

INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 280

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2019

SCHOOL BOARD

	<u>Position</u>
Crystal Brakke	Chairperson
Timothy Pollis	Vice Chairperson
Paula Cole	Treasurer
John Ashmead	Clerk
Christine Maleck	Director
Peter Toensing	Director

ADMINISTRATION

Steven Unowsky	Superintendent
Leadriane Roby	Assistant Superintendent
Craig Holje	Chief Administrative Officer
Mary Clarkson	Executive Director of Special Programs
Jim Gilligan	Director of Finance

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 280
Richfield, 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 the Independent School District No. 280 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The supplemental information, Schedule of Expenditures of Federal Awards, and UFARS 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 5, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 12, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

As management of Independent School District No. 280 (the District), we have provided readers of the District's financial statements with this narrative overview and analysis of the District's financial activities during the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2019 by \$40,566,780 (deficit net position). Government-wide revenues totaled \$81,738,911, and expenses were \$58,117,008. As a result, the District's total net position increased by \$23,621,903 during the fiscal year ended June 30, 2019.
- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of \$11,284,714, an increase of \$2,131,835 from the prior year. The unrestricted portion of the year-end fund balance (assigned and unassigned) was \$7,871,134, which represents 12.2 percent of annual General Fund expenditures based on fiscal 2019 expenditure levels. The unassigned fund balance was \$4,545,037, which represents 7.0 percent of General Fund expenditures and falls within the target range identified in Board Policy 701 of 4.0–8.0 percent unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Governmental funds (Food Service and Community Service Special Revenue Funds) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds are presented as supplemental information.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary of Net Position as of June 30, 2019 and 2018		
	2019	2018
Assets		
Current and other assets	\$ 160,671,962	\$ 162,387,987
Capital assets, net of depreciation	59,243,864	48,119,129
Total assets	\$ 219,915,826	\$ 210,507,116
Deferred outflows of resources		
Pension plan deferments	\$ 47,111,706	\$ 62,497,426
OPEB plan deferments	548,325	187,457
Deferred charges on refunding	519,978	588,172
Total deferred outflows of resources	\$ 48,180,009	\$ 63,273,055
Liabilities		
Current and other liabilities	\$ 10,443,844	\$ 6,432,210
Long-term liabilities, including due within one year	204,086,187	278,216,368
Total liabilities	\$ 214,530,031	\$ 284,648,578
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 26,301,162	\$ 24,975,435
Pension plan deferments	63,598,941	23,054,238
OPEB plan deferments	4,232,481	5,290,603
Total deferred inflows of resources	\$ 94,132,584	\$ 53,320,276
Net position		
Net investment in capital assets	\$ 24,223,635	\$ 22,157,711
Restricted	6,910,435	2,844,486
Unrestricted	(71,700,850)	(89,190,880)
Total net position	\$ (40,566,780)	\$ (64,188,683)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as depreciation estimates and capitalization policies. Another major factor in determining net position is the inclusion of liabilities for long-term severance, other post-employment benefits (OPEB), and pension benefits, which are not included in fund balances.

Total net position increased by \$23,621,903 in 2019. Changes in the District's proportionate share of two state-wide pension plans contributed to the increase in unrestricted net position, along with the changes in deferred inflows/outflows of resources and long-term liabilities.

The changes in capital assets, net of depreciation, was a result of construction related to the bonds issued in 2018 in the amount of \$116.2 million.

Table 2 presents a condensed version of the change in net position of the District:

