,821,192	70,539	-	791,987	304,987,111	28,848	10,572	25.65%
2010	266,816,650	20,959,034	74,702	-	538,529	288,388,915	32,886	8,769	20.47%
2011	237,301,662	22,162,364	79,111	-	274,676	259,817,813	33,215	7,822	17.55%
2012	214,773,235	-	-	-	-	214,773,235	33,547	6,402	13.85%
2013	209,856,465	-	-	-	-	209,856,465	33,883	6,194	12.94%
2014	277,935,874					277,935,874	33,308	8,344	N/A

INDEPENDENT SCHOOL DISTRICT NO. 192

**Ratios of General Bonded Debt Outstanding
Last Ten Years
(Unaudited)**

<u>Year</u>	<u>G.O. Bonds</u>	<u>Less Amounts Available in Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Tax Capacity</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
2005	\$ 206,799,927	\$ 4,017,953	\$ 202,781,974	\$ 24,542,371	826.25%	25,408	\$ 7,981
2006	269,554,828	38,701,403	230,853,425	27,972,587	825.28%	26,678	8,653
2007	286,026,812	57,851,703	228,175,109	30,319,310	752.57%	27,454	8,311
2008	283,640,218	59,581,855	224,058,363	30,935,669	724.27%	28,048	7,988
2009	284,303,393	59,545,710	224,757,683	29,040,400	773.95%	28,848	7,791
2010	266,816,650	45,312,048	221,504,602	27,084,254	817.84%	32,886	6,736
2011	237,301,662	20,728,215	216,573,447	31,446,107	688.71%	33,215	6,520
2012	214,773,235	2,235,198	212,538,037	27,685,523	767.69%	33,547	6,336
2013	209,856,465	3,322,271	206,534,194	26,387,033	782.71%	33,883	6,096
2014	277,935,874	80,248,597	197,687,277	24,031,493	822.62%	33,308	5,935

Note: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 192**Ratio of Annual Debt Service Expenditures for
General Bonded Debt
to Total General Fund Expenditures
Last Ten Years
(Unaudited)**

<u>Year</u>	<u>Total Principal</u>	<u>Interest and Other Charges</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Debt Service to General Fund Expenditures</u>
2005	\$ 2,287,158	\$ 6,923,031	\$ 9,210,189	\$ 40,427,719	22.8%
2006	2,588,926	8,670,211	11,259,137	44,824,243	25.1%
2007	2,270,000	12,376,451	14,646,451	47,143,261	31.1%
2008	3,002,000	12,992,601	15,994,601	51,163,099	31.3%
2009	2,980,000	13,683,867	16,663,867	59,393,302	28.1%
2010	4,065,000	13,377,057	17,442,057	56,933,841	30.6%
2011	4,985,000	12,831,889	17,816,889	58,990,656	30.2%
2012	16,157,484	10,214,118	26,371,602	60,838,578	43.3%
2013	14,030,000	9,935,729	23,965,729	60,629,052	39.5%
2014	13,905,000	9,451,173	23,356,173	61,596,274	37.9%

Note: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 192

Direct and Overlapping Governmental Activities Debt As of June 30, 2014 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Dakota County	\$ 42,730,000	6.44%	\$ 2,753,350
City of Farmington	30,100,695	99.96%	30,089,708
City of Lakeville	61,960,000	8.90%	5,517,476
Town of Empire	880,000	81.05%	713,275
Metropolitan Council	196,680,000	3.786%	7,446,305
Subtotal, Overlapping Debt	332,350,695		46,520,115
Independent School District No. 192 - Direct Debt	277,935,874	100.00%	277,935,874
Total Direct and Overlapping Debt			<u>\$ 324,455,989</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. This process recognizes that, when considering the government's ability of issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government. Debt outstanding for Dakota County, Metropolitan Council, Town of Empire and the cities of Farmington and Lakeville is as of August 2014.

