

INDEPENDENT SCHOOL DISTRICT 719
PRIOR LAKE-SAVAGE AREA SCHOOLS
PRIOR LAKE, MINNESOTA



2015-16
Comprehensive
Annual Financial Report
Year Ended June 30, 2016

INDEPENDENT SCHOOL DISTRICT 719
PRIOR LAKE-SAVAGE AREA SCHOOLS

P.O. BOX 539
PRIOR LAKE, MN 55372

Comprehensive
Annual Financial Report

Year Ended June 30, 2016

Prepared by:

District Business Office

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INDEPENDENT SCHOOL DISTRICT NO. 719
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INTRODUCTORY SECTION



PRIOR LAKE-SAVAGE
AREA SCHOOLS

A community of lifelong learners

To: Citizens of Prior Lake-Savage Area Schools
Board of Education
Staff of Prior Lake-Savage Area Schools

Date: September 26, 2016

PREFACE

The Comprehensive Annual Financial Report of Independent School District No. 719, Prior Lake-Savage Area Schools (the District) is submitted for the fiscal year (FY) ended June 30, 2016. The District administration accepts total responsibility for the accuracy, completeness, and fairness in presentation of the enclosed financial reports. An independent firm of certified public accountants audits this report.

Independent School District No. 719, also known as Prior Lake-Savage Area Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board is responsible for legislative and fiscal control of Prior Lake-Savage Area Schools. A superintendent is appointed by the board and is responsible for administrative control of the District. There are no other entities for which the District is considered financially accountable.

These financial statements incorporate the requirements of Statement No. 34 of the Governmental Accounting Standards Board (GASB) entitled *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This standard, issued in June 1999, creates a reporting model of financial information and disclosure, which is comprehensive and attempts to closely reflect the reporting model required for private industry. The reader will notice that two entity-wide basic financial statements created by this standard, the Statement of Net Position and the Statement of Activities, do not contain numerous columns for various funds that have been seen in past governmental financial statements. These two statements consolidate much of the information contained in fund-based financial statements of the past into statements which tend to answer the question: “Is the district better or worse off financially than it was in the previous year?” A comparison of net position should help the reader in answering that question.

Also required as a part of “Required Supplementary Information” by GASB Statement No. 34 is a “Management’s Discussion and Analysis” (MD & A) which allows the District to explain in layman’s terms its financial position and results of operations of the past fiscal year.

The Comprehensive Annual Financial Report is presented in three primary sections as follows:

- Introductory Section
- Financial Section
- Statistical Section

The introduction includes a list of principal officials, an organizational chart, and this transmittal letter. The financial section includes the basic financial statements, individual fund statements and related schedules. The report of the Independent Certified Public Accountants is also included in the financial section. Notes to the financial section are provided to enhance the reader's understanding of Prior Lake-Savage Area Schools' accounting policies and procedures. The statistical section incorporates GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. GASB Statement No. 44 offers a wealth of descriptive and illustrative material designed to minimize the possibility of misinterpretation. GASB incorporated into the statistical section certain data now available for the first time as a result of the implementation of GASB Statement No. 34. GASB established five broad objectives which are used to organize the Statistical Section.

- 1) Financial trends
- 2) Revenue capacity
- 3) Debt capacity
- 4) Demographics and economics
- 5) Operations

The District is required to undergo an annual audit of its Federal Financial Assistance (Single Audit) in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States, and the provisions of the Uniform Guidance. Information related to the Single Audit is issued separately and is not included in this report.

DISTRICT STRATEGIC ROADMAP

The School Board approved a strategic roadmap for our District in 2014 that serves as a compass to shape yearly improvement goals and guide the District's educational programs, services and applied resources. One of the driving forces of the strategic plan was to maintain our current fiscal health and accountability while moving toward achievement of our educational vision. Components include:

School District Mission:

Our mission is to educate all learners to reach their full potential as contributing, productive community members of an ever-changing world. We are innovative, environmentally focused and wise stewards of our resources.

Vision:

- Sustainable environmental focus sought out by others
- Challenging, diverse and personalized learning
- A culture of excellence fostering a love of learning
- A district of stakeholder partnerships
- Technology enhancing instruction, communication and administration
- Moving towards class size goals through staffing and space
- Innovative and flexible staffing
- Financial stewardship

Core Values:

- **Partnership:** Collaboration of resources and talents to achieve high mutual goals to benefit all
- **Innovation:** Creative problem solving connecting creativity with usefulness
- **Respect:** Valuing of ourselves, each other and our world across all differences
- **Wise stewardship:** Developing and effective use of our knowledge, human, financial, physical, and environmental resources
- **Accountability:** Holding ourselves and each other accountable for our actions and words
- **Strive for Excellence:** Commitment to continuous learning and improvement

Strategic Directions:

- A. Increasing measurable student growth and achievement
- B. Continue financial accountability to community while using available resources to educate students
- C. Expand specialized programming and technology to meet student needs
- D. Expand and embed environmental focus across the District
- E. Integrating technology for teaching and communications; increasing capacity to set standards for all learners
- F. Engage stakeholders

DISTRICT FISCAL FRAMEWORK

The District has a fund balance policy of 8-12% in undesignated funds. The past four years, the District has maintained a fund balance within board policy. Many efforts led to the District's fiscal success:

- An unwavering focus on efficiency improvement in all areas. Items of cost containment that have resulted from these efficiencies include reduction in energy usage, reduced rates for property insurance, and increased use of technology to automate processes. The district recently awarded a performance contract to Nexus Corporation to improve lighting, HVAC, and other mechanical systems to lower cost consumption by updating and improving performances of these systems. The District's energy consumption is below \$1 per square foot. Only 25% of the school districts in Minnesota have energy consumption below \$1 per square foot.
- In November 2008, the District's voters approved an operating referendum renewal along with a \$210 per pupil unit increase. As a result of the successful election the operating referendum per pupil unit is \$1,097 and is in place for 10 years. Local Optional revenue is a new component of General Education Revenue, beginning in FY 2015. This allows for \$424 of referendum revenue to become non-voter approved. Since most districts have already passed referendums to fund portions of these higher costs, Local Optional revenue is deducted from referendum revenue. The district's operating referendum is now \$673 PPU with an additional \$424 for local option revenue.
- District's received an additional 2% onto the basic funding formula in 2015-16. The basic formula is \$5,948. Weighting for students K-6 is 1.0, for students 7-12 the weighting factor is 1.2. For students that attend the Alternative Learning Center, the number of seat hours is calculated to determine their Average Daily Membership.
- In 2013, the District and PLSEA voted to implement Q-Comp in the District and it was approved for implementation by MDE for the 2013-14 school year. Q-Comp supports professional development and improves student achievement. Q-Comp meets the requirements of the Teacher Evaluation Plan. The district continues to utilize Q-Comp throughout the district.
- Funding has been below the current annual rate of inflation for the last 20 years. Accordingly, the District continues to utilize sophisticated enrollment and financial planning tools, along with detailed and conservative budgeting and budget monitoring processes.

- In 2015, MN Legislature approved Long-Term Facility Maintenance Funding for all school districts in Minnesota. The 2015 Minnesota Legislature repealed sources of facilities revenue from three statutes and replaced them with one enhanced revenue program called Long-Term Facilities Maintenance Revenue (LTFM revenue). The new law, Minnesota Statutes, section 123B.595, offers a comprehensive program to fund a facility 10-year plan developed by a school district, intermediate school district, or cooperative. The uses of revenue, or allowable expenditures, remain the same as under the three previous programs. The repeal of revenues from Minnesota Statutes, section 123B.591, Deferred Maintenance Revenue; Minnesota Statutes, section 123B.59, Alternative Facilities Bonding and Levy Program; and Minnesota Statutes, section 123B.57, Capital Expenditure Health and Safety and replacement with the new program are effective July 1, 2016. The LTFM program provides funds for the district 10-year facility plan projects that include Health and Safety (H&S), accessibility, and deferred maintenance. The School Board Approved a \$12M LTFM bond to fund the district's deferred maintenance items utilizing the LTFM funding revenue. The district received an interest rate of 1.9% over 10 years for the bonds.

DISTRICT ACCOMPLISHMENTS AND PROGRAMS

Under the leadership of the School Board and Superintendent Dr. Teri Staloch, the District continues to enjoy academic success.

In 2015-16, Glendale Elementary School was awarded the US Department of Education Green Ribbon School Award. They are the fourth elementary to receive that award, joining Jeffers Pond Elementary, Five Hawks Elementary and Redtail Ridge Elementary. In 2012-13 the school district was awarded the US Department of Education Green Ribbon Schools award for the district's focus on environmental education. The US Department of Education selects honorees based on documentation of the applicant's high achievement in the three ED-GRS Pillars:

Pillar I: Reduce environmental impact and costs.

Pillar II: Improve the health and wellness of students and staff.

Pillar III: Provide effective environmental and sustainability education, incorporating STEM, civic skills and green career pathways.

Schools demonstrating exemplary achievement in all three Pillars receive the highest ranking. For this reason, the district focuses on an ESTEM (Environmental, Science, Technology, Engineering, Math) educational model.

The 2013-14, the school board made the decision to implement 1:1 iPads at the 8th grade level with additional implementation at PLHS in subsequent years. Due to the success of the program, the school board decided in 2014-15 to implement 1:1 iPads at grades 8-12 for the 2015-16 school year. This included additional infrastructure at Hidden Oaks Middle School, Twin Oaks Middle School and Prior Lake High School to ensure adequate connectivity for all students via WI-FI.

In 2015-16, The Minnesota Center for Advanced Professional Studies (MNCAPS) program was formed. This is a joint program between Prior Lake-Savage Area Schools and Lakeville Area Public Schools. MNCAPS provides students with real-world immersion learning in professional settings. MNCAPS is a partnership of education, industry and community, immersing all students in profession-based learning experiences.

Prior Lake-Savage Area Schools students took the Minnesota Comprehensive Assessment (MCA) Tests in reading, math and science. The MCA tests are required for state accountability purposes under the Elementary and Secondary Education Act (ESEA) and also to comply with the accountability system under the state of Minnesota's ESEA waiver. [ESEA was reauthorized in 2015 as the Every

Student Succeeds Act (ESSA)]. Students in grades 3 through 8 are tested in both math and reading. Students in grade 10 are tested in reading and students in grade 11 are tested in math. Students in grades 5, 8, and 10 are required to take the science test, although results do not impact NCLB requirements. Minnesota Test of Academic Skills (MTAS) results are not included in the results below. October 1 enrollment filters are not turned on for the results below.

Results are reported in four levels: Not Meeting Standards, Partially Meeting Standards, Meeting Standards, and Exceeding Standards. The Meeting Standards and Exceeding Standards levels are considered to be at or above grade level and together constitute the percentage of students proficient.

As a district, Prior Lake-Savage Area Schools students increased reading proficiency by 0.1% from 73.2% in 2015 to 73.3% in 2016. In math, proficiency decreased by 1.3%, from 79.0% in 2015 to 77.7% in 2016. Students demonstrated a 2.5% increase in science proficiency, from 70.3% in 2015 to 72.8% in 2016.

The following overviews provide a comparison of the 2015 MCA and 2016 MCA test results by both grade level and building. Italicized charts indicate the district's history of test scores over the past five years.

Reading Overview

- The scores listed below indicate the percentage of students achieving proficiency on the MCA-III Reading Assessment, which assesses the 2010 Minnesota Academic Reading Standards. These standards were fully implemented by the 2012-2013 school year.
- All grades completed the test online, unless accommodations were warranted. For the first year, the reading test was adaptive, meaning each question was based on the response to the preceding question.
- 2015-2016 5th graders, as a cohort, increased their reading proficiency by 9.9% from 73.3% in 2015 to 83.2% in 2016.
- 2015-2016 8th graders increased in proficiency 4.5% as compared to 2014-2015 8th graders.
- 2015-2016 3rd graders decreased in proficiency 5.5% as compared to 2014-2015 3rd graders.
- PLSAS students are outperforming state peers by more than 7.6% at all grade levels.

MCA-III 2016 Reading Scores

Grade Level	2015 District Percentage of Students Proficient MCA-III	2016 District Percentage of Students Proficient MCA-III	Difference between 2015 & 2016	2016 State Percentage of Students Proficient	Difference between District and State
3rd Grade	70.4%	64.9%	-5.5%	57.3%	7.60%
4th Grade	73.3%	71.8%	-1.50%	58.3%	13.50%
5th Grade	79.2%	83.2%	4.00%	67.7%	15.50%
6th Grade	77.3%	73.9%	-3.40%	62.3%	11.60%
7th Grade	74.1%	75.9%	1.80%	56.6%	19.30%
8th Grade	66.6%	71.1%	4.50%	57.0%	14.10%
10 th Grade	71.4%	72.7%	1.30%	58.9%	13.80%

District History of MCA Reading Scores

Grade Level	2012 District Percentage of Students Proficient MCA II	2013 District Percentage of Students Proficient MCA III	2014 District Percentage of Students Proficient MCA III	2015 District Percentage of Students Proficient MCA III	2016 District Percentage of Students Proficient MCA III
3rd Grade	89.9%	70.5%	71.9%	70.4%	64.9%
4th Grade	89.6%	72.0%	68.1%	73.3%	71.8%
5th Grade	88.0%	78.1%	82.4%	79.2%	83.2%
6th Grade	81.7%	68.2%	76.1%	77.3%	73.9%
7th Grade	82.5%	68.1%	68.8%	74.1%	75.9%
8th Grade	81.6%	66.8%	66.4%	66.6%	71.1%
10 th Grade	83.2%	66.8%	71.1%	71.4%	72.7%

2016 Individual School Reading Scores – All Grades

- Numbers indicate the percentage of students in each category. Students in the Exceeds or Meets category are considered to be proficient on the MCAs. Values may not equal 100% due to rounding differences.

School	Exceeds	Meets	Partially Meets	Does Not Meet	Total Proficient
Five Hawks	13.0%	51.2%	17.5%	18.2%	64.2%
Glendale	18.9%	57.9%	12.3%	10.9%	76.8%
Grainwood	15.8%	58.9%	12.0%	13.3%	74.7%
Jeffers Pond	24.6%	51.1%	14.0%	10.3%	75.7%
Redtail Ridge	22.5%	47.7%	17.7%	12.0%	70.3%
WestWood	32.9%	43.8%	11.2%	12.1%	76.8%
Hidden Oaks	29.9%	46.6%	15.1%	8.4%	76.5%
Twin Oaks	27.3%	43.4%	18.8%	10.5%	70.7%
Prior Lake High School	29.2%	44.9%	17.4%	8.5%	74.1%
Bridges ALC (n=19)	0.0%	26.3%	10.5%	63.2%	26.3%

Math Overview

- The scores listed below indicate the percentage of students achieving proficiency on the MCA-III Math Assessment, which assesses the 2007 Minnesota Academic Mathematics Standards. These standards were fully implemented by the 2010-2011 school year for grades 3 through 8 and by the 2013-2014 school year for grade 11.
- Students in all grade levels took the test online, unless accommodations were warranted. The math test was adaptive, meaning each question was based on the response to the preceding question.
- 2015-2016 5th graders, as a cohort, decreased in reading proficiency by 12.2% from 87.0% in 2015 to 74.8% in 2016.
- There was a 1.7% increase in proficiency in 2015-2016 8th graders as compared to 2014-2015 8th graders.
- Students are outperforming state peers by more than 11.0% at all grade levels.

MCA-III 2016 Math Scores

Grade Level	2015 District Percentage of Students Proficient	2016 District Percentage of Students Proficient	Difference between 2015 & 2016	2016 State Percentage of Students Proficient	Difference between District and State
3rd Grade	86.5%	80.4%	-6.1%	69.4%	11.0%
4th Grade	87.0%	84.4%	-2.6%	68.7%	15.7%
5th Grade	75.1%	74.8%	-0.3%	58.8%	16.0%
6th Grade	79.5%	74.4%	-5.1%	55.9%	18.5%
7th Grade	80.1%	80.6%	0.5%	56.2%	24.4%
8th Grade	76.4%	78.1%	1.7%	58.0%	20.1%
11th Grade	70.6%	71.4%	0.8%	47.1%	24.3%

District History of MCA Math Scores

Grade Level	2012 District Percentage of Students Proficient MCA III	2013 District Percentage of Students Proficient MCA III	2014 District Percentage of Students Proficient MCA III	2015 District Percentage of Students Proficient MCA III	2016 District Percentage of Students Proficient MCA III
3rd Grade	87.6%	87.1%	87.3%	86.5%	80.4%
4th Grade	88.9%	87.5%	85.7%	87.0%	84.4%
5th Grade	80.3%	75.7%	77.6%	75.1%	74.8%
6th Grade	73.5%	73.3%	77.7%	79.5%	74.4%
7th Grade	77.0%	77.0%	79.8%	80.1%	80.6%
8th Grade	72.7%	76.5%	76.9%	76.4%	78.1%
11th Grade	55.8%*	66.4%*	66.8%	70.6%	71.4%

* Results prior to 2013 and after 2014 should not be compared (11th grade only)

2016 Individual School Math Scores – All Grades

- Numbers indicate the percentage of students in each category. Students in the Exceeds or Meets category are considered to be proficient on the MCAs. Values may not equal 100% due to rounding differences.

School	Exceeds	Meets	Partially Meets	Does Not Meet	Total Proficient
Five Hawks	28.8%	41.4%	20.4%	9.5%	70.2%
Glendale	41.8%	41.2%	11.1%	5.9%	83.0%
Grainwood	29.7%	48.1%	12.7%	9.5%	77.8%
Jeffers Pond	41.2%	41.2%	11.0%	6.6%	82.4%
Redtail Ridge	35.1%	45.6%	11.7%	7.5%	80.8%
WestWood	49.7%	33.5%	10.6%	6.2%	83.2%
Hidden Oaks	47.0%	34.6%	11.6%	6.8%	81.6%
Twin Oaks	37.1%	36.5%	19.1%	7.3%	73.6%
Prior Lake High School	33.6%	40.6%	16.4%	9.4%	74.2%
Bridges ALC (n=25)	0.0%	8.0%	16.0%	76.0%	8.0%

Science Overview

- The scores listed below indicate the percentage of students achieving proficiency on the MCA-III Science Assessment, which assesses the 2009 Minnesota Academic Science Standards. These standards were fully implemented by the 2011-2012 school year.
- The MCA-III science test was administered to students online, unless accommodations were warranted. The science test is not adaptive at this time.
- There was a 12.3% increase in proficiency with 2015-2016 5th graders as compared to 2014-2015 5th graders. This is in contrast to the 12.2% decrease in 5th grade proficiency last year.
- There was a 4.1% decrease in proficiency with 2015-2016 10th graders as compared to 2014-2015 10th graders.
- Students are outperforming state peers by more than 10.7% at all grade levels.

MCA-III 2016 Science Scores

Grade Level	2015 District Percentage of Students Proficient	2016 District Percentage of Students Proficient	Difference between 2015 & 2016	2016 State Percentage of Students Proficient	Difference between District and State
5th Grade	69.4%	81.7%	12.3%	61.5%	20.2%
8th Grade	.0%	71.7%	0.7%	47.0%	24.7%
10th Grade	70.3%	66.2%	-4.1%	55.5%	10.7%

District History of MCA Science Scores

Grade Level	2012 District Percentage of Students Proficient MCA III	2013 District Percentage of Students Proficient MCA III	2014 District Percentage of Students Proficient MCA III	2015 District Percentage of Students Proficient MCA III	2016 District Percentage of Students Proficient MCA III
5th Grade	81.1%	78.0%	81.6%	69.4%	81.7%
8th Grade	56.0%	62.9%	67.0%	71.0%	71.7%
10 th Grade	66.8%	63.2%	69.8%	70.3%	66.2%

2016 Individual School Science Scores – All Grades

- Numbers indicate the percentage of students in each category. Students in the Exceeds or Meets category are considered to be proficient on the MCAs. Values may not equal 100% due to rounding differences.

School	Exceeds	Meets	Partially Meets	Does Not Meet	Total Proficient
Five Hawks	14.0%	61.6%	16.3%	8.1%	75.6%
Glendale	29.6%	59.3%	8.3%	2.8%	88.9%
Grainwood	7.8%	70.3%	14.1%	7.8%	78.1%
Jeffers Pond	13.6%	70.4%	12.3%	3.7%	84.0%
Redtail Ridge	19.1%	58.2%	17.3%	5.5%	77.3%
WestWood	30.6%	54.1%	14.3%	1.0%	84.7%
Hidden Oaks	27.7%	50.7%	16.2%	5.4%	78.4%
Twin Oaks	18.4%	46.0%	25.0%	10.7%	64.3%
Prior Lake High School	22.8%	44.7%	21.7%	10.7%	67.6%
Bridges ALC (n=21)	4.8%	19.0%	19.0%	57.1%	23.8%

Next Steps

- Multiple Measurement Rating results will be released to the public in early September. A summary communication will be provided.
- PLSAS will compare MCA results with those of neighboring and selected comparison school districts. These results will be shared with the school board.
- PLSAS will disaggregate MCA results into student groups to determine whether gaps are present and develop action plans to decrease those gaps.
- Cohort data will be evaluated to follow student progress longitudinally.
- A presentation of MCA results, comparison district scores, student group comparisons, cohort data, and Multiple Measurement Ratings will be given to the School Board at a fall meeting.
- District administration, building leaders, teachers, and curriculum committees will analyze MCA Benchmark Reports to determine areas of strength and areas of development. Action plans will be implemented to build on strengths and increase student understanding of identified standards.
- Building Instructional Leadership Teams will analyze school level, grade level, and student level data to pinpoint gaps and develop action plans to decrease these gaps.
- Learning Teams will analyze and act upon MCA results in alignment with Building Instructional Leadership Team work.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The Prior Lake-Savage Area School District serves all or part of two cities and four townships in Scott County encompassing 46 square miles. However, the vast majority of the District's households are in the cities of Prior Lake and Savage. In 2015, 81% of the District's households were in these two cities. Only about 1% of Cedar Lake Township and Sand Creek Township are in the Prior Lake-Savage Area School District.