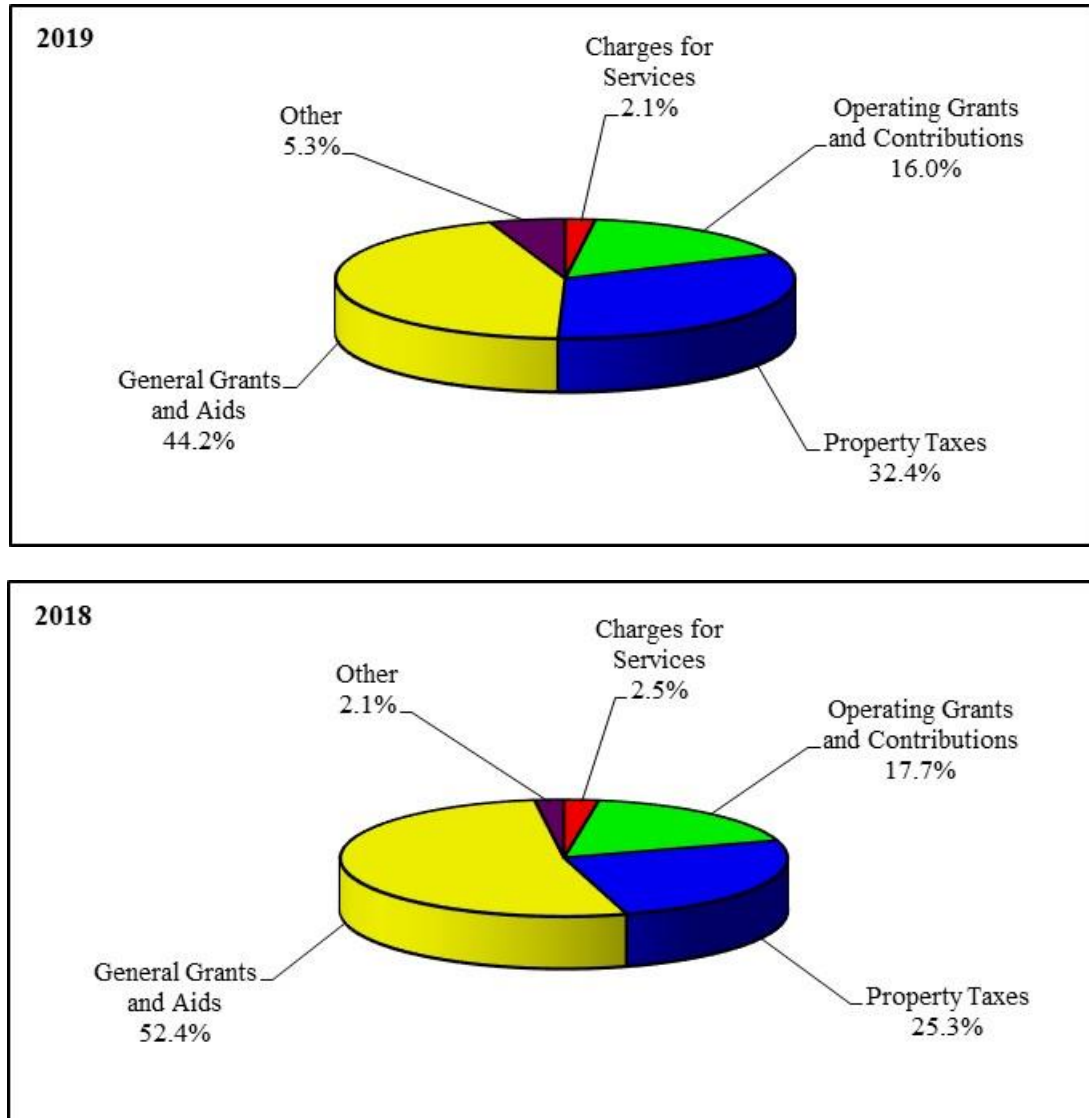
Table 2 Change in Net Position for the Years Ended June 30, 2019 and 2018		
	2019	2018
Revenues		
Program revenues		
Charges for services	\$ 1,731,697	\$ 1,833,335
Operating grants and contributions	13,055,457	12,985,765
General revenues		
Property taxes	26,504,457	18,537,869
General grants and aids	36,127,245	38,449,108
Other	4,320,055	1,538,817
Total revenues	81,738,911	73,344,894
Expenses		
Administration	1,921,888	3,226,510
District support services	2,038,601	2,209,014
Elementary and secondary regular instruction	18,949,610	35,798,892
Vocational education instruction	333,061	537,777
Special education instruction	8,264,835	15,041,531
Instructional support services	2,987,518	3,927,678
Pupil support services	5,556,435	6,395,379
Sites and buildings	5,757,551	7,243,559
Fiscal and other fixed cost programs	223,275	233,841
Food service	2,657,883	2,645,759
Community service	1,454,964	1,703,165
Unallocated depreciation	3,284,068	3,253,593
Interest and fiscal charges	4,687,319	2,578,471
Total expenses	58,117,008	84,795,169
Change in net position	23,621,903	(11,450,275)
Net position – beginning	(64,188,683)	(52,738,408)
Net position – ending	<u>\$ (40,566,780)</u>	<u>\$ (64,188,683)</u>