INDEPENDENT SCHOOL DISTRICT NO. 192

**Legal Debt Margin Information
Last Ten Years
(Unaudited)**

	Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 353,990,355	\$ 401,440,230	\$ 433,086,855	\$ 438,186,105	\$ 409,903,605	\$ 380,394,990	\$ 353,897,014	\$ 344,461,499	\$ 326,622,379	\$ 386,941,701
Total Net Debt Applicable to Limit	<u>206,799,927</u>	<u>269,554,828</u>	<u>286,026,812</u>	<u>283,640,218</u>	<u>284,303,393</u>	<u>266,816,652</u>	<u>237,301,662</u>	<u>211,675,000</u>	<u>206,135,000</u>	<u>269,290,000</u>
Legal Debt Margin	<u>\$ 147,190,428</u>	<u>\$ 131,885,402</u>	<u>\$ 147,060,043</u>	<u>\$ 154,545,887</u>	<u>\$ 125,600,212</u>	<u>\$ 113,578,338</u>	<u>\$ 116,595,352</u>	<u>\$ 132,786,499</u>	<u>\$ 120,487,379</u>	<u>\$ 117,651,701</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	58.42%	67.15%	66.04%	64.73%	69.36%	70.14%	67.05%	61.45%	63.11%	69.59%

Legal Debt Margin Calculation for Year 2012:

Market Value	\$ 2,579,611,339
Debt Limit (15% of Market Value)	386,941,701
Debt Applicable to Limit:	
G.O. Bonds	<u>269,290,000</u>
Total Net Debt Applicable to Limit	<u>269,290,000</u>
Legal Debt Margin	<u>\$ 117,651,701</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 192

**Demographic and Economic Statistics - Employment
Last Ten Years
(Unaudited)**

<u>Year</u>	<u>Average Employment Dakota County</u>	<u>Average Unemployment Dakota County</u>	<u>Average Unemployment State of Minnesota</u>
2005	219,497	3.70%	4.20%
2006	221,130	3.60%	4.10%
2007	220,658	4.10%	4.60%
2008	220,010	4.90%	5.40%
2009	214,926	6.90%	7.20%
2010	234,344	6.70%	6.70%
2011	215,880	6.60%	6.90%
2012	221,488	5.00%	5.20%
2013	234,367	4.00%	4.80%
2014	225,408	3.90%	4.60%

Sources: U.S. Census and Minnesota Department of Employment and Economic
Development - Information prior to 2005 was not available.

INDEPENDENT SCHOOL DISTRICT NO. 192

**Principal Employers-City of Farmington
Current Year and Seven Years Ago
(Unaudited)**

Employer	2014			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Farmington Public Schools	900	1	38.31%	825	1	33.70%
Federal Aviation Administration	400	2	17.03%	472	2	19.28%
Dakota Electric	200	3	8.51%	216	3	8.82%
Marschall Line Inc	182	4	7.75%	200	4	8.17%
Trinity Care Center and Trinity Terrace	140	5	5.96%	125	8	5.11%
Kemps LLC	131	6	5.58%	125	9	5.11%
Valmont Industries	130	7	5.53%	131	6	5.35%
R & L Carriers	110	8	4.68%			
City of Farmington	91	9	3.87%	144	5	5.88%
JIT Powder Coating	65	10	2.77%			
River Valley Home Care				130	7	5.31%
Bachmans Nursey				80	10	3.27%
Total	2,349			2,448		

Source: City of Farmington Community Development Department. The department was not able to go back further than 2008.
Minnesota Department of Employment and Economic Development

INDEPENDENT SCHOOL DISTRICT NO. 192

**Food Service Information
as of June 30, 2014
(Unaudited)**

<u>Meals</u>	<u>Number of Meals Served</u>
Elementary Full Paid Lunch	252,222
Secondary Full Paid Lunch	280,257
Reduced Price Lunch	44,782
Free Lunch	109,524
Adult Lunch	16,448
Total Lunches Served	703,233
Elementary Full Paid Breakfast	28,620
Secondary Full Paid Breakfast	5,642
Reduced Price Breakfast	5,882
Free Breakfast	21,174
Adult Breakfast	732
Total Breakfasts Served	62,050