The County's growth is fueled by the upgrading of Highway 169 and the completion of the Bloomington Ferry Bridge. Growth was rapid in the 1990's also, when District households increased by nearly 60%. Housing growth continues to expand in both cities, Prior Lake and Savage, with 130-150 additional home starts in each city for 2015-16. The housing growth is expected to increase in the city of Savage and maintain growth in the city of Prior Lake for several more years. The Prior Lake-Savage Area School community is a developing suburb with a small town atmosphere.

Learners in the District attend 10 educational sites. 2015-16 was the second year for state-wide all-day kindergarten. WestWood Elementary is the home of SAGE Academy, our gifted and talented program for students in grades 3-5. Edgewood houses the district's Spanish Immersion Program, La Ola Del Lago. 2015-16 was the second year for La ola del lago with four kindergarten classrooms and three 1st grade classrooms. All elementary schools offer grades K-5, two middle schools house grades 6-8 and one high school educates grades 9-12. The District also has Bridges Area Learning Center that has grown to over 100 students attending each year.

The District employs over 1,300 staff members. Our staff is focused on our mission: **“Our mission is to educate all learners to reach their full potential as contributing and productive members of an ever-changing community. We are innovative, environmentally focused and wise stewards of our resources.”**

PLSAS is considered a “destination district”. Parents are moving into the PLSAS boundaries in order for their child(ren) to attend schools at ISD 719. This is due to the success of the progressive programs that are offered at the school district including: digital learning, Spanish Immersion, SAGE Academy, an ESTEM focus, Bridges ALC, AP classes, College in the Schools, Environmental Pre-School program, along with many other opportunities and programs.

Students have the opportunity to enjoy home-made breakfast and lunch made in-house in each of our buildings through the district's Child Nutrition Service. 2015-16 was the first year that Prior Lake High School was not receiving benefits from the Federal School Lunch Program. This was a very successful pilot program. The district was able to open the LakeHouse Café for students to access “grab and go” ala carte items before, during and after school. Due to the success of the program at PLHS, the district will remain off of the Federal School Lunch Program another year. The district continues to monitor factors that would no longer allow the district to be off of the Federal School Lunch Program at PLHS. All other schools in the district remain on the Federal School Lunch Program.

Our bus service is contracted with local vendors. Buildings and grounds staff members are responsible for maintaining the facilities inside and out. A dedicated auxiliary staff includes a wide variety of positions such as lunchroom/playground supervisors, Technology Integrationists, Digital Learning Specialists, special education support paraprofessionals, secretarial/clerical staff and health support.

The District has a robust Early Learner Program, including an environmentally focused Pre-School program for three and four year olds. We also offer ECFE, Pre-School Screening, School Readiness and before and after school care.

Parent and community volunteers help in all District sites and serve on a number of advisory committees. Our facilities support the schools' quality educational programs and are used extensively by the community.

District expenditures per pupil are consistently among the lowest in Scott County. As result, the District spends \$1,800 less per student than the state average and has one of the lowest administrative costs per student in the metro area.

As the population of Prior Lake and Savage has increased so has student enrollment. The District ended the 2015-16 school year with 7,863 students, a 3.6% growth over the prior year. The prior year the district saw a 2.2% increase in enrollment. The district had 46 students attend Post Secondary Enrollment Options (PSEO) full-time and 62 students attend PSEO part-time in 2015-16. The vast majority of PSEO students attend Normandale Community College.

Due to an anticipated additional 1,500 students over the next five years, the district proposed a \$120M bond referendum and \$2.215M technology levy as one question to the voters in May, 2015. The vote was defeated by a margin of 400 votes. The district will be working with the community in the coming year to determine next steps on the space needs of the district due to growing enrollment.

Prior Lake-Savage Area Schools owns 11 buildings with 1,320,412 square feet of space. The average age of the buildings in the Prior Lake-Savage School District is 25 years. In 2013 and 2014, the district upgraded the HVAC systems in several elementary schools, Twin Oaks Middle School and Hidden Oaks Middle School using Alternative Facility Bonds. Secure entrances were added to Hidden Oaks and Twin Oaks Middle Schools for safety reasons. A 3-story, 33,000 square foot addition was added to PLHS for the start of the 2014-15 school year. The District added turf to Dan Patch Stadium and Laker Field in the summer of 2014. The District utilized lease levy dollars for the addition and turf for the fields. In the summer of 2016, roof sections were replaced at both PLHS and Twin Oaks Middle School.

INTERNAL CONTROL STRUCTURE AND BUDGETARY CONTROL

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota schools. UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report must be provided to the State Department of Education by December 31, subsequent to year-end on June 30.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse or loss. Reasonable assurance means the cost of controls is weighted against the benefits received. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. Specific expenditure, revenue and detail transaction reports are available "on-line" over the District's wide area network or in hard copy for individuals with budget responsibilities. The reports can be printed either in the business office or in the administrative office in each building or department.

To accurately track and report financial activities with a focus on site-based accounting, approximately 7,500 accounts have been defined in the District's chart of accounts.

INDEPENDENT AUDIT

State statues require an annual audit by independent certified public accountants. This requirement has been complied with and the opinion of CliftonLarsonAllen LLP is included in this report.

CERTIFICATE OF EXCELLENCE AND OTHER INFORMATION

This report has been prepared following the guidelines provide by the Association of School Business Officials International for their Certificate of Excellence in Financial Reporting Program. Achieving recognition by this program has been a long time goal of the District's business office and provides a clear indication of the District's high standards for financial reporting. The District intends to submit this comprehensive Annual Financial Report to the ASBO Certificate Program for consideration. The District has received the ASBO Certificate of Excellence in Financial Reporting for Comprehensive Annual Financial Report for the fiscal years ended June 30, 2009 through June 30, 2015. The District has received the School Finance Award from the Minnesota Department of Education in recognition of outstanding accomplishments in financial management, including compliance with state statutes for five years.

ACKNOWLEDGMENTS

We acknowledge the efforts of the entire business office staff in providing complete and accurate data for this Comprehensive Annual Financial Report.

Sincerely,



Julie Cink
Director of Business Affairs



Dr. Teri Staloch
Superintendent of Schools

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2016**

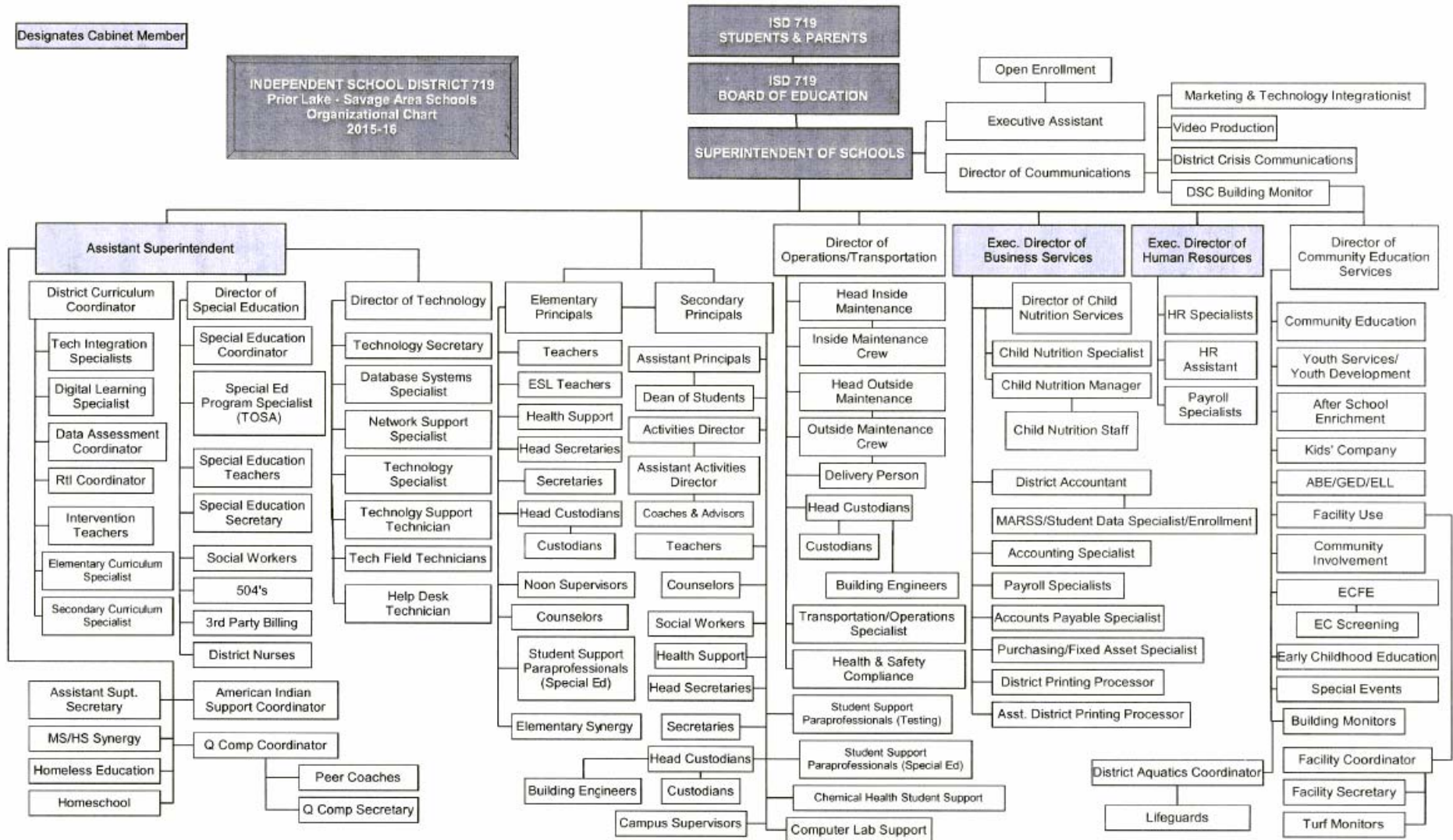
SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Melissa Enger	December 31, 2016	Director
Ben Hanson	December 31, 2018	Director
Chad Rittenour	December 31, 2016	Director
Stacey Ruelle	December 31, 2018	Chairperson
Todd Sorensen	December 31, 2018	Vice-Chairperson
Dan White	December 31, 2016	Board Clerk/Treasurer
Richard Wolf	December 31, 2018	Director

ADMINISTRATION

Dr. Teri Staloch	Superintendent
Julie Cink, SFO	Executive Director of Business Services
District Services Center:	Independent School District No. 719 Prior Lake-Savage Area Public Schools 4540 Tower Street SE Prior Lake, MN 55372

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
ORGANIZATIONAL CHART
JUNE 30, 2016**



PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING
JUNE 30, 2016



The Certificate of Excellence in Financial Reporting Award
is presented to

Prior Lake-Savage Area Schools

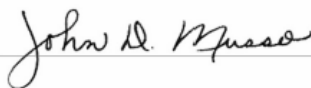
for its **Comprehensive Annual Financial Report (CAFR)**
for the Fiscal Year Ended June 30, 2015

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





Brenda R. Burkett, CPA, CSBA, SFO
President



John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

School Board
Independent School District No. 719
Prior Lake-Savage Area Schools
Prior Lake, 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. 719 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 the District as of June 30, 2016, and the respective changes in financial position, where applicable, cash flows thereof for the year then ended and budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2015 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated September 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the individual fund financial statements, the uniform financial accounting and reporting standards compliance table and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The individual fund financial statements and the uniform financial accounting and reporting standards compliance table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, individual fund financial statements and the uniform financial accounting and reporting standards table are 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 September 26, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 result 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 26, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

This section of Independent School District No. 719's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this letter.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

Financial Highlights

Key financial highlights for the 2015-16 fiscal year include the following:

- Total net position increased \$7,348,765. The increase is due to the completion of district building additions and assets in 2015-16 and an increase in the internal service fund which dedicates funds to the reduction of the District's other postemployment benefit liability.
- The District has continued efforts to operate efficiently to reduce costs and keep dollars in the classroom. The district self-funded health insurance five years ago to help reduce the fixed costs of insurance. In addition, the district requests bids and quotes for all fixed cost services and benefits programs throughout the district.
- The District conducted an actuarial study in 2014-15 in compliance with GASB Statements Nos. 45, 27, and 16. The District set up an internal service fund beginning in 2008-09 to start addressing the long-term postemployment benefit liabilities and has contributed to this fund on an annual basis.

Overview of the Financial Statements

The financial section of the annual report consists of four parts: Independent Auditors' Report, Required Supplementary Information which includes MD&A (this section), the basic financial statements, and supplemental information.

The basic financial statements include several statements that present different views of the District:

- The **government-wide financial statements**, including the *Statement of Net Position* and the *Statement of Activities*, 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.
- **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.
- **Proprietary funds statements** offer short- and long-term financial information about the activities the District operates like businesses.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need 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 shown in one category:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

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 may establish other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., 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 readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to 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, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.
- *Proprietary Fund* – The District initiated an internal service fund for accumulating resources for the payment of health insurance benefits for eligible employees upon retirement.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was \$20,238,090 on June 30, 2016. This was a change of 57.01% from the prior year (see Table A-1).

The largest part of the District's net position is the investment in capital assets (land, buildings and equipment) less depreciation and the related debt outstanding that was used to acquire the assets. The District uses the capital assets to provide educational services to students. These are not capital assets available for future spending. Even though the District's investment in capital assets is reported net of the related debt, the resources needed to repay this debt must be provided from other sources because the capital assets cannot be used to liquidate these liabilities.

**Table A-1
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2016	2015	
Current and Other Assets	\$ 85,017,126	\$ 57,178,219	48.69 %
Capital Assets	168,261,879	171,066,942	(1.64)
Total Assets	<u>253,279,005</u>	<u>228,245,161</u>	10.97
Deferred Outflows of Resources	12,046,684	10,171,514	18.44
Current Liabilities	9,886,387	10,476,446	(5.63)
Long-Term Liabilities	203,099,791	176,468,584	15.09
Total Liabilities	<u>212,986,178</u>	<u>186,945,030</u>	13.93
Deferred Inflows of Resources	<u>32,101,421</u>	<u>38,582,320</u>	(16.80)
Net Position:			
Net Investment in Capital Assets	44,446,753	39,239,879	13.27
Restricted	4,087,124	4,048,952	0.94
Unrestricted	(28,295,787)	(30,399,506)	(6.92)
Total Net Position	<u><u>\$ 20,238,090</u></u>	<u><u>\$ 12,889,325</u></u>	57.01

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Changes in Net Position

In Table A-2, Change in Net Position, operations are reported on a governmental-wide basis with no reference to funds.

**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2016	2015	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 9,010,339	\$ 7,688,033	17.20 %
Operating Grants and Contributions	12,305,641	11,056,879	11.29
Capital Grants and Contributions	1,658,730	1,658,729	-
<u>General Revenues</u>			
Property Taxes	25,875,435	25,280,833	2.35
Unrestricted State Aid	54,951,265	51,286,812	7.15
Earnings on Investments	209,657	203,237	3.16
Other	586,410	753,069	(22.13)
Total Revenues	104,597,477	97,927,592	6.81
Expenses			
Administration	2,938,813	3,006,654	(2.26)
District Support Services	3,995,135	3,412,459	17.07
Regular Instruction	41,864,419	34,882,433	20.02
Vocational Education Instruction	672,640	661,684	1.66
Special Education Instruction	14,675,486	13,731,316	6.88
Instructional Support Services	5,325,192	4,627,197	15.08
Pupil Support Services	5,896,501	5,872,964	0.40
Sites and Buildings	7,217,363	8,720,729	(17.24)
Fiscal and Other Fixed Cost Programs	297,788	284,226	4.77
Food Service	4,196,927	3,833,698	9.47
Community Service	5,700,378	4,741,489	20.22
Interest and Fiscal Charges on Long-Term Liabilities	4,468,070	5,524,589	(19.12)
Total Expenses	97,248,712	89,299,438	8.90
Increase in Net Position			
Beginning Net Assets	12,889,325	4,261,171	
Ending Net Position	\$ 20,238,090	\$ 12,889,325	

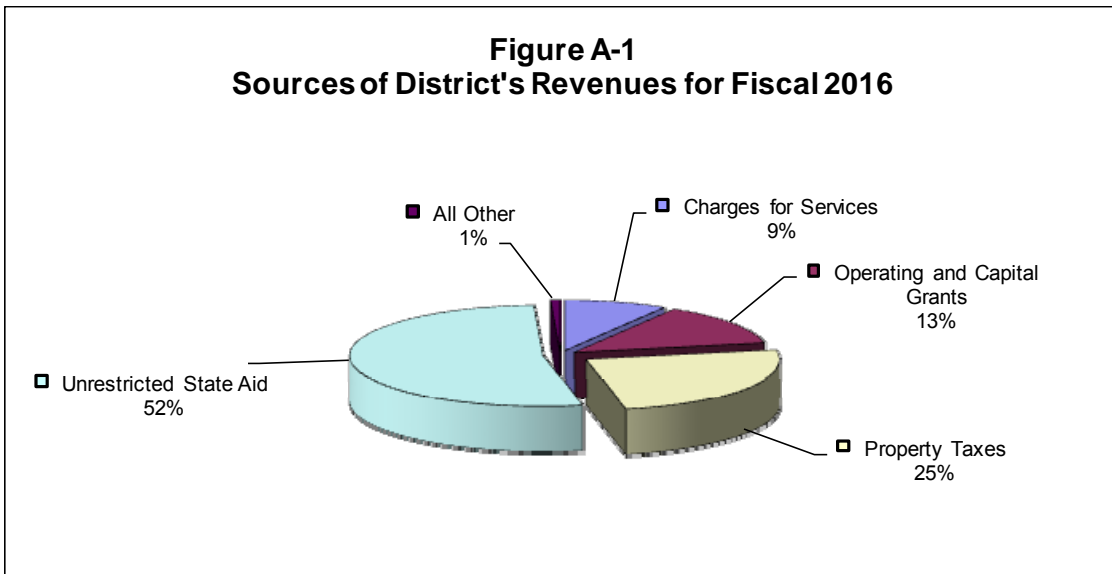
Total revenues were \$104,597,477 while total expenses were \$97,248,712, increasing net position by a net of \$7,348,765.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

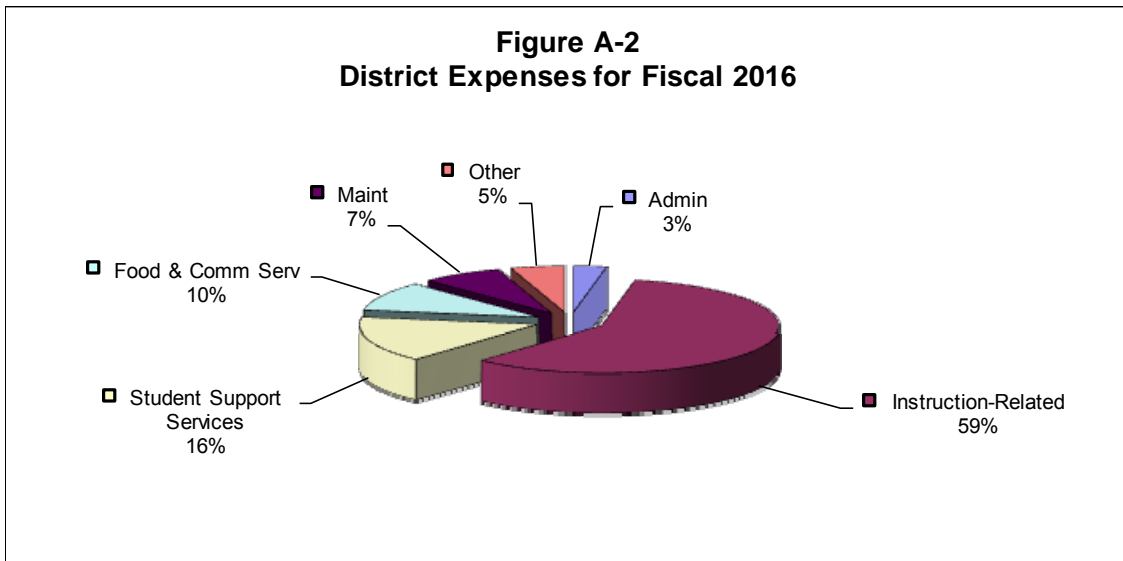
The cost of all *governmental* activities this year was \$89,299,438.

- Some of the cost was paid by the users of the District's programs (Table A-1, Charges for Services, \$9,010,339). The majority of this category comes from food service meal sales and community education class tuition.
- Most of the District's costs were paid for with local property taxes, unrestricted state aid, investment earnings, and other general revenues. Governmental activities were paid for with \$25,875,435 in property taxes, \$54,951,265 of unrestricted state aid, and with investment earnings and other general revenues.

**Figure A-1
Sources of District's Revenues for Fiscal 2016**



**Figure A-2
District Expenses for Fiscal 2016**



**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

All governmental funds include not only funds received for the general operation of the District but also include resources from the entrepreneurial-type funds of Food Service and Community Education. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance general operation resources.