This table is presented on an accrual basis of accounting, and includes all governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenues for fiscal year 2019 were \$8,394,017 higher than last year, mainly due to increases in voter-approved operating referendum and debt service property tax levies in the current year. The decrease in general grants and aids is the result of changes in state pass-through contributions to two state-wide pension plans. Other revenue increased, due to investment income on unspent building bonds. Expenses decreased \$26,678,161 compared to the prior year, which primarily reflects changes in the District's proportionate share of the two state-wide pension plans.

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

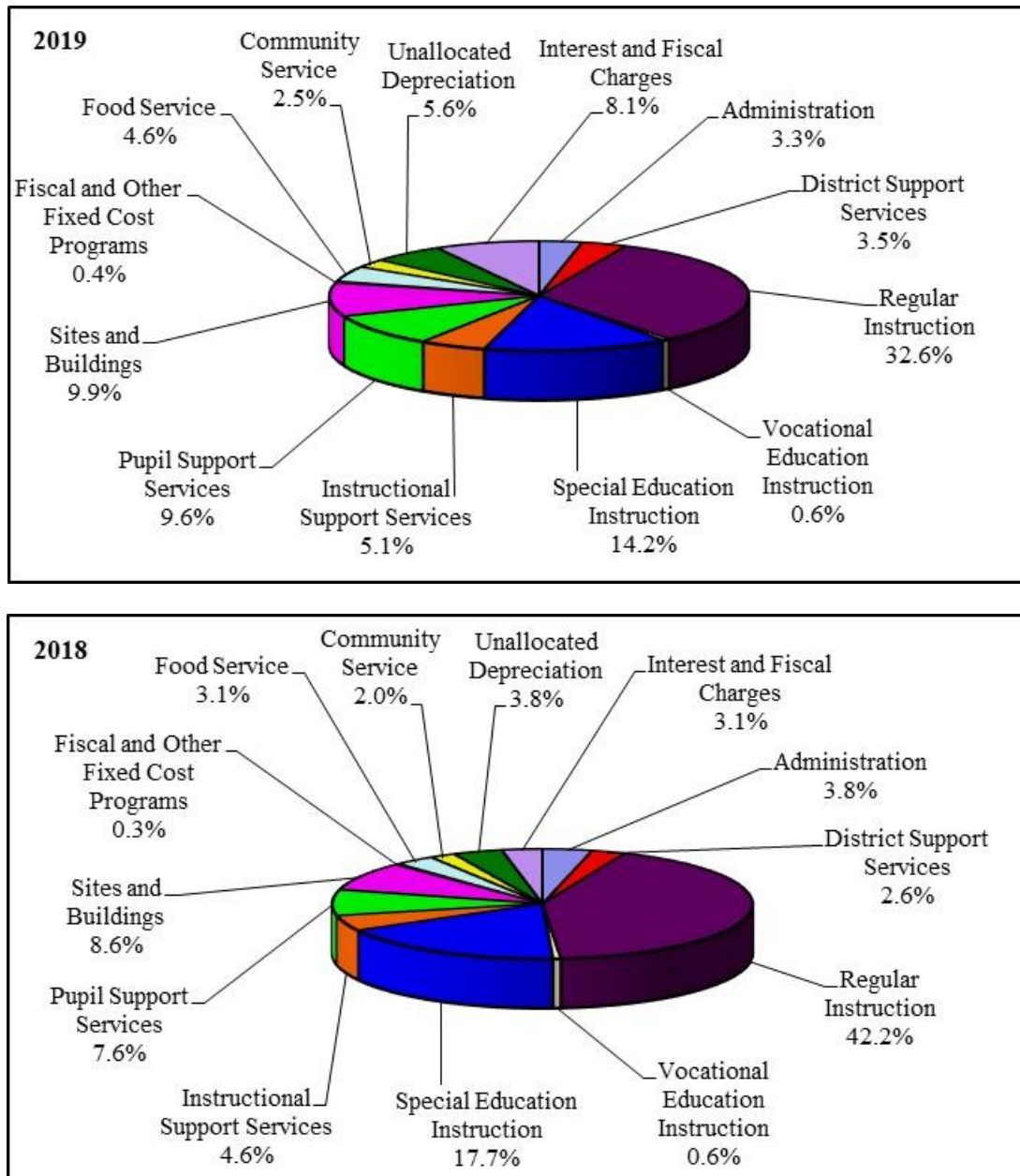
Figure A – Sources of Revenue for Fiscal Years 2019 and 2018