INDEPENDENT SCHOOL DISTRICT NO. 192

**School Facilities
as of June 30, 2014
(Unaudited)**

<u>Facility</u>	<u>Year Constructed</u>	<u>Years of Addition</u>	<u>Grades Housed</u>	<u>Square Footage</u>
Aikin Road Elementary	1988		K-5	93,954
Farmington Elementary	1954	1965,1997	K-5	71,193
North Trail Elementary	1997		K-5	98,550
Meadowview Elementary	2003		K-5	137,092
Riverview Elementary	1999		K-5	150,286
Dodge Middle School	1993	1997	G6-8	211,328
Boeckman Middle School	1973	1995, 2004	G6-8	258,327
Farmington High School (New Facility)	2009		G9-12	430,000
Instructional Services Center	1918	1965		90,166
District Services Center	1975			7,200

INDEPENDENT SCHOOL DISTRICT NO. 192

**Student Enrollment
Last Ten Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

Year Ended June 30,	Average Daily Membership (ADM) (Including Enrollment Option)					Total Pupil Units
	Handicapped and Prekindergarten	Kindergarten	Elementary	Secondary	Total	
2005	86.49	417.70	2,852.97	2,233.93	5,591.09	6,342.60
2006	68.47	475.63	2,922.18	2,387.17	5,853.45	6,627.24
2007	86.76	472.27	3,036.80	2,474.32	6,070.15	6,883.42
2008	77.18	493.36	3,095.21	2,572.89	6,238.64	7,101.52
2009	84.43	518.94	3,114.03	2,637.93	6,355.33	7,232.54
2010	84.47	522.89	3,165.18	2,726.45	6,498.99	7,409.15
2011	87.82	465.43	3,205.57	2,762.47	6,521.29	7,579.79
2012	86.04	511.54	3,244.31	2,796.47	6,638.36	7,579.00
2013	83.93	529.58	3,328.85	2,813.92	6,756.28	7,699.77
2014	81.73	497.56	3,437.45	2,898.07	6,914.81	7,905.65

Note 1: Beginning in 2004, ADM is limited to 1.0 ADM per student.

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

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
2004 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
2008 through 2014	1.250	1.000	0.612	1.115	1.060	1.300

INDEPENDENT SCHOOL DISTRICT NO. 192

Demographic and Economic Statistics - Income Last Ten Years (Unaudited)

Year	Population	Personal Income	Per Capita Personal Income
2005	25,408	\$ 965,275,328	37,991
2006	26,678	\$ 1,067,520,170	40,015
2007	27,454	\$ 1,146,588,856	41,764
2008	28,048	\$ 1,207,101,776	43,037
2009	28,848	\$ 1,189,201,104	41,223
2010	32,886	\$ 1,409,066,442	42,847
2011	33,215	\$ 1,480,060,400	44,560
2012	33,547	\$ 1,550,777,169	46,227
2013	33,883	\$ 1,621,504,848	47,856
2014 Est	33,308	N/A	N/A

N/A : Data not available

Data Sources: Minnesota Department of Employment and Economic Development
Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 192