Table A-3, seen below, presents the cost of 12 major District activities such as, instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

**Table A-3
Change in Net Position**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2015		2016	2015	
Administration	\$ 2,938,813	\$ 3,006,654	(2.26)%	\$ 2,938,813	\$ 3,006,654	(2.26)%
District Support Services	3,995,135	3,412,459	17.07	3,968,827	3,387,694	17.15
Regular Instruction	41,864,419	34,882,433	20.02	39,752,807	32,599,229	21.94
Vocational Education Instruction	672,640	661,684	1.66	648,700	616,401	5.24
Special Education Instruction	14,675,486	13,731,316	6.88	5,747,510	5,610,794	2.44
Instructional Support Services	5,325,192	4,627,197	15.08	5,325,192	4,627,197	15.08
Pupil Support Services	5,896,501	5,872,964	0.40	5,193,284	5,275,700	(1.56)
Sites and Buildings	7,217,363	8,720,729	(17.24)	5,758,354	7,487,805	(23.10)
Fiscal and Other Fixed Cost Programs	297,788	284,226	4.77	297,788	284,226	4.77
Food Service	4,196,927	3,833,698	9.47	(175,843)	50,049	(451.34)
Community Service	5,700,378	4,741,489	20.22	350,500	425,459	(17.62)
Interest and Fiscal Charges on Long-Term Liabilities	4,468,070	5,524,589	(19.12)	4,468,070	5,524,589	(19.12)
Total	<u>\$ 97,248,712</u>	<u>\$ 89,299,438</u>	8.90	<u>\$ 74,274,002</u>	<u>\$ 68,895,797</u>	7.81

The cost of all governmental activities this year was \$97,248,712, an increase of \$7,949,274 over the prior year. After applying program specific revenue, the net cost of all governmental activities this year was \$74,274,002 or an increase of \$5,378,205 over the prior year.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. The Building Construction Fund had more expenditures than revenues while the General Fund, Food Service Fund, Community Service Fund, and Debt Service had more revenues than expenditures in 2016. At the end of the 2015-16 fiscal year, the District's governmental funds reported combined ending fund balances of \$41,232,730. This is significantly higher than 2015 mainly due to the issuance of refunding bonds, the proceeds of which, are held in escrow as of June 30, 2016 and will be used to call, in advance of their maturity, outstanding issuances of the 2007A and 2007B bonds on the crossover date in fiscal year 2017.

Revenues for the District's governmental funds were \$104,531,225, while total expenditures were \$102,555,989. After including the impact of other financing sources and uses the District's total fund balance for the governmental funds increased by \$26,379,588 mainly due to the refunding issuance referred to above.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

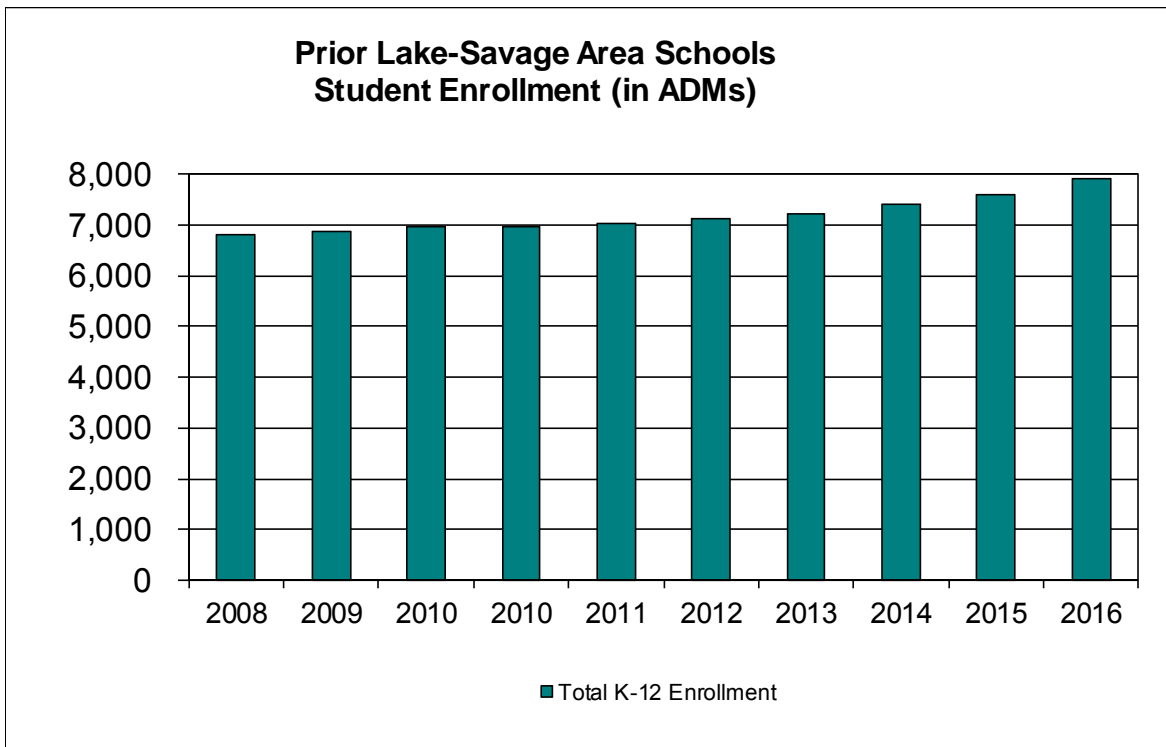
General Fund

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

ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately 70% of General Fund revenue being determined by enrollment. While many Minnesota school districts are facing declining enrollment, during the last three years the District has averaged a 3.2% increase in students. Prior to that time, the District's growth was approximately 1%. The District recently hired a demographer to help determine the growth of the district in the coming years. The following chart shows that the number of students has increased over the last nine years.

Table A-4



**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 13,477,228	\$ 13,063,615	\$ 413,613	3.17 %
Earnings on Investments	49,379	13,855	35,524	256.40
Other	1,482,674	1,696,205	(213,531)	(12.59)
State Sources	65,571,124	61,166,707	4,404,417	7.20
Federal Sources	1,663,413	1,313,872	349,541	26.60
Total General Fund Revenue	<u>\$ 82,243,818</u>	<u>\$ 77,254,254</u>	<u>\$ 4,989,564</u>	6.46

General Fund revenue increased by a net of \$4,989,564 or 6.46% from the previous year.

Property Taxes increased 3.17% from 2015 to 2016. Factors that contribute to levy changes are enrollment growth and property tax base growth. Operating capital revenue, equity revenue and reemployment insurance levies continue to shift revenue from state aid to levy annually.

State Sources increased by \$4,404,417. The increase is primarily due enrollment growth and the increase in basic revenue.

Federal Revenue is recorded in the year in which the related expenditure is made. Federal Sources increased by \$349,541

General Fund Revenue is received in two major categories as follows:

1. State Education Finance Appropriations
 - A. General Education Aid – The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.
 - B. Categorical Aids – Categorical revenue formulas are used to meet costs of that program (i.e. special education) or promote certain types of programs (i.e., career and technical aid, staff development, operating capital).

2. Property Tax Levies

The largest share of the levy is from voter-approved levies: the excess operating referendum which is also enrollment driven.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2016	June 30, 2015		
Salaries	\$ 46,172,053	\$ 43,768,311	\$ 2,403,742	5.49 %
Employee Benefits	18,750,542	18,083,290	667,252	3.69
Purchased Services	8,993,952	8,362,953	630,999	7.55
Supplies and Materials	2,330,235	2,539,509	(209,274)	(8.24)
Capital Expenditures	3,527,014	5,184,838	(1,657,824)	(31.97)
Other Expenditures	1,137,686	1,004,483	133,203	13.26
Total Expenditures	<u>\$ 80,911,482</u>	<u>\$ 78,943,384</u>	<u>\$ 1,968,098</u>	2.49

Total General Fund expenditures increased \$1,968,098 or 2.5% from the previous year.

In fiscal 2016, salaries and benefits increased due to additional staffing due to enrollment growth and salary increases. The District's self-insured health plan was implemented in 2011 and costs increased an average of 1.9% over six years. Other factors impacting salaries were longevity, education, pay rates and other items included in bargaining agreements. The District had implemented a self-insured model for dental insurance for fiscal 2013 with no increase to those rates in three years.

Purchased Services and Supplies and Materials consist of expenditures for fees for service, postage, utilities, diesel and gasoline, property insurance, maintenance repairs, leases, travel, telephone, tuition, instructional supplies and textbooks. The district implemented a 1:1 technology plan where iPad Carts were deployed in all district buildings for student use and students in grades 8-12 were allocated individual iPads. The district also completed some additional deferred maintenance items throughout the district.

General Fund Budgetary Highlights

After initial approval of the budget, the District revised the budget based on changes in unbudgeted costs or revenue changes. The District anticipated in its final budget that the net change in General fund balance would be a slight decrease. The total fund balance increased resulting in a total fund balance of \$12,603,659 at June 30, 2016.

Actual revenues were \$1,013,918 (or 1.2%) more than budgeted primarily due to additional local revenue from increased enrollment and recognition of special education revenue related to prior year costs. The actual expenditures were \$740,790 less than budgeted mainly due to unspent expenditures related to staffing and supplies, along with staff development carryovers, and site allocation carryovers.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Food Service Fund

The Food Service Fund revenue for 2015-16 totaled \$4,374,888 and expenditures were \$4,157,105. The June 30, 2016 fund balance is \$801,699, an increase of \$217,783 from fiscal year 2015. The District anticipated a slight decrease in the fund balance. This was the first year the district was not on the Federal School Lunch Program at PLHS. There was a significant increase in participation at PLHS and increased participation at all levels.

Community Service Fund

The Community Service Fund revenue for 2015-16 totaled \$6,004,092 and expenditures were \$5,644,342. The June 30, 2016 total fund balance is \$1,777,156, an increase of \$359,750 from fiscal year 2015. Much of the growth is due to increased student enrollment and usage of the before and after school programs available to students. The goal is to maintain the total fund balance below 25%.

Internal Service Fund

The Internal Service Fund operating revenue for 2015-16 totaled \$11,826,528 and operating expenses were \$11,026,832. The June 30, 2016 net position was \$9,794,516, an increase of \$935,269 from fiscal year 2015. The increase in net position is due to positive health and dental utilization. The District goal is to have a fund balance of 40-50% inclusive of the 2-month claim lag at the end of the fiscal year.

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction, operating capital, LTFM, or for initial or refunding bonds. The Debt Service Fund revenue for 2015-16 totaled \$11,908,420 and expenditures were \$11,700,958. Other Financing sources and uses include bond proceeds and premium in the amount of \$24,404,352. The June 30, 2016 fund balance is an increase of \$26,379,588 from fiscal year 2015. This is mainly due to the issuance of refunding bonds, the proceeds of which, are held in escrow as of June 30, 2016 and will be used to call, in advance of their maturity, outstanding issuances of the 2007A and 2007B bonds on the crossover date in fiscal year 2017. The District is required to levy 1.05% of the principal and interest payments due each year.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, the District had invested over \$168 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). The most significant change from last year is Accumulated Depreciation (More detailed information about capital assets can be found in Note 3 to the financial statements.)

**Table A-7
The District's Capital Assets**

	2016	2015	Percentage Change
Land	\$ 12,483,938	\$ 12,483,938	-
Construction in Progress	1,257,560	-	100.00
Land Improvements	4,213,085	4,203,305	0.23
Buildings and Improvements	196,444,659	196,047,022	0.20
Equipment	15,363,778	14,037,996	9.44
Less: Accumulated Depreciation	(61,501,141)	(55,705,319)	10.40
Total	<u>\$ 168,261,879</u>	<u>\$ 171,066,942</u>	(1.64)

Long-Term Liabilities

At year-end, the District had \$127,075,000 in general obligation bonds payable outstanding – reflecting a net 12.75% increase from last year – as shown in Note 4 to the financial statements. The District issued refunded bonds. Subsequent to year-end, the District also issued Long Term Facility Maintenance Bonds to be paid from LTFM Revenue, a new revenue stream approved by the MN Legislature in 2015.

**Table A-8
The District's Long-Term Liabilities**

	2016	2015	Percentage Change
General Obligation Bonds	\$ 127,075,000	\$ 112,710,000	12.75 %
Net Bond Premium and Discount	9,172,465	6,952,618	31.93
Obligations Under Capital Leases	10,720,311	11,285,652	(0.05)
Other Postemployment Benefits Payable	2,756,808	2,360,794	16.77
Compensated Absences Payable	930,557	943,369	(1.36)
Pension Benefits Payable	52,444,650	42,216,151	24.23
Total	<u>\$ 203,099,791</u>	<u>\$ 176,468,584</u>	15.09
Long-Term Liabilities:			
Due Within One Year	\$ 13,008,857	\$ 26,855,300	
Due in More than One Year	190,090,934	149,613,284	
Total	<u>\$ 203,099,791</u>	<u>\$ 176,468,584</u>	

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

For 2015, the Legislature approved an increase to the funding formula of 2% and an additional 2% for 2016. The funding formula has been below the current annual rate of inflation for the last 20 years. Accordingly, the District continues to utilize sophisticated enrollment and financial planning tools, along with detailed and conservative budgeting and budget monitoring processes. The District will continue to seek all available sources of funding, respond to enrollment increases, balance revenue to expenditures, and maintain systems that ensure financial stability.

In 2015, MN Legislature approved Long-Term Facility Maintenance Funding for all school districts in Minnesota. The 2015 Minnesota Legislature repealed sources of facilities revenue from three statutes and replaced them with one enhanced revenue program called Long-Term Facilities Maintenance Revenue (LTFM revenue). The new law, Minnesota Statutes, section 123B.595, offers a comprehensive program to fund a facility 10-year plan developed by a school district.

The 2013 Legislature approved funding all-day, every-day Kindergarten for the 2014-15 school year. This has also had an impact on available classrooms throughout the elementary schools as additional classroom spaces were needed to accommodate the all-day every-day Kindergarten. The District implemented a Spanish immersion program "La Ola Del Lago" for Kindergarten students in 2014 and will expand the program thru 2nd grade for 2016. This program will grow as the students progress through the elementary grade levels.

The School Board presented a \$129M bond issue and \$2,125M Technology Levy to the voters for approval on May 24, 2016. That question was defeated 52%-48%. The district continues to enroll more students and anticipates considerable classroom and core space issues at all levels until a bond issue and operating referendum can be passed to accommodate the growing enrollment.

In 2013, the District and PLSEA voted to implement Q-Comp in the District and it was approved for implementation by MDE for the 2013-14 school year. Q-Comp supports professional development and improves student achievement. Q-Comp meets the requirements of the Teacher Evaluation Plan.

In 2013, the School Board approved a 1:1 Technology Implementation plan that provided iPads to all teaching staff in the District and an additional 500 iPads distributed throughout the District schools. In 2014-15, 550 iPads were distributed to students entering 8th grade. For 2015-16, the district increased the implementation timeline to place 2,500 iPads in the hands of all students grades 8-12.

For 2015, the District engaged the services of the District Management Council to review the at-risk programs at PLSAS. DMC partners with public school district leaders to improve student outcomes, operational efficiency, and resource allocation. DMC helps set the course for successfully navigating the growing number of challenges and competing interests that come from every direction: dwindling budgets, growing regulation, rising accountability, and an increasingly diverse student population.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

PLSAS entered into an agreement to partner with neighboring Lakeville School District to develop a program modeling the Center for Advanced Professional Studies. (MNCAPS) Students fast forward into their future and are fully immersed in a professional culture, solving real world problems using industry standard tools and are mentored by actual employers, all while receiving high school and college credit.

Growth at PLHS is creating overcrowding in the core spaces (cafeteria, gyms, hallways, media center, etc.). These areas and additional classrooms will be needed at PLHS in the immediate future. Currently, PLHS is the 6th largest high school in Minnesota.

Bridges ALC has seen significant growth as well, with over 120 students attending during 2015-16. The space available in the current location is not sufficient to accommodate this program.

Both Twin Oaks Middle School and Hidden Oaks Middle School need classroom spaces at each building due to the enrollment growth, as well as cafeteria space and other core spaces.

The District's kindergarten class had increased from 541 in 2014-15, 569 in 2015-16 to an estimated 610 in 2016-17. The District closed Open Enrollment for 2015-16 and 2016-17 for Glendale and Redtail Ridge Elementary Schools due to space concerns at these schools. The District allowed 40 Open Enrollment students at PLHS and closed Open Enrollment after those slots were filled. For Redtail Ridge Elementary School, the district has utilized every available space for regular classroom instruction, including art rooms, music rooms and computer labs. All of those instructional services are delivered "on a cart" to the classrooms.

Grade level growth averages 190 students from Kindergarten through 12th grade. Utilizing this trend, the 2015-16 Kindergarten class would graduate with an estimated 760 students.

Moody's Investors Service conducted a review of the District's financial position. As a result of this review, the District elevated its bond rating of A1, to an Aa2 rating. Moody's cited the improved financial position of the District, management's commitment to maintain positive operations, and a large tax base with above average wealth levels as reasons for the increased bond rating. There are only six school districts in Minnesota with a higher bond rating.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

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 Business Office, I.S.D. No. 719, 4540 Tower Street SE, Prior Lake, Minnesota 55372 or visit the District's website at www.priorlake-savage.k12.mn.us.

BASIC FINANCIAL STATEMENTS

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	\$ 37,349,612	\$ 36,688,586
Cash and Investments with Escrow Agent	24,270,000	-
Receivables:		
Property Taxes	13,326,211	12,895,847
Other Governments	9,016,773	6,842,363
Other	465,648	217,750
Prepaid Items	196,679	173,611
Inventories	162,544	240,533
Net Pension Asset	229,659	119,529
Capital Assets:		
Land and Construction in Progress	13,741,498	12,483,938
Other Capital Assets, Net of Depreciation	154,520,381	158,583,004
Total Assets	253,279,005	228,245,161
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows - See Note 6	12,046,684	10,171,514
LIABILITIES		
Salaries and Compensated Absences Payable	3,555,484	3,301,387
Accounts and Contracts Payable	2,016,059	3,096,483
Accrued Interest	2,129,255	2,084,874
Due to Other Governmental Units	72,349	94,155
Unearned Revenue:		
Local Sources	2,113,240	1,899,547
Long-Term Liabilities:		
Portion Due Within One Year	13,008,857	7,694,341
Portion Due in More Than One Year	190,090,934	168,774,243
Total Liabilities	212,986,178	186,945,030
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	25,830,049	24,712,368
Deferred Gain on Refunding	1,117,350	1,020,888
Pension Deferred Inflows - See Note 6	5,154,022	12,849,064
Total Deferred Inflows	32,101,421	38,582,320
NET POSITION		
Net Investment in Capital Assets	44,446,753	39,239,879
Restricted for:		
General Fund Operating Capital Purposes	1,238,529	1,780,186
General Fund State-Mandated Restrictions	265,735	261,767
Food Service	801,699	583,916
Community Service	1,781,161	1,423,083
Unrestricted	(28,295,787)	(30,399,506)
Total Net Position	\$ 20,238,090	\$ 12,889,325

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

Functions	2016				2015	
	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating	Capital	Revenue and	Revenue and
			Grants and Contributions	Grants and Contributions	Changes in	Changes in
				Net Position	Net Position	
				Total	Total	
				Governmental	Governmental	
				Activities	Activities	
Governmental Activities						
Administration	\$ 2,938,813	\$ -	\$ -	\$ -	\$ (2,938,813)	\$ (3,006,654)
District Support Services	3,995,135	-	18,121	8,187	(3,968,827)	(3,387,694)
Regular Instruction	41,864,419	726,420	1,195,253	189,939	(39,752,807)	(32,599,229)
Vocational Education Instruction	672,640	-	23,940	-	(648,700)	(616,401)
Special Education Instruction	14,675,486	140,639	8,787,337	-	(5,747,510)	(5,610,794)
Instructional Support Services	5,325,192	-	-	-	(5,325,192)	(4,627,197)
Pupil Support Services	5,896,501	68,575	591,314	43,328	(5,193,284)	(5,275,700)
Sites and Buildings	7,217,363	-	41,733	1,417,276	(5,758,354)	(7,487,805)
Fiscal and Other Fixed Cost Programs	297,788	-	-	-	(297,788)	(284,226)
Food Service	4,196,927	3,396,984	975,786	-	175,843	(50,049)
Community Service	5,700,378	4,677,721	672,157	-	(350,500)	(425,459)
Interest and Fiscal Charges on Long-Term Liabilities	4,468,070	-	-	-	(4,468,070)	(5,524,589)
Total School District	\$ 97,248,712	\$ 9,010,339	\$ 12,305,641	\$ 1,658,730	(74,274,002)	(68,895,797)
General Revenues						
Property Taxes Levied for:						
General Purposes					13,444,590	13,056,857
Community Service					588,822	625,969
Debt Service					11,842,023	11,598,007
State and Federal Aid Not Restricted to Specific Purposes					54,951,265	51,286,812
Earnings on Investments					209,657	203,237
Miscellaneous					586,410	753,069
Total General Revenues					81,622,767	77,523,951
Change in Net Position					7,348,765	8,628,154
Net Position - Beginning					12,889,325	4,261,171
Net Position - Ending					\$ 20,238,090	\$ 12,889,325