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

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

Figure B – Expenses for Fiscal Years 2019 and 2018



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

The significant year-to-year change in the percentage of expenses incurred in several program areas shown above was attributable to the change in expenses related to the two state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3 Governmental Fund Balances as of June 30, 2019 and 2018			
	2019	2018	Increase (Decrease)
Major funds			
General	\$ 11,284,714	\$ 9,152,879	\$ 2,131,835
Capital Projects – Building Construction	106,812,199	117,418,610	(10,606,411)
Debt Service	1,123,306	379,815	743,491
Nonmajor funds			
Food Service Special Revenue	532,885	431,368	101,517
Community Service Special Revenue	584,749	531,089	53,660
Total governmental funds	<u>\$ 120,337,853</u>	<u>\$ 127,913,761</u>	<u>\$ (7,575,908)</u>

In 2019, the General Fund balance increased \$2,131,835, mainly due to conservative budgeting and cost containment measures, resulting in expenditures being held \$1,997,681 under budget.

The Capital Projects – Building Construction Fund decreased \$10,606,411, due to capital outlay related to the issuance of school building bonds and facilities maintenance bonds during fiscal 2018.

The Debt Service Fund increased \$743,491, which was due to debt service property tax levies exceeding scheduled debt service expenditures.

The increase in the Food Service Special Revenue Fund of \$101,517 was mainly due to a combination of child nutrition program revenues exceeding budget, and related costs coming in under budget.

The Community Service Special Revenue Fund increased \$53,660 in the current year, as higher than projected program fees and tuition resulted in revenues exceeding budget by \$196,142.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 67,636,701</u>	<u>\$ 66,570,772</u>	<u>\$ (1,065,929)</u>	<u>(1.6%)</u>
Expenditures	<u>\$ 67,387,107</u>	<u>\$ 66,594,494</u>	<u>\$ (792,613)</u>	<u>(1.2%)</u>
Other financing sources	<u>\$ 500,000</u>	<u>\$ 394,149</u>	<u>\$ (105,851)</u>	<u>(21.2%)</u>

The District was required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the District's practice to amend the General Fund budget during the year for known significant changes in circumstances such as: updated enrollment estimates, legislation changes, new or additional funding, staffing changes, employee contract settlements, adjustments to health insurance premiums, special education tuition changes, or utility rate changes.

The changes from the original budget to the final budget are due to additional grant awards, salary and benefit adjustments based on negotiated contract settlements, and recalculations of state aid and levy using updated enrollment numbers.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2019 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 66,334,196	\$ (236,576)	(0.4%)	\$ 3,306,585	5.2%
Expenditures	64,596,813	\$ (1,997,681)	(3.0%)	\$ 2,604,047	4.2%
Other financing sources	<u>394,452</u>	\$ 303	0.1%	\$ (169,467)	(30.1%)
Net change in fund balances	<u>\$ 2,131,835</u>				

The increase in 2019 actual revenue is largely due to increases in the voter-approved operating referendum property tax levy. The expenditure increase was mainly in personal expenditures, which were \$3,211,145 higher than last year. Budget to actual variances in expenditures were mainly due to district cost containment measures.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6 Capital Assets			
	2019	2018	Change
Land	\$ 349,265	\$ 349,265	\$ —
Construction in process	15,297,653	1,873,014	13,424,639
Land improvements	6,573,702	6,573,702	—
Buildings	89,980,021	89,243,749	736,272
Equipment	9,081,873	8,841,792	240,081
Less accumulated depreciation	(62,038,650)	(58,762,393)	(3,276,257)
Total	<u>\$ 59,243,864</u>	<u>\$ 48,119,129</u>	<u>\$ 11,124,735</u>
Depreciation expense	<u>\$ 3,640,108</u>	<u>\$ 3,575,837</u>	<u>\$ 64,271</u>

The increase in equipment is due to a number of bus purchases. The increase in construction in progress is due to capital spending for various improvement projects at district sites financed with the bonds issued in fiscal 2018.