**General Fund - Operating Account Expenditures by Program
Last Ten Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Capital Outlay	Total	Percent Increase (Decrease) From Prior Year
2005	\$ 2,169,047 4.8%	\$ 1,595,746 3.6%	\$ 19,192,583 42.8%	\$ 352,244 0.8%	\$ 7,688,258 17.2%	\$ 1,493,924 3.3%	\$ 3,805,103 8.5%	\$ 3,746,846 8.4%	\$ 383,968 0.9%	\$ - 0.0%	\$ 40,427,719 90.2%	10.64%
2006	2,104,540 4.5%	1,457,496 3.1%	20,856,695 44.2%	386,815 0.8%	8,358,750 17.7%	2,382,125 5.1%	4,243,475 9.0%	4,702,311 10.0%	332,036 0.7%	- 0.0%	44,824,243 95.1%	10.88%
2007	2,151,256 4.2%	1,380,536 2.7%	22,739,055 44.4%	311,276 0.6%	9,026,320 17.6%	2,832,525 5.5%	4,383,841 8.6%	4,014,851 7.8%	303,601 0.6%	- 0.0%	47,143,261 92.1%	5.17%
2008	2,273,727 3.8%	1,806,741 3.0%	23,324,926 39.3%	326,879 0.6%	10,113,624 17.0%	3,080,033 5.2%	4,637,504 7.8%	4,552,316 7.7%	221,342 0.4%	826,007 1.4%	51,163,099 86.1%	8.53%
2009	2,784,195 4.9%	2,269,851 4.0%	28,655,607 50.3%	326,669 0.6%	10,434,612 18.3%	4,016,157 7.1%	5,068,579 8.9%	4,942,845 8.7%	114,430 0.2%	780,357 1.4%	59,393,302 104.3%	16.09%
2010	2,700,768 4.6%	2,127,420 3.6%	26,545,166 45.0%	631,690 1.1%	9,641,703 16.3%	3,189,990 5.4%	5,410,832 9.2%	5,332,307 9.0%	134,620 0.2%	1,218,345 2.1%	56,932,841 96.5%	-4.14%
2011	2,838,452 4.7%	2,469,326 4.1%	27,336,472 44.9%	578,780 1.0%	9,794,887 16.1%	3,650,148 6.0%	5,682,397 9.3%	5,729,994 9.4%	200,678 0.3%	709,522 1.2%	58,990,656 97.0%	3.61%
2012	2,936,329 4.8%	2,419,500 4.0%	28,583,029 47.1%	592,817 1.0%	10,469,268 17.3%	3,543,324 5.8%	5,755,556 9.5%	5,337,706 8.8%	235,465 0.4%	965,584 1.6%	60,838,578 100.3%	3.13%
2013	2,757,084 4.5%	1,902,112 3.1%	29,071,218 47.2%	591,705 1.0%	10,558,288 17.1%	2,887,935 4.7%	5,725,205 9.3%	5,201,116 8.4%	311,549 0.5%	1,622,840 2.6%	60,629,052 100.0%	-0.34%
2014	2,863,077 4.6%	2,055,614 3.3%	28,671,604 46.5%	532,579 0.9%	11,141,882 18.1%	3,352,488 5.4%	5,783,144 9.4%	5,356,602 8.7%	269,291 0.4%	1,569,993 2.5%	61,596,274 100.0%	1.60%

INDEPENDENT SCHOOL DISTRICT NO. 192

**Revenue and Expenditures - Governmental Funds
General, Special Revenue, Capital Projects and Debt Service Funds
Last Ten Years
(Unaudited)**

	Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
General Fund										
Operating Account	\$ 39,310,593	\$ 42,339,502	\$ 47,823,995	\$ 51,700,664	\$ 55,102,346	\$ 56,607,768	\$ 58,377,101	\$ 59,753,701	\$ 60,044,445	\$ 62,547,761
Special Revenue Funds										
Food Service Fund	1,938,947	2,076,572	2,259,468	2,424,772	2,535,820	2,760,908	2,908,993	2,935,710	2,959,723	2,921,134
Community Service Fund	2,231,619	2,509,789	2,627,869	3,079,803	3,236,917	3,492,951	3,877,738	4,055,920	4,578,216	4,962,197
Other Nonmajor	-	-	-	-	-	381,029	354,393	386,001	407,649	604,468
Capital Projects Fund	905,259	3,449,227	5,425,509	3,766,963	3,179,654	217,796	4,361,765	68,104	31,628	1,759
Debt Service Fund - G.O. Bonds	8,003,522	7,982,608	14,402,045	17,724,753	16,627,722	16,131,395	17,000,517	17,607,930	17,507,956	17,291,222
Total Revenues	<u>\$ 52,389,940</u>	<u>\$ 58,357,698</u>	<u>\$ 72,538,886</u>	<u>\$ 78,696,955</u>	<u>\$ 80,682,459</u>	<u>\$ 79,591,847</u>	<u>\$ 86,880,507</u>	<u>\$ 84,807,366</u>	<u>\$ 85,529,617</u>	<u>\$ 88,328,541</u>
EXPENDITURES										
Current										
Operating Account	\$ 40,427,719	\$ 44,824,243	\$ 47,143,261	\$ 51,163,099	\$ 59,393,302	\$ 56,933,841	\$ 58,990,656	\$ 60,838,578	\$ 60,629,052	\$ 61,596,274
Special Revenue Funds										
Food Service Fund	2,011,487	2,072,261	2,195,526	2,396,556	2,550,104	2,632,808	2,899,623	2,861,842	3,019,151	2,933,774
Community Service Fund	2,055,892	2,365,876	2,834,191	3,158,056	3,312,708	3,591,455	3,914,999	4,017,144	4,642,123	4,654,550
Other Nonmajor	-	-	-	-	-	362,000	352,539	352,990	352,539	6,419,213
Capital Projects Fund	10,024,933	6,110,543	21,398,422	51,385,516	35,930,836	8,437,623	2,706,017	3,234,811	2,154,791	6,798,375
Debt Service Fund - G.O. Bonds	9,151,544	11,247,408	14,646,451	15,994,601	16,663,867	17,080,057	17,464,350	26,018,612	23,543,930	16,936,960
Total Expenditures	<u>\$ 63,671,575</u>	<u>\$ 66,620,331</u>	<u>\$ 88,217,851</u>	<u>\$ 124,097,828</u>	<u>\$ 117,850,817</u>	<u>\$ 89,037,784</u>	<u>\$ 86,328,184</u>	<u>\$ 97,323,977</u>	<u>\$ 94,341,586</u>	<u>\$ 99,339,146</u>

INDEPENDENT SCHOOL DISTRICT NO. 192

Expenditures per Student Year Ended June 30, 2014 (With Comparative Amounts for the Year Ended June 30, 2013) (Unaudited)

	State Average	ISD No. 192	
	2013	2013	2014
EXPENDITURES PER STUDENT (ADM) (1)			
General Fund - Operating Account			
District and School Administration	\$ 475	\$ 403	\$ 414
District Support Services	417	278	297
Elementary and Secondary Regular Instruction	4,955	4,246	4,146
Vocational Education Instruction	132	86	77
Special Education Instruction	1,896	1,542	1,611
Instructional Support Services	466	422	485
Pupil Support Services	916	836	836
Sites and Buildings, Fiscal and Other Fixed Cost Programs	838	805	814
Total General Fund - Operating Account	10,095	8,619	8,681
Food Service Special Revenue Fund	497	441	424
Total PK - 12 Operating Expenditures	10,592	9,060	9,105
General Fund - Capital Expenditure Account	570	237	227
Community Service Special Revenue Fund	515	678	673
Capital Projects Fund	673	315	983
Debt Service Fund	1,173	3,439	2,449
Total Expenditures Per Student	\$ 13,523	\$ 13,729	\$ 13,437
ADM Served	844,124	6,825	6,915