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects - Building Construction	Debt Service	2016	2015
ASSETS							
Cash and Investments	\$ 13,566,018	\$ 849,267	\$ 2,136,043	\$ -	\$ 8,037,805	\$ 24,589,133	\$ 24,878,098
Cash and Investments with Escrow Agent	-	-	-	-	24,270,000	24,270,000	-
Receivables:							
Current Property Taxes	6,858,131	-	304,165	-	5,990,875	13,153,171	12,653,486
Delinquent Property Taxes	87,420	-	4,005	-	81,615	173,040	242,361
Due from Other Minnesota School Districts	97,819	-	-	-	-	97,819	21,615
Due from Minnesota Department of Education	8,759,517	3,145	72,953	-	1,414	8,837,029	6,735,616
Due from Federal through Minnesota Department of Education	61,407	20,518	-	-	-	81,925	85,132
Other Receivables	154,865	5,232	294,630	-	-	454,727	206,050
Prepaid Items	158,190	10,854	27,635	-	-	196,679	173,611
Inventory	102,183	60,361	-	-	-	162,544	240,533
Total Assets	\$ 29,845,550	\$ 949,377	\$ 2,839,431	\$ -	\$ 38,381,709	\$ 72,016,067	\$ 45,236,502
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities:							
Salaries and Compensated Absences Payable	\$ 3,274,157	\$ -	\$ -	\$ -	\$ -	\$ 3,274,157	\$ 3,070,922
Payroll Deductions and Employer Contributions Payable	234,108	11,302	35,917	-	-	281,327	230,465
Accounts and Contracts Payable	389,476	21,482	29,175	-	-	440,133	1,375,283
Due to Other Governmental Units	72,349	-	-	-	-	72,349	94,155
Unearned Revenue:							
Local Sources	226,154	114,894	371,234	-	-	712,282	657,806
Total Liabilities	4,196,244	147,678	436,326	-	-	4,780,248	5,428,631
Deferred Inflows of Resources:							
Property Taxes Levied for Subsequent Year	12,958,227	-	621,944	-	12,249,878	25,830,049	24,712,368
Unavailable Revenue - Delinquent Taxes	87,420	-	4,005	-	81,615	173,040	242,361
Total Deferred Inflows of Resources	13,045,647	-	625,949	-	12,331,493	26,003,089	24,954,729
Fund Balance:							
Nonspendable:							
Prepaid Items	158,190	10,854	27,635	-	-	196,679	173,611
Inventory	102,183	60,361	-	-	-	162,544	240,534
Restricted for:							
Staff Development	107,406	-	-	-	-	107,406	102,109
Deferred Maintenance	12,621	-	-	-	-	12,621	176,450
Operating Capital	1,238,529	-	-	-	-	1,238,529	1,780,186
Safe Schools Crime Levy	145,708	-	-	-	-	145,708	125,303
Community Education Programs	-	-	1,236,296	-	-	1,236,296	1,153,519
Early Childhood and Family Educations Programs	-	-	278,704	-	-	278,704	187,340
School Readiness	-	-	234,370	-	-	234,370	46,968
Adult Basic Education	-	-	151	-	-	151	1,405
Bond Refundings	-	-	-	-	24,270,000	24,270,000	-
Other Purposes	-	730,484	-	-	1,780,216	2,510,700	1,975,424
Assigned for:							
Special Education Carryover	173,010	-	-	-	-	173,010	333,010
Cash Flow	1,722,500	-	-	-	-	1,722,500	1,722,500
Class-size Reduction	500,000	-	-	-	-	500,000	500,000
Innovation Programs	500,000	-	-	-	-	500,000	500,000
Q-Comp	287,914	-	-	-	-	287,914	266,228
Site Carryover	193,602	-	-	-	-	193,602	466,802
Unassigned	7,461,996	-	-	-	-	7,461,996	5,101,753
Total Fund Balance	12,603,659	801,699	1,777,156	-	26,050,216	41,232,730	14,853,142
Total Liabilities, Deferred In Balance	\$ 29,845,550	\$ 949,377	\$ 2,839,431	\$ -	\$ 38,381,709	\$ 72,016,067	\$ 45,236,502

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
Total Fund Balance for Governmental Funds	\$ 41,232,730	\$ 14,853,142
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	12,483,938	12,483,938
Construction in Progress	1,257,560	-
Land Improvements, Net of Accumulated Depreciation	2,795,750	3,042,525
Buildings and Improvements, Net of Accumulated Depreciation	144,393,271	148,097,029
Equipment, Net of Accumulated Depreciation	7,331,360	7,443,450
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as a deferred inflow of resources in the governmental funds.		
	173,040	242,361
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(2,129,255)	(2,084,874)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		
	9,794,516	8,859,247
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(52,444,650)	(42,216,151)
Deferred Inflows of Resources - Pensions	(5,154,022)	(12,849,064)
Deferred Outflows of Resources - Pensions	12,046,684	10,171,514
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(127,075,000)	(112,710,000)
Unamortized Premiums	(9,172,465)	(6,952,618)
Deferred Loss on Refunding	(1,117,350)	(1,020,888)
Obligations Under Capital Leases	(10,720,311)	(11,285,652)
Other Postemployment Benefits Payable	(2,756,808)	(2,360,794)
Compensated Absences Payable	(930,557)	(943,369)
Other Pension Assets	229,659	119,529
Total Net Position of Governmental Activities	\$ 20,238,090	\$ 12,889,325

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects - Building Construction	Debt Service	2016	2015
REVENUES							
Local Sources:							
Property Taxes	\$ 13,477,228	\$ -	\$ 590,494	\$ -	\$ 11,877,034	\$ 25,944,756	\$ 25,303,195
Earnings on Investments	49,379	2,118	5,341	7	17,239	74,084	84,550
Other	1,482,674	3,396,984	4,717,091	-	-	9,596,749	8,441,102
State Sources	65,571,124	268,708	691,166	-	14,147	66,545,145	61,886,855
Federal Sources	1,663,413	707,078	-	-	-	2,370,491	2,015,409
Total Revenues	82,243,818	4,374,888	6,004,092	7	11,908,420	104,531,225	97,731,111
EXPENDITURES							
Current:							
Administration	2,947,937	-	-	-	-	2,947,937	3,055,111
District Support Services	3,386,416	-	-	-	-	3,386,416	2,858,468
Regular Instruction	38,404,368	-	-	-	-	38,404,368	36,427,518
Vocational Education Instruction	666,499	-	-	-	-	666,499	665,893
Special Education Instruction	14,638,752	-	-	-	-	14,638,752	13,912,768
Instructional Support Services	4,822,893	-	-	-	-	4,822,893	4,528,930
Pupil Support Services	5,869,699	-	-	-	-	5,869,699	5,872,939
Sites and Buildings	5,339,001	-	-	-	-	5,339,001	5,307,435
Fiscal and Other Fixed Cost Programs	297,788	-	-	-	-	297,788	284,226
Food Service	-	4,042,564	-	-	-	4,042,564	3,750,933
Community Service	-	-	5,605,924	-	-	5,605,924	4,743,472
Capital Outlay	3,527,014	114,541	38,418	142,102	-	3,822,075	16,073,550
Debt Service:							
Principal	565,341	-	-	-	7,035,000	7,600,341	8,993,067
Interest and Fiscal Charges	445,774	-	-	-	4,665,958	5,111,732	7,304,333
Total Expenditures	80,911,482	4,157,105	5,644,342	142,102	11,700,958	102,555,989	113,778,643
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,332,336	217,783	359,750	(142,095)	207,462	1,975,236	(16,047,532)
OTHER FINANCING SOURCES AND USES							
Proceeds from Sale of Real Property	-	-	-	-	-	-	19,144
Face Amount of Bonds Issued	-	-	-	-	21,400,000	21,400,000	-
Bond Premium	-	-	-	-	3,004,352	3,004,352	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	(40,520,000)
Total Other Financing Sources (Uses)	-	-	-	-	24,404,352	24,404,352	(40,500,856)
Net Change in Fund Balances	1,332,336	217,783	359,750	(142,095)	24,611,814	26,379,588	(56,548,388)
Fund Balance - Beginning	11,271,323	583,916	1,417,406	142,095	1,438,402	14,853,142	71,401,530
Fund Balance - Ending	\$ 12,603,659	\$ 801,699	\$ 1,777,156	\$ -	\$ 26,050,216	\$ 41,232,730	\$ 14,853,142

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
RECONCILIATION OF THE STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016	2015
Net Change in Fund Balance - Total Governmental Funds	\$ 26,379,588	\$ (56,548,388)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays	2,990,759	16,002,048
Gain (Loss) on Disposal of Capital Assets	-	(19,144)
Depreciation Expense	(5,795,822)	(3,294,065)
<p>Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.</p>		
Principal Payments - Capital Leases	565,341	388,067
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of discounts and premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:</p>		
Face Amount of Bonds Issued	(21,400,000)	-
Payment to Refunded Bond Escrow Agent	-	40,520,000
Bond Premium	(3,004,352)	-
Repayment of Bond Principal	7,035,000	8,605,000
Change in Accrued Interest Expense - General Obligation Bonds	(44,381)	944,925
Amortization of Deferred Inflow - Gain on Refunding	(96,462)	40,192
Amortization of Bond Premium	784,505	794,627
<p>In the statement of activities, other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount that other postemployment benefits payable changed.</p>		
	(396,014)	(397,486)
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are considered a deferred inflow of resources in the governmental funds.</p>		
	(69,321)	(22,362)
<p>In the statement of activities, certain operating expenses - other pension benefits, severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
	122,942	79,229
<p>Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expense on the Statement of Activities is measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.</p>		
	(658,287)	549,016
<p>Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.</p>		
	935,269	986,495
Change in Net Position of Governmental Activities	\$ 7,348,765	\$ 8,628,154

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 13,239,026	\$ 13,519,784	\$ 13,477,228	\$ (42,556)
Earnings on Investments	14,000	10,501	49,379	38,878
Other	1,210,524	1,165,764	1,482,674	316,910
State Sources	62,498,722	64,885,387	65,571,124	685,737
Federal Sources	1,101,350	1,648,464	1,663,413	14,949
Total Revenues	<u>78,063,622</u>	<u>81,229,900</u>	<u>82,243,818</u>	<u>1,013,918</u>
EXPENDITURES				
Current:				
Administration	2,917,142	2,973,857	2,947,937	(25,920)
District Support Services	2,938,105	3,665,057	3,386,416	(278,641)
Elementary and Secondary Regular Instruction	36,755,290	38,424,032	38,404,368	(19,664)
Vocational Education Instruction	703,415	706,873	666,499	(40,374)
Special Education Instruction	14,152,945	14,663,299	14,638,752	(24,547)
Instructional Support Services	5,409,486	4,949,550	4,822,893	(126,657)
Pupil Support Services	5,975,478	5,926,738	5,869,699	(57,039)
Sites and Buildings	4,699,210	5,578,741	5,339,001	(239,740)
Fiscal and Other Fixed Cost Programs	263,500	296,100	297,788	1,688
Capital Outlay	3,285,778	3,456,910	3,527,014	70,104
Debt Service:				
Principal	376,836	571,012	565,341	(5,671)
Interest and Fiscal Charges	452,564	440,103	445,774	5,671
Total Expenditures	<u>77,929,749</u>	<u>81,652,272</u>	<u>80,911,482</u>	<u>(740,790)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ 133,873</u>	<u>\$ (422,372)</u>	1,332,336	<u>\$ 1,754,708</u>
FUND BALANCE				
Beginning of Year			<u>11,271,323</u>	
End of Year			<u>\$ 12,603,659</u>	

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ -	\$ 2,118	\$ 2,118
Other - Primarily Meal Sales	2,973,400	2,973,400	3,396,984	423,584
State Sources	151,000	151,000	268,708	117,708
Federal Sources	651,600	651,600	707,078	55,478
Total Revenues	<u>3,776,000</u>	<u>3,776,000</u>	<u>4,374,888</u>	<u>598,888</u>
EXPENDITURES				
Current:				
Food Service	3,711,288	3,711,288	4,042,564	331,276
Capital Outlay	263,212	263,212	114,541	(148,671)
Total Expenditures	<u>3,974,500</u>	<u>3,974,500</u>	<u>4,157,105</u>	<u>182,605</u>
Net Change in Fund Balance	<u>\$ (198,500)</u>	<u>\$ (198,500)</u>	217,783	<u>\$ 416,283</u>
FUND BALANCE				
Beginning of Year			<u>583,916</u>	
End of Year			<u>\$ 801,699</u>	

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREAS SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 590,036	\$ 591,082	\$ 590,494	\$ (588)
Earnings on Investments	-	-	5,341	5,341
Other - Primarily Tuition and Fees	4,185,670	4,455,335	4,717,091	261,756
State Sources	526,841	709,146	691,166	(17,980)
Total Revenues	<u>5,302,547</u>	<u>5,755,563</u>	6,004,092	248,529
EXPENDITURES				
Current:				
Community Service	5,412,252	5,521,335	5,605,924	84,589
Capital Outlay	30,230	28,658	38,418	9,760
Total Expenditures	<u>5,442,482</u>	<u>5,549,993</u>	<u>5,644,342</u>	<u>94,349</u>
Net Change in Fund Balance	<u>\$ (139,935)</u>	<u>\$ 205,570</u>	359,750	<u>\$ 154,180</u>
FUND BALANCE				
Beginning of Year			<u>1,417,406</u>	
End of Year			<u>\$ 1,777,156</u>	

See accompanying Notes to Basic Financial Statements.

PRIOR LAKE-SAVAGE AREAS SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016	2015
ASSETS		
Current Assets:		
Cash and Investments	\$ 12,760,479	\$ 11,810,488
Accounts Receivable	10,921	11,700
Total Assets	12,771,400	11,822,188
LIABILITIES		
Claims Payable for Health and Dental Benefits	1,575,926	1,721,200
Unearned Revenue	1,400,958	1,241,741
Total Liabilities	2,976,884	2,962,941
NET POSITION		
Unrestricted	\$ 9,794,516	\$ 8,859,247

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREAS SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services	\$ 11,826,528	\$ 11,282,030
OPERATING EXPENSES		
VEBA Contributions	45,071	43,541
Health Insurance Claim Payments	10,283,857	9,571,152
General Administration Fees	<u>697,904</u>	<u>799,529</u>
Total Operating Expenses	<u>11,026,832</u>	<u>10,414,222</u>
OPERATING INCOME	799,696	867,808
NONOPERATING INCOME		
Earnings on Investments	<u>135,573</u>	<u>118,687</u>
Change in Net Position	935,269	986,495
Total Net Position - Beginning	<u>8,859,247</u>	<u>7,872,752</u>
Total Net Position - Ending	<u><u>\$ 9,794,516</u></u>	<u><u>\$ 8,859,247</u></u>

See accompanying Notes to Basic Financial Statements.

**PRIOR LAKE-SAVAGE AREAS SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 11,986,524	\$ 11,370,840
Payments for Administrative Costs	(697,904)	(799,529)
Payments for Medical Fees and Insurance Claims	(10,429,131)	(9,211,824)
Payments for Wellness	(45,071)	(43,541)
Net Cash Provided by Operating Activities	814,418	1,315,946
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	135,573	118,687
NET INCREASE IN CASH AND CASH EQUIVALENTS	949,991	1,434,633
Cash and Cash Equivalents - Beginning	11,810,488	10,375,855
CASH AND CASH EQUIVALENTS - ENDING	\$ 12,760,479	\$ 11,810,488
Displayed on Statements of Fund Net Position as:		
Cash and Investments	\$ 12,760,479	\$ 11,810,488
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 799,696	\$ 867,808
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase in Accounts Receivable	779	1,202
(Increase) Decrease in Claims Payable	(145,274)	359,328
Increase in Unearned Revenue	159,217	87,608
Total Adjustments	14,722	448,138
Net Cash Provided by Operating Activities	\$ 814,418	\$ 1,315,946

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 719 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Independent School District No. 719 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the Organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the Organization or receiving specific financial benefits from, or imposing specific financial burden on, the Organization. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services are the District's governmental activities, the financial statement of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. The costs of these services are reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is contributions from the operating funds for other postemployment benefits and charges for services in the form of insurance premiums. Operating expenses for the internal service fund include the costs of other postemployment benefits and payment of claims. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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 U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Fund

This Special Revenue Fund is used to account for revenues that are restricted for food service and the associated expenditures.

Community Service Fund

This Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Community Service revenues are restricted for use in those activities permitted by state statute.

Capital Projects – Building Construction Fund

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond and energy conservation loan debt service except for refunding bond issues, for which a separate refunding bond trust account has been established.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds

Internal Service Fund

The Internal Service Fund is established to account for cash and other assets held by the District for the payment of Other Postemployment Benefits (OPEB) and Voluntary Employee Benefits Association (VEBA) contributions. The District's Internal Service Fund includes its self-insured insurance plans for its employees and a revocable trust to account for cash and other assets held by the District for the payment of Other Postemployment Benefits, which is accounted for as an internal service fund.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the Board. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board action. Revisions to budgeted amounts must be approved by the Board.

Total fund expenditures in excess of the budget require approval of the Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budgeted amounts include mid-year budget amendments that changed revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues			
General Fund	\$ 78,063,622	\$ 3,166,278	\$ 81,229,900
Special Revenue Funds:			
Community Service Fund	5,302,547	453,016	5,755,563
Expenditures			
General Fund	77,929,749	3,722,523	81,652,272
Special Revenue Funds:			
Community Service Fund	5,442,482	107,511	5,549,993

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amount of cash and so near their maturity that there is insignificant risk of value changes because of interest rate changes.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Debt Service Fund, the refunding bond escrow account held by trustee can be used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the escrow account.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools operated in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940 are valued at the pool's share price.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District has one type of item that qualifies for reporting in this category, which is deferred outflows of resources related to pensions. See Note 6 for detail.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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 four types of deferred inflows, two of which are related to revenue recognition. The first is property taxes levied for subsequent year. As an imposed non-exchange revenue transaction, property taxes received or reported as a receivable before the period for which the property taxes are levied are reported as a deferred inflow of resources in the government-wide financial statements and in the governmental fund financial statements. The second type of deferred inflow of resources is delinquent property taxes. Governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. Delinquent taxes not collected within 60 days after the District's year end are considered unavailable and reported as a deferred inflow of resources in the governmental fund financial statements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources (Continued)

When refunding debt issuances, the difference between the reacquisition price of the refunded debt and the net carrying amount of that debt (net of any unamortized premium or discount) is considered a deferred outflow of resources and amortized as a component of interest expense over the shorter of the remaining life of the refunded debt or the life of the new refunding debt. The District also has deferred inflows of resources related to pensions. See Note 6 for detail.

K. Property Taxes

Property tax levies are established by the Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$893,302) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District's 2015 pay 2016 levy, normally revenue for the 2016-17 fiscal year, are also advance recognized at June 30, 2016, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is not available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2016, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

Capital 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 District maintains a threshold level of \$5,000 for equipment and vehicles and \$25,000 for building and improvements and an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are 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 20 years for equipment.

Capital assets not being depreciated include land and construction in process.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized as a component of interest expense over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums 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 from the actual debt proceeds received, are reported as debt service expenditures.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

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

O. Accrued Employee Benefits

Vacation Pay

Because teachers are not eligible for vacation pay and amounts accrued to other employees are forfeited if not taken by December 31 of the following year, no long-term portion of vacation liabilities are recorded in the financial statements.

Sick Pay

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

Early Retirement Incentive

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. See Note 8 for further information.

Severance and Health Benefits

The District maintains a severance plan for its employees. The teachers' contract provides for payment of up to 120 days of accumulated sick leave as severance benefits based on years of service with the District and the retirees' age. Other District employee groups have similar severance provisions. A retiring employee shall elect that all retirement pay be paid on July 15 of the retirement year. All retirement payments on July 15, 2016 are included as salaries payable in the respective fund from which the salaries had been paid prior to retirement. A severance pay liability has been reported in the government-wide financial statements for all employees who have met the criteria of the severance plan but have not yet retired.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits (Continued)

Postemployment Health Care Benefits

Under the terms of certain collectively bargained employment contracts, including the teachers' contract retirees, are eligible to participate in the District's health insurance plans. For employees meeting certain length of service experience requirements, the District is required to pay the health insurance premiums until the age 65. The long-term portion of the postemployment health care benefits liability is included as Other Postemployment Benefits of long-term debt. See Notes 4 and 7 for further information.

P. Fund Balance

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

Nonspendable – portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – funds are established and modified by a resolution approved by the Board of Education.

Assigned – consists of internally imposed constraints. The Board of Education passed a resolution authorizing the Superintendent and Director of Business Affairs to assign fund balances and their intended uses.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target unassigned fund balance of 5% of the annual budget.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

R. Net Position

Net position represent the difference between assets, deferred outflows of resources and liabilities, and deferred inflows of resources in the government-wide, proprietary and fiduciary fund financial statements. Net investment 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 imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

S. Use of Estimates

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

T. Summarized Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The carrying value and bank balance of the District's deposits in banks at June 30, 2016 is \$14,308,982 and \$17,454,412, respectively, and were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

At June 30, 2016, the District's petty cash fund totaled \$847.

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

At June 30, 2016, the District’s investment balances were as follows:

MN Trust Investment Shares	\$ 14,439,565
MN Trust TERM Series	24,270,744
MSDLAF+ Liquid Class	21,140
MSDLAF+ MAX Class	2,306,667
AUL Fixed-Interest Fund	6,271,667
Total	\$ 47,309,783

MNTrust– MNTrust fund investments are restricted to securities described in Minnesota States, Section 118.04. MNTrust’s Term Series portfolios are separate portfolios with a fixed investment term and a designated maturity. A Term Series Portfolio consists of investments in certificates of deposit, obligations of the U.S. Government, its agencies and instrumentalities, and municipal obligations. These investments are reported at amortized cost.

Minnesota School District Liquid Asset Fund Plus (MSDLAF+) - The MSDLAF+ is an external investment pool not registered with the Securities Exchange Commission (SEC). The fair value of the position in the pool is the same as the value of the pool shares.

AUL Fixed-Interest Fund – The AUL Fixed-Interest Fund is a fixed income investment account that is reported at amortized cost.

Credit Risk

	Credit Quality Rating	Amount
MN Trust Investment Shares	AAAm	\$ 14,439,565
MN Trust TERM Series	Not Rated	24,270,744
MSDLAF+ Liquid Class	AAAf	21,140
MSDLAF+ MAX Class	AAAf	2,306,667
AUL Fixed-Interest Fund	Not Rated	6,271,667

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The School District’s investment policy requires that brokers provide insurance to cover balances held in each investment account. As of June 30, 2016, the investment balances were fully covered by insurance for each brokerage firm.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District’s investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

Maturities of the District’s investments are as follows:

	Maturities in Years		
	Less than 1	1-5	More than 5
MN Trust Investment Shares	\$ 14,439,565	\$ -	\$ -
MN Trust TERM Series	24,270,744	-	-
AUL Fixed-Interest Fund	-	-	6,271,667
Total	\$ 38,710,309	\$ -	\$ 6,271,667

Concentration Risk

The District places no limit on the amount that the District may invest in any one issuer. Currently the District had no investments in any issuer which individually comprised more than 5% of total investments.