Long-Term Liabilities

Table 7 shows the components of the District's long-term liabilities and the change from the prior year:

Table 7 Outstanding Long-Term Liabilities			
	2019	2018	Change
General obligation bonds	\$ 145,055,000	\$ 148,725,000	\$ (3,670,000)
Premiums	5,066,767	5,512,644	(445,877)
Capital leases	2,268,246	3,151,030	(882,784)
Net pension liability	39,463,512	109,108,759	(69,645,247)
Net OPEB liability	9,664,016	9,113,416	550,600
Compensated absences	408,993	428,502	(19,509)
Severance benefits	2,159,653	2,177,017	(17,364)
Total	<u>\$ 204,086,187</u>	<u>\$ 278,216,368</u>	<u>\$ (74,130,181)</u>

The decreases in general obligation bonds as shown in Table 7 are due to scheduled principal payments, with no new bonds issued in fiscal 2019. The change in capital leases is based on the planned repayment schedules, offset by the new leases issued to replace school buses.

The differences in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA. The change in the net OPEB liability reflects the change in the District's estimated liability for OPEB.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8 Limitations on Debt	
District's market value	\$ 4,972,442,275
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 745,866,341</u></u>

Additional details of the District's capital assets and long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority. The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$126, or 2 percent, per pupil to the basic general education funding formula for fiscal 2020, and an additional \$129, or 2 percent, per pupil to the formula for fiscal 2021.

In November 2017, voters approved authorization to increase the excess operating referendum by \$450, revoking the previous authority of \$964.60, plus inflationary increases and replacing it with a level \$1,414.60. With the additional funding, the District targeted reducing class sizes, improving course offerings, and stabilizing educational programming beginning in the 2018–2019 school year. In addition, voters approved a bond issue for \$84,615,000 to provide facility improvements focused on deferred maintenance, safety, and improved instructional facilities. This is being combined with \$31,545,000 in School Board-authorized bond projects for indoor air quality improvements as part of a multi-year improvement project. Construction related to the issued bonds in 2018 began in the spring of 2019 and is expected to continue through December 2021.

In August 2016, the District was one of 74 districts in the state to receive funding for a Voluntary Pre-Kindergarten Program. This funding provided the District the opportunity to offer an additional 126 4-year-old students to participate in pre-school programming. Funding for these students is provided as part of the general education student formula allocation. In 2017, the District received approval for an additional 20 students at Richfield Dual Language School, expanding the program to all of the elementary schools in Richfield.

The Voluntary Pre-Kindergarten Program has continued to grow, currently serving 183 students in 2018–2019. Based on state legislation, in the fall of 2019, this funding was anticipated to return to the original level received in 2016, reducing programming in Richfield. During the 2019 legislative session, the full funding was reinstated by the Minnesota Legislature for two additional years, allowing the expanded programming in Richfield for that term.

In November 2013, the community approved a renewal and increase to the capital projects referendum that initially provided the District with approximately \$2.2 million annually over the following 10 years for technology purchases. The District has upgraded its technology infrastructure to provide for a robust Wi-Fi system. The District installed the new system in all seven buildings during the summer of 2015. In the fall of 2018, the District provided increased access by students to technology devices through a program that provides devices at a 1:1 ratio for secondary students and a 2:1 ratio for elementary students. Because this funding is based on the net tax capacity of the District, in 2019 this referendum provided \$2.9 million in funding and is anticipated to continue to increase incrementally, with property value increases during the term of the referendum. This funding is based on the net tax capacity of the District, which has been increasing over the past few years as a result of the expiration of existing tax increment financing districts, as well as increased redevelopment within the community. In fiscal year 2019, this referendum provided \$2.9 million in revenue for these projects. This increase in net tax capacity in the District is expected to continue through the term of this referendum, resulting in additional access to financial resources for this capital project.