Source: Minnesota Department of Education School District Profiles

INDEPENDENT SCHOOL DISTRICT NO. 192

**(GENERAL FUND) Cost per Pupil on Weighted Average Daily Membership
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
District and School Administration	\$ 2,169,047	\$ 2,104,540	\$ 2,151,256	\$ 2,276,227	\$ 2,787,546	\$ 2,704,197	\$ 2,845,999	\$ 2,941,589	\$ 2,759,636	\$ 2,866,365
District Support Services	1,595,746	1,457,496	1,380,536	2,054,385	2,762,881	2,511,483	2,478,833	2,625,824	2,894,569	3,086,200
Elementary and Secondary Regular Instruction	19,192,583	20,856,695	22,739,055	23,347,454	28,738,636	26,656,521	27,426,744	28,704,749	29,221,257	28,821,609
Vocational Education Instruction	352,244	386,815	311,276	384,509	326,669	631,690	578,780	592,817	591,705	532,579
Special Education Instruction	7,688,258	8,358,750	9,026,320	10,119,368	10,452,274	9,884,859	9,821,738	10,480,975	10,582,999	11,148,251
Instructional Support Services	1,493,924	2,382,125	2,832,525	3,088,002	4,053,639	3,203,153	3,683,316	3,550,964	2,888,185	3,360,385
Pupil Support Services	3,805,103	4,243,475	4,383,841	4,626,948	5,060,097	5,410,832	5,682,397	5,755,556	5,725,205	5,783,144
Sites, Buildings and Equipment	3,746,846	4,702,311	4,014,851	5,044,863	5,097,131	5,796,486	6,272,171	5,950,639	5,653,947	5,728,450
Fiscal and Other Fixed Cost Programs	383,968	332,036	303,601	221,342	114,430	134,620	200,678	235,465	311,549	269,291
Total	\$ 40,427,719	\$ 44,824,243	\$ 47,143,261	\$ 51,163,099	\$ 59,393,303	\$ 56,933,841	\$ 58,990,656	\$ 60,838,578	\$ 60,629,052	\$ 61,596,274
 Weighted ADM	 6,343	 6,627	 6,883	 7,102	 7,233	 7,409	 7,471	 7,579	 7,700	 7,905
District and School Administration	\$ 342	\$ 318	\$ 313	\$ 321	\$ 385	\$ 365	\$ 381	\$ 388	\$ 358	\$ 363
District Support Services	252	220	201	289	382	339	332	346	376	390
Elementary and Secondary Regular Instruction	-	-	-	-	3,974	3,598	3,671	3,787	3,795	3,646
Vocational Education Instruction	56	58	45	54	45	85	77	78	77	67
Special Education Instruction	1,212	1,261	1,311	1,425	1,445	1,334	1,315	1,383	1,374	1,410
Instructional Support Services	236	359	411	435	560	432	493	469	375	425
Pupil Support Services	600	640	637	652	700	730	761	759	744	732
Sites, Buildings and Equipment	591	710	583	710	705	782	840	785	734	725
Fiscal and Other Fixed Cost Programs	61	50	44	31	16	18	27	31	40	34
Total	\$ 6,374	\$ 6,764	\$ 6,849	\$ 7,205	\$ 8,212	\$ 7,684	\$ 7,896	\$ 8,027	\$ 7,874	\$ 7,792

INDEPENDENT SCHOOL DISTRICT NO. 192

EMPLOYEES BY PROGRAM EXPENSE

Last Ten Years

(Unaudited)

	Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
District and School Administration	31	33	29	28	30	33	28	31	34	35
District Support Services	18	20	20	17	17	19	20	24	22	23
Elementary and Secondary Regular Instruction	322	310	298	297	311	309	316	339	346	336
Vocational Education Instruction	10	9	10	8	9	10	10	9	9	8
Special Education Instruction	130	141	147	155	157	157	159	211	214	218
Community Education and Services	41	46	48	45	59	66	63	103	117	105
Instructional Support Services	19	18	20	20	22	27	35	26	31	31
Pupil Support Services	19	20	20	22	22	25	27	46	34	31
Sites, Buildings and Equipment	37	40	41	40	41	50	53	49	50	56
Food Service	7	7	6	6	5	6	6	6	4	4
Total	634	634	644	639	638	673	702	844	861	847