The District’s deposits and investments are presented in the financial statements as follows:

Statement of Net Position:	
Cash and Investments	<u>\$ 61,619,612</u>

C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements (Continued)

In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured a fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
None Noted	\$ -	\$ -	\$ -	\$ -
Investments measured at Net Asset Value (NAV)				\$ 2,327,807

The MSDLAF+ and MN Trust Investment Shares Portfolios are external investment pools that are managed to maintain a dollar-weighted average portfolio maturity of not greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The pools elect to measure their investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

The District reports its investment in these pools at the NAV per share, the fair value established by the pools. The District’s investments in these pools are included in the share classes, as follows:

	Net Asset Value	Unfunded Commitments
MSDLAF+ Liquid Class	\$ 21,140	\$ -
MSDLAF+ MAX Class	2,306,667	-

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements (Continued)

The Liquid Class has no redemption requirements. The Max Class may not be redeemed for at least 14 days, and a 24-hour hold is placed on redemption requests. Redemptions prior to 14 days may be subject to penalty. The MSDLAF Max Term has a minimum investment of \$100,000. Early withdrawal may result in substantial early withdrawal penalties.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,483,938	\$ -	\$ -	\$ 12,483,938
Construction in Progress	-	1,257,560	-	1,257,560
Total Capital Assets, Not Being Depreciated	12,483,938	1,257,560	-	13,741,498
Capital Assets, Being Depreciated:				
Land Improvements	4,203,305	9,780	-	4,213,085
Buildings and Improvements	196,047,022	397,637	-	196,444,659
Equipment	14,037,996	1,325,782	-	15,363,778
Total Capital Assets, Being Depreciated	214,288,323	1,733,199	-	216,021,522
Accumulated Depreciation for:				
Land Improvements	(1,160,780)	(256,555)	-	(1,417,335)
Buildings and Improvements	(47,949,993)	(4,101,395)	-	(52,051,388)
Equipment	(6,594,546)	(1,437,872)	-	(8,032,418)
Total Accumulated Depreciation	(55,705,319)	(5,795,822)	-	(61,501,141)
Total Capital Assets, Being Depreciated, Net	158,583,004	(4,062,623)	-	154,520,381
Governmental Activities Capital Assets, Net	\$ 171,066,942	\$ (2,805,063)	\$ -	\$ 168,261,879

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
District Support Services	\$ 35,554
Regular Instruction	3,343,694
Special Education Instruction	5,060
Instructional Support Services	784,216
Sites and Buildings	1,518,298
Food Service	93,077
Community Service	15,923
Total Depreciation Expense, Governmental Activities	<u>\$ 5,795,822</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 LONG-TERM LIABILITIES

The District has issued general obligation school building bonds to finance the construction of capital facilities or to refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies are dedicated for the retirement of these bonds and loans. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

A. Components of General Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding Due Within One Year	Total
1/3/2007	4.00% - 5.00%	\$ 12,160,000	2/1/2026	\$ 540,000	\$ 9,725,000
1/3/2007	4.00% - 5.00%	29,375,000	2/1/2021	3,805,000	14,545,000
11/9/2010	4.00% - 5.00%	21,700,000	2/1/2023	1,005,000	19,895,000
11/3/2011	3.00%	12,225,000	2/1/2023	270,000	3,300,000
6/12/2013	2.00% - 3.00%	12,500,000	2/1/2026	-	12,500,000
6/12/2013	2.00% - 3.00%	5,380,000	2/1/2028	320,000	4,350,000
12/12/2013	3.00% - 5.00%	39,195,000	2/1/2026	2,050,000	38,570,000
1/8/2014	2.00% - 3.50%	3,205,000	2/1/2028	210,000	2,790,000
5/4/2016	3.00% - 5.00%	21,400,000	2/1/2026	4,115,000	21,400,000
Total General Obligation Bonds				12,315,000	127,075,000
Bond Premium - Net				-	9,172,465
Capital Lease Obligation				586,057	10,720,311
Other Postemployment Benefits				-	2,756,808
Compensated Absences Payable				107,800	930,557
Net Pension Liability				-	52,444,650
Total				<u>\$ 13,008,857</u>	<u>\$ 203,099,791</u>

The long-term bond liabilities listed above were issued to finance the acquisition, construction, refurbishing of capital facilities, purchase capital assets or to refinance (refund) previous bond issues.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including severance and health benefits payable are as follows:

<u>Year Ending June 30,</u>	General Obligation Bonds Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,315,000	\$ 5,024,338	\$ 17,339,338
2018	12,135,000	4,689,384	16,824,384
2019	12,200,000	4,210,484	16,410,484
2020	12,325,000	3,657,484	15,982,484
2021	13,880,000	3,094,384	16,974,384
2022 - 2026	62,890,000	7,572,894	70,462,894
2027 - 2028	1,330,000	64,075	1,394,075
Total	<u>\$ 127,075,000</u>	<u>\$ 28,313,043</u>	<u>\$ 155,388,043</u>

C. Changes in Long-Term Debt

	<u>June 30, 2015</u>	<u>Net Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Bonds Payable	\$ 112,710,000	\$ 21,400,000	\$ 7,035,000	\$ 127,075,000
Bond Premium	6,952,618	3,004,352	784,505	9,172,465
Capital Lease Obligations	11,285,652	-	565,341	10,720,311
Compensated Absences Payable	943,369	96,480	109,292	930,557
Total	<u>\$ 131,891,639</u>	<u>\$ 24,500,832</u>	<u>\$ 8,494,138</u>	<u>\$ 147,898,333</u>

Governmental compensated absences and other postemployment benefits are typically liquidated (paid) by the General Fund.

On May 4, 2016, the District issued \$21,400,000 of General Obligation School Building Refunding Bonds, Series 2016A. A total of \$24,5270,000 of the proceeds (including bond premium of \$3,004,352) were used on August 1, 2016 to refund, in advance of their stated maturities, the remaining maturities of the District's 2007A General Obligation School Building Bonds and 2007B General Obligation School Building Refunding Bonds. The crossover refunding of the 2007A and 2007B issuances will result in a present value savings of \$2,308,534.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

D. Description of Long-Term Debt

General Obligation School Building Bonds

Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to the retirement of these bonds. The District has authority to levy for all existing general obligation bonds. These levies are subject to reduction if fund balances exceed limitations imposed by Minnesota law.

General Obligation School Building Bonds were issued to finance acquisitions and/or construction of capital facilities.

Compensated Absences and Other Postemployment Benefits

Compensated Absences Payable and Other Postemployment Benefits liabilities consist of convertible sick leave and healthcare benefits paid for retirees upon retirement. See Note 6 for information on Net Pension Liability.

Capital Lease

On December 10, 2012, the District entered a capital lease agreement for two generators for a total capital lease obligation of \$547,323. The lease has a term of 15 years extending through December 1, 2027. This capital asset is capitalized at a cost of \$602,205 with accumulated depreciation of \$496,819 as of June 30, 2016. Amortization expense of the period is included in depreciation expense.

On December 19, 2013, the District entered into a capital lease-purchase agreement for a high school addition. The lease proceeds totaled \$8,300,000. The lease bears interest at a rate of 4.45% and requires semi-annual lease payments of \$316,504 extending through January 15, 2034, at which point the District will have the option to purchase the leased property for one dollar. Construction of the high school addition was completed in fiscal year 2015. This capital asset is capitalized at a cost of \$8,513,195 with \$260,608 of accumulated depreciation at June 30, 2016. Amortization expense of the period is included in depreciation expense.

On June 12, 2014, the District entered into a capital lease-purchase agreement for field turf. The lease proceeds totaled \$2,870,000. The lease bears interest at a rate of 2.79% and requires semi-annual lease payments of \$165,857 extending through July 15, 2024, at which point the District will have the option to purchase the leased property for one dollar. The installation of the field turf was completed in fiscal year 2015. This capital asset is capitalized at a cost of \$2,482,501 with accumulated depreciation of \$2,210,371 at June 30, 2016. Amortization expense of the period is included in depreciation expense.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

D. Description of Long-Term Debt (Continued)

Future minimum lease payments are as follows:

<u>Year Ending June 30.</u>	Capital Leases Payable	
	Principal	Interest
2017	\$ 586,057	\$ 425,059
2018	607,571	403,543
2019	629,915	381,204
2020	653,123	357,993
2021	677,247	333,887
2022 - 2026	3,277,226	1,280,777
2027 - 2031	2,529,680	704,951
2032 - 2035	1,759,492	139,533
Total	\$ 10,720,311	\$ 4,026,947

NOTE 5 RESTRICTED FUND BALANCES

A. Restricted Fund Balances

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. Any such "restrictions" which have an accumulated deficit rather than a positive balance at June 30 are included since the District has specific statutory authority to levy taxes for such deficits.

Restricted for Staff Development – Providing teachers and other school district staff with individual and professional organizational growth and development opportunities and prepares them to provide excellent educational experiences for students, and ultimately helps achieve the fundamental purpose of improving student learning.

Restricted for Deferred Maintenance – This balance represents unspent deferred maintenance revenues. Revenues are from local tax levies.

Restricted for Health and Safety – This amount represents resources to be derived exclusively for capital expenditure health and safety projects. Revenues are derived from tax levies and expenditures are for necessary corrections for fire and life safety hazards, asbestos removal and related repairs and cleanup, removal, disposal and repairs related to storing heating fuel or transportation fuel.

Restricted for Operating Capital – This balance represents amounts available for capital expenditure equipment purchases, facility projects and personnel costs directly related to acquisition, operation and maintenance of computers, related equipment and network and applications software. Revenue to finance these expenditures is derived primarily from state aid revenue.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTE 5 RESTRICTED FUND BALANCES (CONTINUED)

A. Restricted Fund Balances (Continued)

Restricted for Safe Schools Crime Levy – This balance represents unspent safe schools crime levy revenues. Revenues are from local tax levies.

Restricted for Community Education – This amount represents available resources for community education classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood and Family Education (ECFE) – This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness – This amount represents available resources to provide services for learning readiness programs. Related to Finance Code 344, School Readiness, Minnesota Statutes 1240.16, includes aids, fees, grants and all other revenues received by the District.

Restricted for Building Construction – This amount represents the resources available to finance project expenditures.

Restricted for Other Purposes – This amount represents amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

B. Assigned Fund Balances

At June 30, 2016, the General Fund includes assignments of fund balance for Special Education carryover, cash flow, class size reduction, innovation, Q-Comp and site carryover. The site carryover represents site allocations which the Board has allowed to be carried over for re-appropriation in the following fiscal year. Cash flow is allocated due to the state aid shift moving from 90/10 to 60/40 over the past three years. The class size reduction assigned fund balance is for the purpose of reducing class sizes for fiscal year 2016-17. Innovation dollars are anticipated start-up costs for a new language immersion program in the District's schools.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS

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

A. Plan Description

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

1. General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

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

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

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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JUNE 30, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for 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 average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

Two methods are used to compute benefits for 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 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Services Years are July 1, 206 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

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

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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

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

C. Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2016, were \$913,614. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	<u>Ending June 30, 2015</u>		<u>Ending June 30, 2016</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.5%	11.0%	11.5%
Coordinated	7.5	7.5	7.5	7.5

The District's contributions to TRA for the plan's fiscal year ended June 30, 2016, were \$2,772,396. The District's contributions were equal to the required contributions for each year as set by state statute.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$10,256,205 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was 0.1979%, which was a decrease of 0.006% from its proportion measured as of June 30, 2015.

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

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8% beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB 68 accounting requirements will be increased to 8% to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the District recognized pension expense of \$1,024,920 for its proportionate share of GERF's pension expense.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 95,114	\$ 517,087
Changes in Actuarial Assumptions	638,721	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	912,992
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	243,474
District Contributions Subsequent to the Measurement Date	913,614	-
Total	<u>\$ 733,835</u>	<u>\$ 1,673,553</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERP Pension Costs (Continued)

A total of \$913,614 reported as deferred outflows of resources related to pensions resulting from District contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expenses Amount</u>
2017	\$ (271,843)
2018	(271,846)
2019	(638,760)
2020	242,731
2021	-
Thereafter	-

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$42,188,445 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.682% at the end of the measurement period and 0.7083% for the beginning of the period.

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

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 42,188,445
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	5,175,127

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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JUNE 30, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$3,340,027. It also recognized \$914,896 as pension expense for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 2,161,729	\$ -
Changes in Actuarial Assumptions	3,243,172	-
Net Difference Between Projected and Actual		
Investment Earnings	-	3,226,663
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	2,221,938	253,806
District Contributions Subsequent to the Measurement Date	2,772,396	-
Total	<u>\$ 10,399,235</u>	<u>\$ 3,480,469</u>

A total of \$2,772,396 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30.	Pension Expenses Amount
2017	\$ 352,581
2018	352,581
2019	352,581
2020	2,581,914
2021	506,713
Thereafter	-

E. Merger of Duluth Teacher's Retirement Fund Association (DTRFA)

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

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per Year	3.50%
Active Member Payroll Growth	3.50% per Year	3.5 - 12%, Based on Years of Service
Investment Rate of Return	7.90%	8.00%

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

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The actuarial experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually. The actuarial experience study for TRA was for the period July 1, 2004, through June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERF occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by .25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date for TRA. Post-retirement benefit adjustments are now assumed to be 2.0% annually with no increase to 2.5% projected. The prior year valuation assumed a 2.5% increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.0% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	5.5%
International Equity	15%	6.0%
Bonds	18%	1.5%
Alternative Assets	20%	6.4%
Cash	2%	0.5%
Totals	<u>100%</u>	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.00% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	\$ 16,126,400	\$ 10,256,205	\$ 5,408,326
TRA Discount Rate	7.00%	8.00%	9.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 64,216,274	\$ 42,188,445	\$ 23,805,585

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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

Detailed information about GERP's fiduciary's net position is available in a separately-issued PERA financial report. 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 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PAYABLE

At June 30, 2009, the District adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions.

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 702 active participants, 50 retired participants and 16 spouses. Benefit and eligibility provisions are established through individual contracts and negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes 100% of the cost of current-year premiums for specified coverage levels of eligible retired plan members and their spouses. For fiscal year 2016, the District contributed \$777,115 to the plan.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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JUNE 30, 2016**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution	\$ 1,212,571
Interest on Net OPEB Obligation	94,432
Adjustment to Annual Required Contribution	<u>(133,874)</u>
Annual OPEB Cost (Expense)	1,173,129
Contributions Made	<u>(777,115)</u>
Increase in Net OPEB Obligation	396,014
Net OPEB Obligation - Beginning of Year	<u>2,360,794</u>
Net OPEB Obligation - End of Year	<u><u>\$ 2,756,808</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 1,173,129	66%	\$ 2,756,808
6/30/2015	1,172,548	66%	2,360,794
6/30/2014	1,128,320	81%	1,963,308

**PRIOR LAKE-SAVAGE AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$9,824,410. The annual payroll for active employees covered by the plan in the actuarial valuation was \$37,576,111 for a ratio of UAAL to covered payroll of 26.1%.

Actuarial valuations of an ongoing plan 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 healthcare cost trends. 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.5%, reduced by decrements to an ultimate rate of 5% after 10 years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis and the amortization period is not to exceed 30 years.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 SUPPLEMENTAL PENSION PLAN

The District engaged an actuary to determine the District's liability for its supplemental pension plan in accordance with the District adopted GASB Statement No. 27, as of July 1, 2014.

A. Plan Description

The District provides a single-employer defined benefit supplemental pension benefit to eligible administrators and teachers. Currently, full-time teachers hired prior to July 1, 1991, custodians, and administrative assistants are eligible to retire and receive the pension supplement after the attainment of age 55 and the completion 20 years of service. Certain administrators are eligible to retire and receive the pension supplement after the attainment of age 55 and the completion 15 years of service. The superintendent is eligible to retire and receive the pension supplement after the attainment of age 55 and the completion six years of service. There is no maximum benefit amount for any bargaining group, other than the superintendent who is capped at 50% of annual salary.

Currently, there are 45 active employees who are eligible to receive benefits under the plan as of July 1, 2014. The pension benefit ranges from three days per year of service times the hourly rate to one month of salary for each year of service. Payments are made as lump sum payments.

B. Funding Policy

Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

C. Annual Pension Cost and Net Pension Obligation

The District's annual pension cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual pension cost for the year, the amount actually paid from the plan, and changes in the District's net pension obligation.

Annual Required Contribution	\$ 135,889
Interest on Net Pension Asset	(4,781)
Adjustment to Annual Required Contribution	8,624
Annual Pension Cost	<u>139,732</u>
Contributions Made	<u>249,862</u>
Increase in Net Pension Asset	110,130
Net Pension Asset - Beginning of Year	119,529
Net Pension Asset - End of Year	<u><u>\$ 229,659</u></u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 SUPPLEMENTAL PENSION PLAN (CONTINUED)

C. Annual Pension Cost and Net Pension Obligation (Continued)

The District's annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension asset for 2016, 2015 and 2014 was:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Asset
6/30/2016	\$ 139,732	-179%	\$ 229,659
6/30/2015	141,209	-137%	119,529
6/30/2014	168,555	85%	67,279

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,066,723. The annual payroll for active employees covered by the plan in the actuarial valuation was \$3,265,304 for a ratio of UAAL to covered payroll of 32.7%.

Actuarial valuations of an ongoing plan 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 salary cost trends. 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2014, actuarial valuation using the projected unit actuarial cost method. The actuarial assumptions included a 4.0% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and projected salary increases at 3%.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 SUPPLEMENTAL PENSION PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

The actuarial methods and assumptions include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at June 30, 2014, is not to exceed 30 years.

NOTE 9 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Contingencies

The District has the usual and customary types of legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. The District's management believes that the District will not incur any material liabilities relating to these claims, and none have been accrued at year-end.

NOTE 10 HEALTH SELF-INSURANCE PLAN

The District maintains an Internal Service Fund to account for and finance a self-insurance program for health benefits. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed for amounts under its stop-loss limit of \$225,000 at which point reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 125% of the prior years' claims. District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for health expenses. Claims have not exceeded the District's aggregate stop-loss limit for the past three years (since the establishment of the self-insurance program).

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims. At June 30, 2016, there is a reserve of \$2,862,477.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 HEALTH SELF-INSURANCE PLAN (CONTINUED)

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

There were no liabilities in excess of claims paid at June 30, 2016. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held \$5,650,839 in cash and investments at June 30, 2016, for payment of claims.

The balances of claim liabilities during fiscal years 2016 and 2015 were as follows:

	Fiscal Year 2016	Fiscal Year 2015
Beginning of Fiscal Year Liability - July 1, 2015	\$ 1,721,200	\$ 1,361,872
Current Year Claims, Changes in Estimates and Other Charges	10,283,857	9,571,152
Current Year Claims Paid, including an Estimate of Claims Incurred but Not Reported (IBNR)	(10,429,131)	(9,211,824)
End of Fiscal Year Liability - June 30, 2016	\$ 1,575,926	\$ 1,721,200

NOTE 11 INTERFUND BALANCES AND OPERATING TRANSFERS

The District had no interfund receivable or payable balances at June 30, 2016.

NOTE 12 SUBSEQUENT EVENT

At the July 11, 2016 school board meeting, the District authorized sale of the General Obligation Facilities Maintenance Bonds, Series 2016B, in an amount not to exceed \$12,160,000. The closing date on the sale of the bonds was August 3, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
FOR POSTEMPLOYMENT BENEFIT PLANS
YEAR ENDED JUNE 30, 2016**

SCHEDULES OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS

Other Postemployment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 9,824,410	\$ 9,824,410	-	\$ 37,576,111	26%
7/1/2012	-	9,825,447	9,825,447	-	33,184,896	30%
7/1/2010	-	9,593,870	9,593,870	-	33,418,619	29%

Supplemental Pension Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 1,066,723	\$ 1,066,723	-	\$ 3,265,304	33%
7/1/2012	-	1,185,732	1,185,732	-	5,885,625	20%
7/1/2010	-	1,741,973	1,741,973	-	8,571,676	20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR POSTEMPLOYMENT BENEFIT PLANS

Other Postemployment Benefits		
Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 1,212,571	64%
2013	1,159,686	90%
2011	1,130,941	66%

Supplemental Pension		
Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2016	\$ 135,889	184%
2015	135,889	142%
2014	163,081	88%
2013	163,081	0%
2012	219,967	71%
2011	219,967	396%
2010	219,212	71%

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
TRA SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TWO MEASUREMENT DATES**

	June 30, 2015	June 30, 2014
District's Proportion of the Net Pension Liability	0.00682	0.007083
District's Proportionate Share of the Net Pension Liability	\$ 42,188,445	\$ 32,637,954
State's Proportionate Share of the Net Pension Liability Associated with District	5,175,127	2,295,952
Total	\$ 47,363,572	\$ 34,933,906
District's Covered-Employee Payroll	\$ 34,473,907	\$ 33,028,406
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	1.223779057	0.988178297
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	0.768	0.815

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
TRA SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Statutorily Required Contribution	\$ 2,772,396	\$ 2,585,543
Contributions in Relation to the Statutorily Required Contribution	<u>(2,772,396)</u>	<u>(2,585,543)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 36,965,280	\$ 34,473,907
Contributions as a Percentage of Covered Employee Payroll	0.075	0.075

**PRIOR LAKE-SAVAGE AREA SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 719
 PERA SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 LAST TWO MEASUREMENT DATES**

	June 30, 2015	June 30, 2014
District's Proportion of the Net Pension Liability	0.001979	0.002039
District's Proportionate Share of the Net Pension Liability	\$ 10,256,205	\$ 9,578,200
District's Covered-Employee Payroll	11,643,959	11,186,618
	0.88081766	0.856219458
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	0.782	0.787

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
PERA SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Statutorily Required Contribution	\$ 913,614	\$ 858,742
Contributions in Relation to the Statutorily Required Contribution	<u>(913,614)</u>	<u>(858,742)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 12,181,520	\$ 11,643,959
Contributions as a Percentage of Covered Employee Payroll	0.075	0.07375

SUPPLEMENTAL INFORMATION

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
GENERAL FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
ASSETS		
Cash and Investments	\$ 13,566,018	\$ 14,622,777
Receivables:		
Current Taxes	6,858,131	6,517,775
Delinquent Taxes	87,420	120,058
Accounts and Interest Receivable	154,865	85,571
Due from Other Minnesota School Districts	97,819	15,375
Due from Minnesota Department of Education	8,759,517	6,650,094
Due from Federal through the Minnesota Department of Education	61,407	60,121
Inventories	102,183	193,379
Prepaid Items	158,190	145,698
Total Assets	\$ 29,845,550	\$ 28,410,848
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 3,274,157	\$ 3,068,790
Payroll Deductions and Employer Contributions Payable	234,108	228,776
Accounts and Contracts Payable	389,476	1,127,703
Due to Other Minnesota School Districts	71,458	93,449
Due to Other Governmental Units	891	706
Unearned Revenue	226,154	243,868
Total Liabilities	4,196,244	4,763,292
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	12,958,227	12,256,175
Unavailable Revenue - Delinquent Taxes	87,420	120,058
Total Deferred Inflows of Resources	13,045,647	12,376,233
Fund Balance:		
Nonspendable:		
Prepaid Items	158,190	145,698
Inventory	102,183	193,379
Restricted for:		
Staff Development	107,406	102,109
Deferred Maintenance	12,621	34,355
Operating Capital	1,238,529	1,780,186
Safe School Crime Levy	145,708	125,303
Assigned for:		
Special Education Carryover	173,010	333,010
Cash Flow	1,722,500	1,722,500
Class-size Reduction	500,000	500,000
Innovation Programs	500,000	500,000
Q-Comp	287,914	266,228
Site Carryover	193,602	466,802
Unassigned	7,461,996	5,101,753
Total Fund Balance	12,603,659	11,271,323
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 29,845,550	\$ 28,410,848

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 13,519,784	\$ 13,477,228	\$ (42,556)	\$ 13,063,615
Earnings on Investments	10,501	49,379	38,878	13,855
Other	1,165,764	1,482,674	316,910	1,696,205
State Sources	64,885,387	65,571,124	685,737	61,166,707
Federal Sources	1,648,464	1,663,413	14,949	1,313,872
Total Revenues	81,229,900	82,243,818	1,013,918	77,254,254
EXPENDITURES				
Current:				
Administration:				
Salaries	2,046,240	2,051,201	4,961	2,092,214
Employee Benefits	759,272	760,525	1,253	806,204
Purchased Services	65,806	40,726	(25,080)	68,460
Supplies and Materials	45,551	40,576	(4,975)	32,341
Other Expenditures	56,988	54,909	(2,079)	55,892
Total Administration	2,973,857	2,947,937	(25,920)	3,055,111
District Support Services:				
Salaries	1,803,545	1,805,242	1,697	1,479,420
Employee Benefits	603,059	604,547	1,488	495,512
Purchased Services	653,048	387,027	(266,021)	342,043
Supplies and Materials	584,496	572,417	(12,079)	501,747
Capital Expenditures	573,357	570,067	(3,290)	568,140
Other Expenditures	20,909	17,183	(3,726)	39,746
Total District Support Services	4,238,414	3,956,483	(281,931)	3,426,608
Elementary and Secondary Regular Instruction:				
Salaries	24,921,226	24,951,888	30,662	23,505,795
Employee Benefits	10,629,598	10,664,094	34,496	10,276,555
Purchased Services	1,959,484	2,065,279	105,795	1,497,943
Supplies and Materials	896,258	705,835	(190,423)	1,127,536
Capital Expenditures	162,930	155,818	(7,112)	406,324
Other Expenditures	17,466	17,272	(194)	19,689
Total Elementary and Secondary Regular Instruction	38,586,962	38,560,186	(26,776)	36,833,842

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (CONTINUED)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 471,026	\$ 474,792	\$ 3,766	\$ 448,920
Employee Benefits	148,791	150,903	2,112	141,411
Purchased Services	75,499	32,993	(42,506)	70,160
Supplies and Materials	11,557	7,811	(3,746)	5,402
Total Vocational Education Instruction	706,873	666,499	(40,374)	665,893
Special Education Instruction:				
Salaries	10,034,334	10,029,636	(4,698)	9,661,800
Employee Benefits	4,047,512	3,982,719	(64,793)	3,859,993
Purchased Services	504,968	542,924	37,956	314,090
Supplies and Materials	72,885	81,601	8,716	75,527
Capital Expenditures	18,161	20,841	2,680	20,142
Other Expenditures	3,600	1,872	(1,728)	1,358
Total Special Education Instruction	14,681,460	14,659,593	(21,867)	13,932,910
Instructional Support Services:				
Salaries	3,123,530	3,096,709	(26,821)	2,939,484
Employee Benefits	1,178,870	1,168,079	(10,791)	1,085,737
Purchased Services	446,329	367,565	(78,764)	278,010
Supplies and Materials	193,006	183,307	(9,699)	218,830
Capital Expenditures	503,283	435,112	(68,171)	1,656,585
Other Expenditures	7,815	7,233	(582)	6,869
Total Instructional Support Services	5,452,833	5,258,005	(194,828)	6,185,515
Pupil Support Services:				
Salaries	1,447,950	1,449,571	1,621	1,402,781
Employee Benefits	527,680	531,686	4,006	531,531
Purchased Services	3,822,027	3,779,186	(42,841)	3,858,244
Supplies and Materials	129,081	109,256	(19,825)	80,383
Capital Expenditures	21,500	24,552	3,052	65,221
Total Pupil Support Services	5,948,238	5,894,251	(53,987)	5,938,160

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (CONTINUED)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 2,431,861	\$ 2,313,014	\$ (118,847)	\$ 2,237,897
Employee Benefits	880,160	887,989	7,829	886,347
Purchased Services	1,585,074	1,480,464	(104,610)	1,649,777
Supplies and Materials	651,800	629,432	(22,368)	497,743
Capital Expenditures	2,177,679	2,320,624	142,945	2,468,426
Other Expenditures	29,846	28,102	(1,744)	35,671
Total Sites and Buildings	7,756,420	7,659,625	(96,795)	7,775,861
Fiscal and Other Fixed Cost Programs:				
Purchased Services	296,100	297,788	1,688	284,226
Debt Service:				
Principal	571,012	565,341	(5,671)	388,067
Interest and Fiscal Charges	440,103	445,774	5,671	457,191
Total Debt Service	1,011,115	1,011,115	-	845,258
Total Expenditures	81,652,272	80,911,482	(740,790)	78,943,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	(422,372)	1,332,336	1,754,708	(1,689,130)
OTHER FINANCING SOURCES				
Proceeds from Sale of Real Property	-	-	-	19,144
Net Change in Fund Balance	\$ (422,372)	1,332,336	\$ 1,754,708	(1,669,986)
FUND BALANCE				
Beginning of Year		11,271,323		12,941,309
End of Year		\$ 12,603,659		\$ 11,271,323

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
ASSETS		
Cash and Investments	\$ 849,267	\$ 617,197
Accounts and Interest Receivable	5,232	2,253
Due from Minnesota Department of Education	3,145	21,907
Due from Federal through the Minnesota Department of Education	20,518	25,011
Inventory	60,361	47,154
Prepaid Items	10,854	8,352
Total Assets	\$ 949,377	\$ 721,874
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Payroll Deductions and Employer Contributions Payable	\$ 11,302	\$ 979
Accounts and Contracts Payable	21,482	30,813
Unearned Revenue	114,894	106,166
Total Liabilities	147,678	137,958
Fund Balance:		
Nonspendable:		
Prepaid Items	10,854	8,352
Inventory	60,361	47,155
Restricted for Food Service Program	730,484	528,409
Total Fund Balance	801,699	583,916
Total Liabilities and Fund Balance	\$ 949,377	\$ 721,874

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ 2,118	\$ 2,118	\$ 661
Other - Primarily Meal Sales	2,973,400	3,396,984	423,584	2,922,681
State Sources	151,000	268,708	117,708	159,431
Federal Sources	651,600	707,078	55,478	701,537
Total Revenues	<u>3,776,000</u>	<u>4,374,888</u>	<u>598,888</u>	<u>3,784,310</u>
EXPENDITURES				
Current:				
Salaries	1,393,284	1,372,210	(21,074)	1,292,570
Employee Benefits	398,082	409,030	10,948	391,585
Purchased Services	171,748	194,792	23,044	154,139
Supplies and Materials	1,739,174	2,057,323	318,149	1,903,310
Other Expenditures	9,000	9,209	209	9,329
Capital Outlay	263,212	114,541	(148,671)	28,790
Total Expenditures	<u>3,974,500</u>	<u>4,157,105</u>	<u>182,605</u>	<u>3,779,723</u>
Net Change in Fund Balance	<u>\$ (198,500)</u>	217,783	<u>\$ 416,283</u>	4,587
FUND BALANCE				
Beginning of Year		<u>583,916</u>		<u>579,329</u>
End of Year		<u>\$ 801,699</u>		<u>\$ 583,916</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2016**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016	2015
ASSETS		
Cash and Investments	\$ 2,136,043	\$ 1,980,156
Receivables:		
Current Taxes	304,165	290,642
Delinquent Taxes	4,005	5,677
Accounts and Interest Receivable	294,630	118,226
Due from Other Minnesota School Districts	-	6,240
Due from Minnesota Department of Education	72,953	63,091
Prepaid Items	27,635	19,561
Total Assets	\$ 2,839,431	\$ 2,483,593
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ -	\$ 2,132
Payroll Deductions and Employer Contributions Payable	35,917	710
Accounts and Contracts Payable	29,175	159,860
Unearned Revenue	371,234	307,772
Total Liabilities	436,326	470,474
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	621,944	590,036
Unavailable Revenue - Delinquent Taxes	4,005	5,677
Total Deferred Inflows of Resources	625,949	595,713
Fund Balance:		
Nonspendable:		
Prepaid Items	27,635	19,561
Restricted for:		
Community Education Programs	1,236,296	1,153,519
Early Childhood and Family Education Programs	278,704	187,340
School Readiness	234,370	46,968
Adult Basic Education	151	1,405
Other Purposes	-	8,613
Total Fund Balance	1,777,156	1,417,406
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,839,431	\$ 2,483,593

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 591,082	\$ 590,494	\$ (588)	\$ 626,446
Earnings on Investments	-	5,341	5,341	1,511
Other - Primarily Tuition and Fees	4,455,335	4,717,091	261,756	3,819,299
State Sources	<u>709,146</u>	<u>691,166</u>	<u>(17,980)</u>	<u>555,473</u>
Total Revenues	5,755,563	6,004,092	248,529	5,002,729
EXPENDITURES				
Current:				
Salaries	3,253,967	3,352,862	98,895	2,816,113
Employee Benefits	763,977	753,377	(10,600)	637,030
Purchased Services	1,047,977	1,037,486	(10,491)	881,073
Supplies and Materials	447,350	455,298	7,948	403,005
Other Expenditures	8,064	6,901	(1,163)	6,251
Capital Outlay	<u>28,658</u>	<u>38,418</u>	<u>9,760</u>	<u>31,493</u>
Total Expenditures	<u>5,549,993</u>	<u>5,644,342</u>	<u>94,349</u>	<u>4,774,965</u>
Net Change in Fund Balance	<u>\$ 205,570</u>	359,750	<u>\$ 154,180</u>	227,764
FUND BALANCE				
Beginning of Year		<u>1,417,406</u>		<u>1,189,642</u>
End of Year		<u>\$ 1,777,156</u>		<u>\$ 1,417,406</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
CAPITAL PROJECT – BUILDING CONSTRUCTION FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
ASSETS		
Cash and Investments	\$ -	\$ 199,002
Total Assets	\$ -	\$ 199,002
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts and Contracts Payable	\$ -	\$ 56,907
Fund Balance:		
Reserved for Alternative Facility Program	-	142,095
Total Fund Balance	-	142,095
Total Liabilities and Fund Balance	\$ -	\$ 199,002

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
CAPITAL PROJECT – BUILDING CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ 7	\$ 7	\$ -	\$ 11,918
EXPENDITURES				
Current:				
Salaries	-	-	-	14,324
Employee Benefits	-	-	-	2,216
Capital Outlay	<u>142,102</u>	<u>142,102</u>	-	<u>10,811,889</u>
Total Expenditures	<u>142,102</u>	<u>142,102</u>	-	<u>10,828,429</u>
Deficiency of Revenues Under Expenditures	<u><u>\$ (142,095)</u></u>	(142,095)	<u><u>\$ -</u></u>	(10,816,511)
Fund Balance - Beginning		<u>142,095</u>		<u>10,958,606</u>
Fund Balance - Ending		<u><u>\$ -</u></u>		<u><u>\$ 142,095</u></u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
ASSETS		
Cash and Investments	\$ 8,037,805	\$ 7,458,966
Cash and Investments with Escrow Agent	24,270,000	-
Receivables:		
Current Taxes	5,990,875	5,845,069
Delinquent Taxes	81,615	116,626
Due from Minnesota Department of Education	1,414	524
	<u>\$ 38,381,709</u>	<u>\$ 13,421,185</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	\$ 12,249,878	\$ 11,866,157
Unavailable Revenue - Delinquent Taxes	81,615	116,626
Total Deferred Inflows of Resources	<u>12,331,493</u>	<u>11,982,783</u>
Fund Balance:		
Reserved for Bond Refunding	24,270,000	-
Restricted for Debt Service	1,780,216	1,438,402
Total Fund Balance	<u>26,050,216</u>	<u>1,438,402</u>
	<u>\$ 38,381,709</u>	<u>\$ 13,421,185</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	Final Budgeted Amounts	2016 <u>Actual Amounts</u>	Over (Under) Final Budget	2015 <u>Actual Amounts</u>
REVENUES				
Local Sources:				
Property Tax	\$ 11,866,157	\$ 11,877,034	\$ 10,877	\$ 11,613,134
Earnings on Investments	-	17,239	17,239	56,605
Other	-	-	-	2,917
State Sources	-	14,147	14,147	5,244
Total Revenues	<u>11,866,157</u>	<u>11,908,420</u>	<u>42,263</u>	<u>11,677,900</u>
EXPENDITURES				
Debt Service:				
Bond Principal	7,035,000	7,035,000	-	8,605,000
Bond Interest	4,524,684	4,524,684	-	6,843,542
Paying Agent Fees and other	141,274	141,274	-	3,600
Total Expenditures	<u>11,700,958</u>	<u>11,700,958</u>	<u>-</u>	<u>15,452,142</u>
Deficiency of Revenues Under Expenditures	165,199	207,462	42,263	(3,774,242)
OTHER FINANCING SOURCES (USES)				
Face Amount of Bonds Issued	-	21,400,000	21,400,000	-
Bond Premium	-	3,004,352	3,004,352	-
Payment to Refunded Bond Escrow Agent	-	-	-	(40,520,000)
Total Other Financing Uses	<u>-</u>	<u>24,404,352</u>	<u>24,404,352</u>	<u>(40,520,000)</u>
Net Change in Fund Balance	<u>\$ 165,199</u>	<u>24,611,814</u>	<u>\$ 24,446,615</u>	<u>(44,294,242)</u>
Fund Balance - Beginning		<u>1,438,402</u>		<u>45,732,644</u>
Fund Balance - Ending		<u>\$ 26,050,216</u>		<u>\$ 1,438,402</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
INTERNAL SERVICE FUND
COMBINING BALANCE SHEET
JUNE 30, 2016**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	OPEB Revocable Trust	Self- Insurance Accounts	Totals	
			2016	2015
ASSETS				
Current Assets:				
Cash and Investments	\$ 6,932,039	\$ 5,828,440	\$ 12,760,479	\$ 11,810,488
Accounts Receivable	-	10,921	10,921	11,700
Total Assets	<u>6,932,039</u>	<u>5,839,361</u>	<u>12,771,400</u>	<u>11,822,188</u>
LIABILITIES AND NET POSITION				
Liabilities:				
Claims Payable	-	1,575,926	1,575,926	1,721,200
Unearned Revenue	-	1,400,958	1,400,958	1,241,741
Total Liabilities	<u>-</u>	<u>2,976,884</u>	<u>2,976,884</u>	<u>2,962,941</u>
Net Position:				
Unrestricted	<u>\$ 6,932,039</u>	<u>\$ 2,862,477</u>	<u>\$ 9,794,516</u>	<u>\$ 8,859,247</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
INTERNAL SERVICE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	OPEB Revocable Trust	Self- Insurance Accounts	Totals	
			2016	2015
OPERATING REVENUES				
Charges for Services:				
Contribution from General Fund	\$ 660,371	\$ 189,187	\$ 849,558	\$ 1,200,101
Health Insurance Premiums	-	10,976,970	10,976,970	10,081,929
Total Operating Revenues	660,371	11,166,157	11,826,528	11,282,030
OPERATING EXPENSES				
VEBA Contributions	-	45,071	45,071	43,541
Health Insurance Claim Payments	-	10,283,857	10,283,857	9,571,152
General Administration Fees	-	697,904	697,904	799,529
Total Operating Expenses	-	11,026,832	11,026,832	10,414,222
Operating Income	660,371	139,325	799,696	867,808
NONOPERATING INCOME				
Earnings on Investments	112,019	23,554	135,573	118,687
Change in Net Position	772,390	162,879	935,269	986,495
Net Position - Beginning	6,159,649	2,699,598	8,859,247	7,872,752
Net Position - Ending	\$ 6,932,039	\$ 2,862,477	\$ 9,794,516	\$ 8,859,247

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
INTERNAL SERVICE FUND
COMBINING STATEMENT OF FUND CASH FLOWS
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	OPEB Revocable Trust	Self- Insurance Accounts	Totals	
			2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Health Insurance Premiums	\$ -	\$ 11,136,966	\$ 11,136,966	\$ 10,170,739
OPEB Contributions	660,371	189,187	849,558	1,200,101
Payments for Administrative Costs	-	(697,904)	(697,904)	(799,529)
Payments for Medical Fees and Insurance Claims	-	(10,429,131)	(10,429,131)	(9,211,824)
Payments to Employee VEBA Accounts	-	(45,071)	(45,071)	(43,541)
Net Cash Provided by Operating Activities	660,371	154,047	814,418	1,315,946
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	112,019	23,554	135,573	118,687
NET INCREASE IN CASH AND CASH EQUIVALENTS	772,390	177,601	949,991	1,434,633
Cash and Cash Equivalents - Beginning	6,159,649	5,650,839	11,810,488	10,375,855
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 6,932,039</u>	<u>\$ 5,828,440</u>	<u>\$ 12,760,479</u>	<u>\$ 11,810,488</u>
Displayed on Combining Statement of Net Position as: Cash and Investments	<u>\$ 6,932,039</u>	<u>\$ 5,828,440</u>	<u>\$ 12,760,479</u>	<u>\$ 11,810,488</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 660,371	\$ 139,325	\$ 799,696	\$ 867,808
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Decrease in Accounts Receivable	-	779	779	1,202
(Increase) Decrease in Claims Payable	-	(145,274)	(145,274)	359,328
Increase in Unearned Revenue	-	159,217	159,217	87,608
Total Adjustments	-	14,722	14,722	448,138
Net Cash Provided by Operating Activities	<u>\$ 660,371</u>	<u>\$ 154,047</u>	<u>\$ 814,418</u>	<u>\$ 1,315,946</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2016**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 82,243,818	\$ 82,243,818	\$ -
Total Expenditures	\$ 80,911,482	\$ 80,911,482	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 260,373	\$ 260,373	\$ -
<i>Restricted/Reserved:</i>			
403 Staff Development	\$ 107,406	\$ 107,406	\$ -
405 Deferred Maintenance	\$ 12,621	\$ 12,621	\$ -
406 Health & Safety	\$ (171,312)	\$ (171,312)	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -
411 Severance Pay	\$ -	\$ -	\$ -
413 Project Funded by COP	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -
416 Levy Reduction	\$ -	\$ -	\$ -
417 Taconite Building Maint	\$ -	\$ -	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -
424 Operating Capital	\$ 1,238,529	\$ 1,238,529	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -
436 State Approved Alt. Program	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ -	\$ -	\$ -
441 Basic Skills Programs	\$ -	\$ -	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -
449 Safe Schools Crime	\$ 145,708	\$ 145,708	\$ -
450 Prekindergarten	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Committed:</i>			
418 Committed for Separation	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ -	\$ -	\$ -
<i>Assigned:</i>			
462 Assigned Fund Balance	\$ 3,377,026	\$ 3,377,026	\$ -
<i>Unassigned:</i>			
422 Unassigned Fund Balance	\$ 7,633,308	\$ 7,633,307	\$ 1
02 FOOD SERVICE			
Total Revenue	\$ 4,374,888	\$ 4,374,890	\$ (2)
Total Expenditures	\$ 4,157,105	\$ 4,157,106	\$ (1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 71,215	\$ 71,215	\$ -
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 730,484	\$ 730,485	\$ (1)
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE			
Total Revenue	\$ 6,004,092	\$ 6,004,091	\$ 1
Total Expenditures	\$ 5,644,342	\$ 5,644,341	\$ 1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 27,635	\$ 27,635	\$ -
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -
431 Community Education	\$ 1,236,296	\$ 1,236,296	\$ -
432 E.C.F.E.	\$ 278,704	\$ 278,703	\$ 1
444 School Readiness	\$ 234,370	\$ 234,370	\$ -
447 Adult Basic Education	\$ 151	\$ 151	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE (CONTINUED)
YEAR ENDED JUNE 30, 2016**

	AUDIT	UFARS	Difference
06 BUILDING CONSTRUCTION			
Total Revenue	\$ 7	\$ 7	\$ -
Total Expenditures	\$ 142,102	\$ 142,102	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>			
407 Capital Projects Levy	\$ -	\$ -	\$ -
409 Alternative Facility Program	\$ -	\$ -	\$ -
413 Project Funded by COP	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -
07 DEBT SERVICE			
Total Revenue	\$ 11,908,420	\$ 11,908,419	\$ 1
Total Expenditures	\$ 11,700,958	\$ 11,700,957	\$ 1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>			
425 Bond Refundings	\$ 24,270,000	\$ 24,270,000	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ 1,780,216	\$ 1,780,216	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -
08 TRUST			
Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -
<i>Net Position:</i>			
422 Net Position	\$ -	\$ -	\$ -
20 INTERNAL SERVICE			
Total Revenue	\$ 11,189,711	\$ 11,189,711	\$ -
Total Expenditures	\$ 11,026,832	\$ 11,026,832	\$ -
<i>Net Position:</i>			
422 Net Position	\$ 2,862,477	\$ 2,862,478	\$ (1)
25 OPEB REVOCABLE TRUST			
Total Revenue	\$ 772,390	\$ 772,390	\$ -
Total Expenditures	\$ -	\$ -	\$ -
<i>Net Position:</i>			
422 Net Position	\$ 6,932,039	\$ 6,932,039	\$ -
45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -
<i>Net Position:</i>			
422 Net Position	\$ -	\$ -	\$ -
47 OPEB DEBT SERVICE			
Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted:</i>			
425 Bond Refundings	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

This part of the Independent School District No. 719 comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about overall financial health. The following are the categories of the various schedules that are included in this section.

<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.	105
Revenue Capacity	
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	113
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.	120
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.	125
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 services the District provides and the activities it performs.	127

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

**RIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental Activities					
Net Investment in Capital Assets	\$ 13,913,173	\$ 15,480,727	\$ 17,631,789	\$ 19,217,014	\$ 23,048,414
Restricted for:					
General Fund Operating Capital Purposes	-	559,576	858,095	891,387	1,591,619
General Fund State-Mandated Reserves	-	-	381,995	256,295	353,998
Food Service	-	385,964	448,536	390,073	390,919
Community Service	-	876,649	755,799	774,838	994,221
Debt Service	-	-	-	-	-
Other Purposes	730,895	-	-	-	-
Unrestricted	<u>(3,212,409)</u>	<u>(5,071,339)</u>	<u>154,579</u>	<u>3,147,277</u>	<u>5,882,449</u>
Total Governmental Activities Net Position	<u>\$ 11,431,659</u>	<u>\$ 12,231,577</u>	<u>\$ 20,230,793</u>	<u>\$ 24,676,884</u>	<u>\$ 32,261,620</u>

Source: Data is taken from the District's annual financial reports.

Fiscal Year				
2012	2013	2014	2015	2016
\$ 25,168,372	\$ 28,232,974	\$ 30,340,820	\$ 39,239,879	\$ 44,446,753
2,223,913	2,460,437	2,932,782	1,780,186	1,238,529
239,249	403,943	(177,310)	261,767	265,735
405,545	482,038	579,329	583,916	801,699
1,344,738	1,254,338	1,195,796	1,423,083	1,781,161
45,625	1,235,718	-	-	-
-	-	-	-	-
11,184,806	12,771,512	14,832,471	(30,399,506)	(28,295,787)
<u>\$ 40,612,248</u>	<u>\$ 46,840,960</u>	<u>\$ 49,703,888</u>	<u>\$ 12,889,325</u>	<u>\$ 20,238,090</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental Activities:				
Administration	\$ 2,185,617	\$ 2,457,868	\$ 2,320,553	\$ 2,450,511
District Support Services	1,114,426	1,266,148	1,245,127	1,200,198
Regular Instruction	24,381,769	28,912,657	26,098,635	31,604,628
Vocational Education Instruction	1,005,493	1,140,242	926,632	1,089,528
Special Education Instruction	9,839,641	10,623,461	8,413,282	10,785,336
Instructional Support Services	4,756,328	4,365,298	5,068,251	4,941,331
Pupil Support Services	4,966,667	5,267,158	4,903,394	5,359,399
Sites and Buildings	6,489,189	8,152,016	7,591,794	7,301,329
Fiscal and Other Fixed Cost Programs	329,064	232,046	239,849	213,604
Food Service	2,717,024	3,043,715	3,133,853	3,336,223
Community Service	3,525,567	3,720,748	3,874,301	4,246,523
Unallocated Depreciation	2,913,601	-	-	-
Interest and Fiscal Charges on Long-Term Liabilities	7,423,865	7,791,564	7,387,847	7,496,377
Total Governmental Activities Expenses	<u>71,648,251</u>	<u>76,972,921</u>	<u>71,203,518</u>	<u>80,024,987</u>
Program Revenues				
Governmental Activities:				
Administration	-	-	-	-
District Support Services	-	6,230	10,141	16,873
Regular Instruction	2,497,427	967,299	1,388,555	1,478,145
Vocational Education Instruction	35,103	-	7,265	-
Special Education Instruction	5,326,067	6,466,480	4,377,584	5,808,217
Instructional Support Services	17,062	750,647	819,411	2,275
Pupil Support Services	320,507	350,844	643,462	691,884
Sites and Buildings	705,695	558,727	2,002,146	1,602,345
Food Service	2,717,514	2,950,529	3,063,770	3,179,857
Community Service	2,917,065	3,230,151	3,289,243	3,650,969
Total Governmental Activities Program Revenues	<u>14,536,440</u>	<u>15,280,907</u>	<u>15,601,577</u>	<u>16,430,565</u>
Net Governmental Activities (Expense) Revenue	(57,111,811)	(61,692,014)	(55,601,941)	(63,594,422)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes:				
General Purpose	8,604,732	9,235,075	9,498,108	11,654,648
Community Service	534,664	548,520	491,141	502,036
Debt Service	10,381,274	11,863,320	12,922,611	13,600,548
State and Federal Aid Not Restricted to Specific Purposes	36,957,590	40,352,512	39,060,883	41,260,442
Earnings on Investments	2,377,260	2,630,960	1,466,805	774,674
Miscellaneous	339,932	375,637	432,809	248,165
Total General Revenues	<u>59,195,452</u>	<u>65,006,024</u>	<u>63,872,357</u>	<u>68,040,513</u>
Change in Net Position	2,083,641	3,314,010	8,270,416	4,446,091
Net Position - Beginning, as Previously Stated	15,400,118	11,431,659	12,231,577	20,230,793
Prior Period Adjustment	(6,052,100)	(2,514,092)	(271,200)	-
Net Position - Beginning, as Restated	<u>9,348,018</u>	<u>8,917,567</u>	<u>11,960,377</u>	<u>20,230,793</u>
Net Position - Ending	<u>\$ 11,431,659</u>	<u>\$ 12,231,577</u>	<u>\$ 20,230,793</u>	<u>\$ 24,676,884</u>

Source: Data is taken from the District's annual financial reports.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 2,535,757	\$ 2,509,959	\$ 2,539,802	\$ 2,638,630	\$ 3,006,654	\$ 2,938,813
1,172,491	1,184,152	1,304,980	1,282,023	3,412,459	3,995,135
32,697,354	31,464,850	31,871,947	34,807,847	34,882,433	41,864,419
649,824	586,156	585,877	575,454	661,684	672,640
11,080,549	10,574,389	12,446,264	12,770,461	13,731,316	14,675,486
4,570,384	5,280,430	5,830,014	5,728,525	4,627,197	5,325,192
5,113,766	5,112,669	5,547,011	5,451,326	5,872,964	5,896,501
6,555,220	6,311,463	8,026,129	10,862,310	8,720,729	7,217,363
209,054	221,525	214,070	245,674	284,226	297,788
3,293,510	3,400,739	3,535,957	3,657,662	3,833,698	4,196,927
4,381,322	4,554,373	5,095,133	5,184,565	4,741,489	5,700,378
-	-	-	-	-	-
5,749,186	6,848,757	4,857,587	6,321,276	5,524,589	4,468,070
<u>78,008,417</u>	<u>78,049,462</u>	<u>81,854,771</u>	<u>89,525,753</u>	<u>89,299,438</u>	<u>97,248,712</u>
-	500	-	-	-	-
25,111	12,560	22,480	32,455	24,765	26,308
2,023,308	1,404,342	2,041,611	2,416,789	2,283,204	2,111,612
-	-	-	37,555	45,283	23,940
5,642,079	6,750,623	7,091,925	7,468,190	8,120,522	8,927,976
128,085	-	-	-	-	-
642,916	1,308,122	1,649,798	945,836	597,264	703,217
864,040	2,690,482	818,455	667,632	1,232,924	1,459,009
3,200,620	3,312,031	3,494,017	3,681,974	3,783,649	4,372,770
3,925,841	4,205,863	4,348,526	4,404,263	4,316,030	5,349,878
<u>16,452,000</u>	<u>19,684,523</u>	<u>19,466,812</u>	<u>19,654,694</u>	<u>20,403,641</u>	<u>22,974,710</u>
(61,556,417)	(58,364,939)	(62,387,959)	(69,871,059)	(68,895,797)	(74,274,002)
16,806,696	12,152,473	12,500,473	7,482,156	13,056,857	13,444,590
850,798	603,009	593,366	299,563	625,969	588,822
13,622,535	12,778,099	12,276,100	12,323,594	11,598,007	11,842,023
37,512,639	40,778,188	42,786,447	52,023,850	51,286,812	54,951,265
67,234	155,832	148,994	162,345	203,237	209,657
281,251	247,966	311,291	442,479	753,069	586,410
<u>69,141,153</u>	<u>66,715,567</u>	<u>68,616,671</u>	<u>72,733,987</u>	<u>77,523,951</u>	<u>81,622,767</u>
7,584,736	8,350,628	6,228,712	2,862,928	8,628,154	7,348,765
24,676,884	32,261,620	40,612,248	46,840,960	49,703,888	12,889,325
-	-	-	-	(45,442,717)	-
<u>24,676,884</u>	<u>32,261,620</u>	<u>40,612,248</u>	<u>46,840,960</u>	<u>4,261,171</u>	<u>12,889,325</u>
<u>\$ 32,261,620</u>	<u>\$ 40,612,248</u>	<u>\$ 46,840,960</u>	<u>\$ 49,703,888</u>	<u>\$ 12,889,325</u>	<u>\$ 20,238,090</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved:				
Deferred Maintenance	\$ -	\$ 168,820	\$ 42,079	\$ 56,398
Graduation Standards - Gifted and Talented	-	-	97	39,734
Health and Safety	(256,244)	(151,151)	30,092	(64,692)
Operating Capital	212,453	559,576	858,095	891,387
Staff Development	128,613	-	200,752	169,836
Safe Schools	12,045	-	-	-
Learning and Development	-	-	-	-
Unreserved:				
Designated for Redtail Ridge	-	-	407,380	307,380
Designated for Site Carryover	-	375,909	470,758	660,563
Designated for 50% Federal Special Education Stimulus	-	-	-	701,500
Designated for 2010-2011 Class Size Reduction	-	-	-	350,000
Undesignated	(993,850)	158,091	925,789	1,543,568
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	(896,983)	1,111,245	2,935,042	4,655,674
All Other Governmental Funds				
Reserved Reported in:				
Community Service Fund:				
Community Education Programs	594,600	795,179	683,725	605,455
Early Childhood and Family Education Programs	22,550	39,543	38,226	117,867
School Readiness	13,396	8,624	17,666	33,414
Bond Refundings	30,413,865	30,255,634	30,264,105	-
Building Construction	20,951,291	7,176,725	3,551,955	2,056,690
Debt Service	1,407,836	-	-	-
Unreserved Reported in:				
Debt Service Fund	-	1,416,739	1,808,720	1,910,156
Special Revenue Funds	387,510	419,267	464,718	408,175
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Total All Other Governmental Funds	53,791,048	40,111,711	36,829,115	5,131,757
Total Fund Balance, as Previously Reported	52,894,065	41,222,956	39,764,157	9,787,431
Prior Period Adjustment	-	-	(271,200)	-
Total Fund Balance, as Restated	\$ 52,894,065	\$ 41,222,956	\$ 39,492,957	\$ 9,787,431

Source: Data is taken from the District's annual financial reports and the MN Dept. of Education website.

Note: The changes in fiscal year 2010 were due to the District's adoption of GASB Statement 54. This change to fund balance classifications was presented prospectively in the statistical section. See Footnote 1 to the financial statements for definitions of fund balance classifications.

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
234,241	343,268	454,439	427,131	339,077	260,373	
1,952,422	2,638,367	2,864,380	2,755,472	2,041,953	1,504,264	
4,199,715	4,481,225	4,858,093	4,281,994	3,788,540	3,377,026	
993,868	3,906,828	4,639,768	5,476,712	5,101,753	7,461,996	
<u>7,380,246</u>	<u>11,369,688</u>	<u>12,816,680</u>	<u>12,941,309</u>	<u>11,271,323</u>	<u>12,603,659</u>	
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
53,908	53,680	36,948	49,599	75,068	98,850	
<u>4,576,738</u>	<u>24,817,547</u>	<u>20,392,279</u>	<u>58,410,622</u>	<u>3,506,751</u>	<u>28,530,221</u>	
<u>4,630,646</u>	<u>24,871,227</u>	<u>20,429,227</u>	<u>58,460,221</u>	<u>3,581,819</u>	<u>28,629,071</u>	
12,010,892	36,240,915	33,245,907	71,401,530	14,853,142	41,232,730	
-	-	-	-	-	-	-
<u>\$ 12,010,892</u>	<u>\$ 36,240,915</u>	<u>\$ 33,245,907</u>	<u>\$ 71,401,530</u>	<u>\$ 14,853,142</u>	<u>\$ 41,232,730</u>	

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Local Sources:				
Property Taxes	\$ 19,485,585	\$ 21,498,107	\$ 22,791,080	\$ 25,512,939
Earnings on Investments	2,377,260	2,630,960	1,466,805	774,674
Other	4,118,635	6,211,709	6,364,242	6,842,080
State Sources	44,698,377	48,100,628	46,922,230	44,576,003
Federal Sources	713,608	1,695,874	1,808,797	6,521,089
Sales and Other Conversion of Assets	2,288,342	-	-	-
Total Revenues	<u>73,681,807</u>	<u>80,137,278</u>	<u>79,353,154</u>	<u>84,226,785</u>
Expenditures				
Current:				
Administration	2,174,882	2,349,193	2,348,936	2,444,355
District Support Services	1,101,685	1,114,347	1,180,872	1,136,646
Regular Instruction	24,638,087	25,541,003	26,186,941	28,168,369
Vocational Education Instruction	995,078	1,140,242	1,004,953	1,092,029
Special Education Instruction	9,737,527	10,489,553	8,894,180	10,719,741
Instructional Support Services	4,778,487	4,236,394	4,760,179	4,828,927
Pupil Support Services	4,915,220	5,259,037	5,019,368	5,363,719
Sites, Buildings and Equipment	4,865,829	5,161,002	4,863,356	5,015,473
Fiscal and Other Fixed Cost Programs	461,814	232,046	239,849	213,604
Food Service	2,688,261	2,913,908	2,985,686	3,213,120
Community Service	3,487,521	3,701,412	3,971,797	4,158,902
Capital Outlay	20,251,739	15,822,375	5,009,285	3,122,352
Debt Service:				
Principal	4,520,000	5,205,000	5,910,000	7,060,000
Interest and Fiscal Charges	6,853,389	8,643,720	8,165,351	7,926,274
Total Expenditures	<u>91,469,519</u>	<u>91,809,232</u>	<u>80,540,753</u>	<u>84,463,511</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,787,712)	(11,671,954)	(1,187,599)	(236,726)
Other Financing Sources (Uses)				
Capital Improvement Loan Proceeds	-	-	-	-
Proceeds from Sale of Equipment	1,309	845	-	-
Bond Issuance	41,535,000	-	-	-
Proceeds of Refunding Bond Issuance	-	-	-	-
Payment to Refunding Bond Escrow Agent	-	-	-	(29,740,000)
Capital Lease Proceeds	-	-	-	-
Operating Transfer In	-	-	-	-
Operating Transfer Out	-	-	-	-
Bond Premium	558,305	-	-	-
Total Other Financing Sources (Uses)	<u>42,094,614</u>	<u>845</u>	<u>-</u>	<u>(29,740,000)</u>
Prior Period Adjustment	-	-	(271,200)	-
Net Change in Fund Balances	<u>\$ 24,306,902</u>	<u>\$ (11,671,109)</u>	<u>\$ (1,458,799)</u>	<u>\$ (29,976,726)</u>
Debt Service as a Percentage of Noncapital Expenditures	16.0%	18.2%	18.6%	18.4%

Note: Prior to 2007 capital outlay was included under program areas in current expenditures.

Source: Data is taken from the District's annual financial reports.

Fiscal Year

	2011	2012	2013	2014	2015	2016
\$	31,377,154	\$ 25,783,156	\$ 25,437,661	\$ 20,074,801	\$ 25,303,195	\$ 25,944,756
	30,957	101,038	55,585	53,275	84,550	74,084
	7,053,403	7,363,674	7,869,903	8,362,656	8,441,102	9,596,749
	43,891,829	50,842,163	52,460,460	61,607,587	61,886,855	66,545,145
	3,300,658	2,504,840	2,234,187	2,150,780	2,015,409	2,370,491
	-	-	-	-	-	-
	<u>85,654,001</u>	<u>86,594,871</u>	<u>88,057,796</u>	<u>92,249,099</u>	<u>97,731,111</u>	<u>104,531,225</u>
	2,547,644	2,535,087	2,565,950	2,833,719	3,055,111	2,947,937
	1,097,056	1,121,383	1,254,200	1,295,669	2,858,468	3,386,416
	29,325,758	28,259,011	28,627,105	32,789,161	36,427,518	38,404,368
	640,500	586,156	585,877	575,454	665,893	666,499
	11,249,103	11,447,631	12,525,730	13,287,188	13,912,768	14,638,752
	4,468,731	4,836,950	5,130,144	5,297,931	4,528,930	4,822,893
	5,115,598	5,126,464	5,566,546	5,539,546	5,872,939	5,869,699
	4,860,360	4,729,465	6,646,224	5,403,969	5,307,435	5,339,001
	209,054	221,525	214,070	245,674	284,226	297,788
	3,152,511	3,263,962	3,401,848	3,507,316	3,750,933	4,042,564
	4,339,786	4,512,173	5,019,746	5,187,145	4,743,472	5,605,924
	2,470,899	3,133,573	5,769,484	22,474,291	16,073,550	3,822,075
	7,930,000	6,970,000	6,990,000	8,224,303	8,993,067	7,600,341
	6,023,540	6,977,268	5,767,520	5,600,179	7,304,333	5,111,732
	<u>83,430,540</u>	<u>83,720,648</u>	<u>90,064,444</u>	<u>112,261,545</u>	<u>113,778,643</u>	<u>102,555,989</u>
	2,223,461	2,874,223	(2,006,648)	(20,012,446)	(16,047,532)	1,975,236
	-	-	547,305	-	-	-
	-	-	-	-	19,144	-
	-	12,225,000	17,880,000	42,400,000	-	21,400,000
	-	-	-	-	-	-
	-	(15,885,000)	(19,750,000)	-	(40,520,000)	-
	-	-	-	11,170,000	-	-
	-	-	400,877	75,047	-	-
	-	-	(400,877)	(75,047)	-	-
	-	540,394	334,335	4,598,069	-	3,004,352
	-	(3,119,606)	(988,360)	58,168,069	(40,500,856)	24,404,352
	-	24,475,406	-	-	-	-
\$	<u>2,223,461</u>	<u>\$ 24,230,023</u>	<u>\$ (2,995,008)</u>	<u>\$ 38,155,623</u>	<u>\$ (56,548,388)</u>	<u>\$ 26,379,588</u>
	17.2%	17.3%	15.1%	15.4%	16.7%	12.9%

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
NET TAX CAPACITY AND VALUATION OF ALL TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

Year Taxes Collectible	Valuations		Fiscal Disparities	
	Agricultural	Non-Agricultural	Contribution Value	Distribution Value
2007	\$ 694,947	\$ 42,683,233	\$ (1,296,936)	\$ 3,374,098
2008	760,702	47,195,871	(1,497,124)	3,791,574
2009	830,513	50,172,774	(1,777,782)	4,347,396
2010	537,069	48,471,205	(1,996,593)	4,822,699
2011	511,974	46,542,493	(2,083,840)	4,881,998
2012	500,611	44,185,480	(2,009,246)	4,251,057
2013	495,974	41,599,508	(1,949,749)	4,001,667
2014	540,763	42,942,854	(1,910,156)	3,895,580
2015	572,038	46,428,144	(1,884,660)	4,046,085
2016	661,307	49,765,855	(2,069,686)	4,288,582

Source: School Tax Report from County Auditor's Office

<u>Tax Increment</u> <u>Valuation</u>	<u>Taxable Valuation</u>
\$ (702,085)	\$ 44,753,257
(855,772)	49,395,251
(603,913)	52,968,988
(600,610)	51,233,770
(472,418)	49,380,207
(449,119)	46,478,783
(434,191)	43,713,209
(431,266)	45,037,775
(441,042)	48,720,565
(470,937)	52,175,121

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Tax Year	ISD No. 719 Direct Rate (1)				Overlapping Rates		
	General Fund	Community Service Fund	Debt Service Fund	Total	Scott County	City of Prior Lake	City of Savage
2007	4.28	1.25	27.12	32.65	33.140	28.435	50.155
2008	3.98	1.01	26.55	31.54	32.646	28.064	48.356
2009	3.54	0.97	26.29	30.80	32.684	27.947	46.013
2010	4.05	1.11	27.54	32.70	33.237	29.442	47.335
2011	5.83	1.28	26.93	34.04	35.541	30.710	48.278
2012	6.65	1.29	26.45	34.39	38.802	29.740	51.123
2013	5.82	1.34	28.35	35.52	40.674	31.887	55.508
2014	8.99	1.33	24.25	34.57	39.720	30.736	55.278
2015	7.30	1.20	24.14	32.64	36.638	31.988	51.743
2016	7.58	1.19	23.46	32.23	36.175	31.953	49.905

Notes:

(1) Tax Capacity Rate Method

Sources: Overlapping Rate Data provided by the District's financial advisor, Ehlers & Associates and Scott County. School Direct Rate is taken from the District's annual financial reports.

Overlapping Rates

Credit River Township	Sand Creek Township	Spring Lake Township	PL-Spring Lake Watershed District	Scott County CDA	Prior Lake EDA	Metropolitan Council	Total Direct and Overlapping Tax Rate
9.949	14.287	11.368	2.421	1.525	-	0.862	184.792
-	-	-	1.951	1.642	-	0.820	145.019
-	-	-	1.784	1.552	-	0.803	141.584
-	-	-	2.005	1.612	-	0.795	147.126
-	-	-	2.069	1.701	-	0.828	153.167
-	-	-	2.084	1.729	-	0.959	158.825
-	-	-	2.101	1.724	0.625	1.017	169.056
-	-	-	2.058	1.685	0.551	1.034	165.634
-	-	-	2.435	1.571	0.551	0.959	158.525
-	-	-	3.157	1.642	-	0.921	155.983

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
PRINCIPAL PROPERTY TAXPAYERS
2016 AND NINE YEARS AGO
(UNAUDITED)**

Taxpayer	2016			2007		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
Shepherd's Path Senior Housing	\$ 295,520	1	0.72%	\$ -	-	-
Target Corporation	291,785	2	0.71%	273,222	1	0.55%
Bre Retail Residual Owner 4 LLC	281,250	3	0.68%	250,926	2	0.51%
Centerpoint Energy Resource	266,657	4	0.65%	154,080	4	0.31%
Savage Station LLC	224,500	5	0.55%	-	-	-
Keystone Com of PL LLC	162,500	6	0.39%	-	-	-
Bealmake Partners LLC & Attn Bernard D Paul	156,014	7	0.38%	-	-	-
Lifetime Fitness	124,250	8	0.30%	-	-	-
Savage Medical Building LLC	123,250	9	0.30%	-	-	-
Bradley Operating LP & C/O Heritage Prop Invest Trust	-	-	0.00%	-	-	0.00%
Prudential Insurance Co	-	-	0.00%	174,092	3	0.35%
Savage, City of	-	-	0.00%	134,985	5	0.27%
Minnesota Valley Electric Coop.	121,072	-	0.29%	104,762	6	0.21%
Restan LLC	-	-	0.00%	101,394	7	0.20%
Wensmann Realty	-	-	0.00%	95,449	8	0.19%
Mesen brink Construction & Engineering Inc	-	-	0.00%	77,189	9	0.16%
Shamrock Development Inc	-	-	0.00%	72,520	10	0.15%
Total	\$ 2,046,798	-	4.97%	\$ 1,438,619	-	2.90%

Sources: Data provided by the District's financial advisor, Ehlers & Associates and Scott County.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Tax Year	Taxes Levied for the Fiscal Year			Total Tax Levy (1)	Property Credits/Aids and Adjustments	Adjusted Tax Levy
	General Fund	Community Service Fund	Debt Service Fund			
2007	\$ 9,073,611	\$ 564,844	\$ 12,248,662	\$ 21,887,117	\$ 433,938	\$ 21,453,179
2008	9,654,981	501,335	13,251,543	23,407,859	397,009	23,010,850
2009	11,537,066	514,872	13,947,474	25,999,412	398,507	25,600,905
2010	11,427,190	565,123	14,033,036	26,025,349	463,065	25,562,284
2011	11,891,723	631,543	13,246,035	25,769,301	486,720	25,282,581
2012	12,359,327	600,035	12,281,712	25,241,074	8,582	25,232,492
2013	12,260,114	585,882	12,358,010	25,204,006	8,067	25,195,939
2014	13,088,481	597,882	11,605,207	25,291,570	7,772	25,283,798
2015	13,239,027	590,036	11,866,157	25,695,220	12,003	25,683,217
2016	14,030,608	621,944	12,249,878	26,902,430	12,036	26,890,394

Notes:

(1) State credits are included in the operating levy.

Sources: Data provided by the District's financial advisor, Ehlers & Associates, the District's annual financial reports and Scott County.

Collected within the Fiscal Year of Levy			Total Collections to Date				
Current Tax Collection	Percentage of Adjusted Levy	Collections/Adj in Subsequent Years	Total Tax Collection	Percentage of Adjusted Tax Levy	Outstanding Delinquent Taxes	Percentage of Adj Levy Outstanding	
\$ 21,052,315	98.1%	\$ 394,099	\$ 21,446,414	100.0%	\$ 6,765	0.0%	
22,549,096	98.0%	450,795	22,999,891	100.0%	10,959	0.0%	
12,494,369	48.8%	13,093,584	25,587,953	99.9%	12,952	0.1%	
11,050,980	43.2%	14,489,651	25,540,631	99.9%	21,653	0.1%	
12,584,005	49.8%	12,652,866	25,236,871	99.8%	45,710	0.2%	
12,722,420	50.4%	12,373,900	25,096,320	99.5%	136,172	0.5%	
12,673,465	50.3%	12,288,263	24,961,728	99.1%	234,211	0.9%	
12,808,146	50.7%	12,210,929	25,019,075	99.0%	264,723	1.0%	
12,641,912	49.2%	12,798,945	25,440,857	99.1%	242,360	0.9%	
13,137,431	48.9%	-	13,137,431	48.9%	173,040	0.6%	

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Capital Lease Payable			
2007	\$ 181,265,000	\$ -	\$ 181,265,000	\$ -	\$ 3,824
2008	176,060,000	-	176,060,000	-	3,538
2009	170,150,000	-	170,150,000	-	3,413
2010	133,335,000	-	133,335,000	-	2,567
2011	125,420,000	-	125,420,000	-	2,523
2012	136,490,000	-	136,490,000	-	2,712
2013	127,630,000	533,022	128,163,022	-	2,510
2014	161,835,000	11,673,719	173,508,719	-	3,231
2015	112,710,000	11,285,652	123,995,652	-	2,261
2016	127,075,000	10,720,311	137,795,311	-	2,492

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

(1) = Personal income information for residents living within the District is not available.

Source: Data is taken from the District's annual financial reports.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
DECEMBER 31, 2015
(UNAUDITED)**

	<u>General Obligation Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping:			
Scott County	\$ 78,735,000	31%	\$ 24,450,661
Cities:			
Prior Lake	43,020,000	97%	41,756,425
Savage	73,375,395	46%	33,448,846
Townships:			
Cedar Lake	227,035	0%	800
Credit River	2,700,000	35%	935,054
Sand Creek	460,000	1%	4,676
Spring Lake	2,753,000	61%	1,680,009
Special Taxing Districts:			
Metropolitan Council	1,485,891,649	32%	471,526,431
Scott County CDA	47,340,000	31%	14,701,141
Prior Lake Spring Lake Watershed	950,000	89%	843,567
Total Overlapping			<u>589,347,610</u>
Direct:			
Prior Lake - Savage ISD No. 719	127,075,000	100%	<u>127,075,000</u>
Total Direct and Overlapping Bonded Debt:			<u><u>\$ 716,422,610</u></u>

Notes: 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 District's ability to 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.

Sources: Data provided by Scott County as of December 31, 2015. No more current data is available.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)
(UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
Debt Limit	\$ 621,604,860	\$ 680,930,145	\$ 713,423,190	\$ 671,669,775
Total Net Debt Applicable to Limit	<u>181,265,000</u>	<u>176,060,000</u>	<u>170,150,000</u>	<u>133,335,000</u>
Legal Debt Margin	<u>\$ 440,339,860</u>	<u>\$ 504,870,145</u>	<u>\$ 543,273,190</u>	<u>\$ 538,334,775</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	29.16%	25.86%	23.85%	19.85%

Sources: Data provided by the District's financial advisor, Ehlers & Associates and Scott County.

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed Value	\$ 4,712,186,100
Debt Limit (15% of Assessed Value)	706,827,915
Debt Applicable to Limit	<u>137,795,311</u>
Legal Debt Margin	<u><u>\$ 569,032,604</u></u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 657,162,840	\$ 624,215,400	\$ 587,192,010	\$ 607,831,200	\$ 658,042,695	\$ 706,827,915
<u>125,420,000</u>	<u>136,490,000</u>	<u>128,163,022</u>	<u>173,508,719</u>	<u>123,995,652</u>	<u>137,795,311</u>
<u><u>\$ 531,742,840</u></u>	<u><u>\$ 487,725,400</u></u>	<u><u>\$ 459,028,988</u></u>	<u><u>\$ 434,322,481</u></u>	<u><u>\$ 534,047,043</u></u>	<u><u>\$ 569,032,604</u></u>
19.09%	21.87%	21.83%	28.55%	18.84%	19.49%

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)
(UNAUDITED)**

Fiscal Year	Outstanding Bonded Debt	Balance on Hand	Net Bonded Debt	Estimated Actual Value of Taxable Property	Percent of Net Debt to Estimated Taxable Property	Estimated Population	Net Debt Per Capita
2007	\$ 181,265,000	\$ 31,821,701	\$ 149,443,299	\$ 4,144,032,400	3.61%	\$ 47,404	\$ 3,153
2008	176,060,000	31,672,372	144,387,628	4,539,534,300	3.18%	49,769	2,901
2009	170,150,000	32,072,824	138,077,176	4,756,154,600	2.90%	49,852	2,770
2010	133,335,000	1,910,156	131,424,844	4,477,799,500	2.94%	51,936	2,531
2011	125,420,000	2,069,139	123,350,861	4,305,849,300	2.86%	49,707	2,482
2012	136,490,000	36,240,915	100,249,085	4,245,859,800	2.36%	50,335	1,992
2013	128,163,022	33,245,907	94,917,115	4,016,674,700	2.36%	51,055	1,859
2014	173,508,719	45,732,644	127,776,075	4,143,601,000	3.08%	53,700	2,379
2015	123,995,652	1,438,402	122,557,250	4,456,780,100	2.75%	54,850	2,234
2016	66,480,000	26,050,216	40,429,784	4,765,590,700	0.85%	55,306	731

Source: Independent Auditor's Report and State Demographer.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Prior Lake Population	Savage Population	Personal Income (<i>thousands of dollars</i>) (1)	Per Capita Personal Income (1)	Enrollment	Unemployment Rate (1)
2007	22,111	25,293	-	-	6,620	-
2008	22,917	26,852	-	-	6,824	-
2009	23,000	26,852	-	-	6,877	-
2010	24,250	27,686	-	-	6,975	-
2011	22,796	26,911	-	-	7,021	-
2012	23,010	27,325	-	-	7,112	-
2013	23,261	27,794	-	-	7,211	-
2014	24,700	29,000	-	-	7,402	-
2015	25,440	29,410	-	-	7,591	-
2016	25,282	30,024	-	-	7,962	-

Notes:

(1) = Personal income and unemployment information for residents living within the District is not available.

Source: Metropolitan Council (Data Center Department and Website), Cities of Prior Lake & Savage and the District's annual financial reports.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
PRINCIPAL EMPLOYERS
2016 AND NINE YEARS AGO
(UNAUDITED)**

Employer	2016		2007	
	Employees	Rank	Employees	Rank
Shakopee Mdewakanton Sioux Community	4,500	1	5,000	1
I.S.D. No. 719 (Prior Lake-Savage)	959	2	928	2
Super Target	400	3	288	4
Continental Machines, Inc.	350	4		
Fabcon, Inc.	275	5		
Life Time Fitness Center	250	6	216	4
The Wild's	150	7	175	5
Cub Foods	100	8	-	-
Rainbow Foods	100	9	-	-
Village Market	100	10	-	-
Total	7,184		6,607	

Note: Total employment for the area served by Prior Lake - Savage ISD No. 719 is not available and, therefore, a percentage of total employment for each of the employers listed above is not included.

Source:

- (1) 2013 information is the most recent information for the school district provided by the District's financial advisor Ehlers & Associates through a written and telephone survey (April 2013) and the Minnesota Department of Employment and Economic Development.
- (2) 2006 information for the school district provided by the District's financial advisor Ehlers & Associates through a written and telephone survey (May 2006), the 2006 Minnesota Business Directory and the 2006 Minnesota Manufacturers Register. Please note only 5 employers listed on the report.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Full-Time Equivalent Employees as of June 30,			
	2007	2008	2009	2010
<u>Licensed Positions</u>				
Administrative Staff				
Superintendent	1.0	1.0	1.0	1.0
Principals	9.0	8.5	9.0	10.0
Administrative Assistants	7.0	8.0	6.0	6.0
Supervisory Coordinator	1.0	1.0	1.0	1.0
Total Administrative Staff	<u>18.0</u>	<u>18.5</u>	<u>17.0</u>	<u>18.0</u>
Support Service Staff				
Other Non-Instructional Staff	10.6	7.1	8.5	8.0
Counselors	8.0	7.8	7.8	7.8
Media/Librarian	8.1	7.1	7.1	7.6
Nurse	3.0	3.0	3.0	4.0
Social Worker	8.5	8.5	8.5	10.5
Psychologists	2.6	3.0	3.0	4.0
Total Support Service Staff	<u>40.8</u>	<u>36.5</u>	<u>37.9</u>	<u>41.9</u>
Special Education Teachers				
Speech Language	9.9	11.6	13.2	13.6
Other Special Education Teacher	38.6	51.9	50.1	45.2
Total Special Education Teachers	<u>48.5</u>	<u>63.5</u>	<u>63.3</u>	<u>58.8</u>
Classroom Teachers				
K - 12 Teacher	310.4	312.6	304.6	297.1
Vocational Education Teacher	0.4	-	0.4	0.4
Pre-K, ECFE, and Other Teacher	10.9	12.8	14.1	18.5
Total Classroom Teachers	<u>321.7</u>	<u>325.5</u>	<u>319.1</u>	<u>316.0</u>
Total Licensed Positions	<u><u>429.1</u></u>	<u><u>443.9</u></u>	<u><u>437.2</u></u>	<u><u>434.7</u></u>

Source: Minnesota Department of Education STARS data.

Full-Time Equivalent Employees as of June 30,

2011	2012	2013	2014	2015	2016
1.0	1.0	1.0	1.0	1.0	1.0
10.0	10.0	10.0	10.0	9.0	9.0
6.0	6.0	6.0	6.0	6.0	6.0
1.0	1.0	1.0	1.0	3.0	3.0
<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	<u>19.0</u>	<u>19.0</u>
7.9	8.4	11.5	23.4	23.0	26.7
7.8	7.8	8.8	9.0	10.0	10.0
6.3	6.3	6.4	6.3	7.0	6.9
4.0	4.0	5.0	5.0	5.0	5.0
10.5	10.5	10.1	10.5	10.4	10.3
4.0	4.0	4.0	5.0	5.0	4.1
<u>40.5</u>	<u>41.0</u>	<u>45.7</u>	<u>59.2</u>	<u>60.4</u>	<u>63.0</u>
13.6	13.6	12.6	13.0	14.1	13.6
45.5	44.1	46.7	48.0	51.5	52.0
<u>59.1</u>	<u>57.7</u>	<u>59.3</u>	<u>61.0</u>	<u>65.6</u>	<u>65.6</u>
289.1	269.4	277.5	291.1	304.4	310.7
0.4	-	-	-	0.2	-
18.5	20.0	20.0	23.0	24.0	25.0
<u>308.0</u>	<u>289.4</u>	<u>297.5</u>	<u>314.1</u>	<u>328.6</u>	<u>335.7</u>
<u>425.6</u>	<u>406.1</u>	<u>420.4</u>	<u>452.3</u>	<u>473.6</u>	<u>483.3</u>

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Total Governmental Funds Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>
2007	6,620	\$ 91,469,519	\$ 13,817	(7.56)	370.2	17.9
2008	6,824	91,809,232	13,453	(2.64)	388.9	17.5
2009	6,877	80,540,753	11,712	(12.95)	382.4	18.0
2010	6,975	84,463,511	12,109	3.40	374.9	18.6
2011	7,021	83,430,540	11,883	(1.87)	367.1	19.1
2012	7,112	83,720,648	11,772	(0.94)	347.1	20.5
2013	7,211	90,064,444	12,490	6.10	356.7	20.2
2014	7,402	112,261,545	15,166	21.43	375.1	19.7
2015	7,591	113,778,643	14,989	(1.17)	394.2	19.3
2016	7,962	102,555,989	12,881	(14.06)	401.3	19.8

Source: District records and teaching staff numbers from the Minnesota Department of Education STARS data.

**PRIOR LAKE-SAVAGE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 719
BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>School</u>	Fiscal Year			
	2007	2008	2009	2010
Elementary				
Westwood (1963)				
Square feet	82,426	82,426	82,426	82,426
Capacity	630	630	630	630
Enrollment (1)	583.81	596.78	576.58	435.49
Five Hawks (1973)				
Square feet	67,940	67,940	67,940	67,940
Capacity	635	635	635	635
Enrollment (1)	566.57	558.30	580.96	445.33
Grainwood (1952)				
Square feet	72,835	72,835	72,835	72,835
Capacity	585	585	585	585
Enrollment (1)	445.57	500.26	491.30	384.90
Glendale (1997)				
Square feet	90,624	90,624	90,624	90,624
Capacity	680	680	680	680
Enrollment (1)	637.62	648.37	632.81	603.32
Jeffers Pond (2006)				
Square feet	90,011	90,011	90,011	90,011
Capacity	635	635	635	635
Enrollment (1)	590.91	647.65	651.22	563.03
Redtail Ridge (2008)				
Square feet	-	90,011	90,011	90,011
Capacity	-	660	660	660
Enrollment (1)	-	-	-	527.14
Middle				
Hidden Oaks (1989)				
Square feet	166,230	184,310	184,310	184,310
Capacity	1,008	1,008	1,008	1,008
Enrollment (1)	865.46	902.37	876.71	907.82
Twin Oaks (1969)				
Square feet	214,939	214,939	214,939	214,939
Capacity	784	784	784	784
Enrollment (1)	604.91	676.69	740.57	734.51
High				
Prior Lake (2003)				
Square feet	354,635	354,635	354,635	354,635
Capacity	2,000	2,000	2,000	2,000
Enrollment (1)	1,837.06	1,927.36	1,964.07	2,051.30
Other				
Edgewood Kindergarten/ECFE Center (2006)				
Square feet	50,575	50,575	50,575	50,575
Capacity	360	360	360	360
Enrollment (1)	315.00	269.92	265.64	216.68
Administration District Service Center (1994)				
Square feet	20,606	20,606	20,606	20,606
Total				
Square feet	1,210,821	1,318,912	1,318,912	1,318,912
Capacity	7,317	7,977	7,977	7,977
Enrollment	6,446.91	6,727.70	6,779.86	6,869.52
Athletics				
Football fields	7	7	7	7
Soccer fields	8	8	8	10
Running tracks	2	2	2	2
Baseball/softball	14	14	14	16
Swimming pools	2	2	2	2
Playgrounds	9	9	9	10

Notes: Enrollment reflects average daily membership served by site. Resident students served under tuition agreements are excluded from this enrollment data.

Source: Square footage obtained from the MN Department of Education website. The capacity was obtained from Wold Architects. Enrollment was obtained from a combination of District records and "School Average Daily Membership" reports available on the Minnesota Department of Education web. The athletic statistics are derived from District records.

Fiscal Year					
2011	2012	2013	2014	2015	2016
82,426	82,426	82,426	82,426	82,426	82,426
630	630	630	630	630	630
450.34	455.53	494.80	530.95	566.55	571.91
67,940	67,940	67,940	67,940	67,940	67,940
635	635	635	635	635	635
444.56	468.76	481.95	525.31	572.36	554.40
72,835	72,835	72,835	72,835	72,835	72,835
585	585	585	585	585	585
383.28	361.25	345.06	337.61	334.42	337.87
90,624	90,624	90,624	90,624	90,624	90,624
680	680	680	680	680	680
585.09	598.68	565.81	567.92	579.34	592.21
90,011	90,011	90,011	90,011	90,011	90,011
635	635	635	635	635	635
539.45	501.70	502.85	492.73	512.68	541.29
90,011	90,011	90,011	90,011	90,011	90,011
660	660	660	660	660	660
524.82	533.19	564.54	609.08	651.31	679.63
184,310	184,310	184,310	184,310	184,310	184,310
1,008	1,008	1,008	1,008	1,008	1,008
908.87	928.60	906.81	908.19	916.13	936.85
214,939	214,939	214,939	214,939	214,939	214,939
784	784	784	784	784	784
737.42	788.33	810.13	831.97	857.83	879.57
354,635	354,635	354,635	354,635	387,635	387,635
2,000	2,000	2,000	2,000	2,250	2,250
2,135.84	2,150.26	2,219.04	2,269.74	2,344.81	2,514.20
50,575	50,575	50,575	50,575	50,575	50,575
360	360	360	360	360	360
193.31	195.79	203.43	207.45	111.98	182.40
20,606	20,606	20,606	20,606	20,606	20,606
1,318,912	1,318,912	1,318,912	1,318,912	1,351,912	1,351,912
7,977	7,977	7,977	7,977	8,587	8,587
6,902.98	6,982.09	7,094.42	7,280.95	7,447.41	7,790.33
7	7	7	7	7	7
10	10	10	10	10	10
2	2	2	2	2	2
16	16	16	16	16	16
2	2	2	2	2	2
10	10	10	10	10	10