The District has continued its efforts to develop and implement a more transparent budgeting system which is aligned with the District's new Strategic Plan and priorities. The District continues to expand its enrichment opportunities for all students and is enhancing its gifted and talented programs, as well as dual-credit programs, which provide opportunities for students to receive college credits while attending Richfield High School. In total, 207 students participated in College in the Schools programming, earning 2,058 credits from the University of Minnesota worth \$1,099,928 in 2018–2019. In addition, the District moved its Richfield College Experience Program alternative program back into the Richfield District in order to provide a more personalized environment, while continuing to provide concurrent college programming with Normandale Community College.

The District's enrollment leveled off in fiscal years 2014 and 2015 after three strong years of gains. In fiscal year 2016, the District realized an unanticipated reduction of 93 students in pre-kindergarten through Grade 12, which was partially offset in average daily membership for the District by the addition of a fiscal host agreement with Intermediate School District No. 287 for the South Education Center Academy Program. In fiscal year 2017, the enrollment in the traditional K–12 Program decreased by 67 students, but actual enrollment increased by 79 students, due to the addition of the Voluntary Pre-Kindergarten Program. Enrollment remained relatively constant in fiscal year 2018, but then dropped again by 71 students in fiscal year 2019. The District's community appears to be engaged in a period of redevelopment, which includes factors of increased development and property values, as well as transitions of residential developments. While the long-term net financial impact of this redevelopment is anticipated to be positive, the transitional timeline around this is anticipated to have a mixed impact on district enrollment and resources, which the administration is actively reviewing and accounting for in planning activities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Office, Independent School District No. 280, 7001 Harriet Avenue South, Richfield, Minnesota 55423.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Governmental Activities	
	2019	2018
Assets		
Cash and temporary investments	\$ 138,085,216	\$ 139,838,923
Receivables		
Current taxes	13,733,426	13,128,069
Delinquent taxes	219,575	147,827
Accounts and interest	1,677,275	528,084
Due from fiduciary fund	498,893	917,335
Due from other governmental units	5,504,202	6,702,692
Inventory	42,778	55,299
Prepaid items	910,597	1,069,758
Capital assets		
Not depreciated	15,646,918	2,222,279
Depreciated, net of accumulated depreciation	43,596,946	45,896,850
Total capital assets, net of accumulated depreciation	<u>59,243,864</u>	<u>48,119,129</u>
Total assets	<u>219,915,826</u>	<u>210,507,116</u>
Deferred outflows of resources		
Pension plan deferments	47,111,706	62,497,426
OPEB plan deferments	548,325	187,457
Deferred charges on refunding	519,978	588,172
Total deferred outflows of resources	<u>48,180,009</u>	<u>63,273,055</u>
Total assets and deferred outflows of resources	<u><u>\$ 268,095,835</u></u>	<u><u>\$ 273,780,171</u></u>
Liabilities		
Salaries payable	\$ 506,200	\$ 517,609
Accounts and contracts payable	5,595,468	1,548,775
Accrued interest payable	1,896,159	1,962,668
Due to other governmental units	986,225	1,075,907
Unearned revenue	950,949	895,389
Claims incurred, but not reported	508,843	431,862
Long-term liabilities		
Due within one year	5,254,544	5,380,529
Due in more than one year	198,831,643	272,835,839
Total long-term liabilities	<u>204,086,187</u>	<u>278,216,368</u>
Total liabilities	<u>214,530,031</u>	<u>284,648,578</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	26,301,162	24,975,435
Pension plan deferments	63,598,941	23,054,238
OPEB plan deferments	4,232,481	5,290,603
Total deferred inflows of resources	<u>94,132,584</u>	<u>53,320,276</u>
Net position		
Net investment in capital assets	24,223,635	22,157,711
Restricted for		
Capital asset acquisition	5,043,752	981,810
Food service	532,885	431,368
Community service	588,856	533,858
Other state funding restrictions	744,942	897,450
Unrestricted	<u>(71,700,850)</u>	<u>(89,190,880)</u>
Total net position	<u>(40,566,780)</u>	<u>(64,188,683)</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 268,095,835</u></u>	<u><u>\$ 273,780,171</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

Functions/Programs	Expenses	2019		2018	
		Program Revenues		Net (Expense)	Net (Expense)
		Charges for	Operating	Revenue and	Revenue and
		Services	Grants and	Changes in	Changes in
			Contributions	Net Position	Net Position
				Governmental	Governmental
				Activities	Activities
Governmental activities					
Administration	\$ 1,921,888	\$ 271,628	\$ 50,203	\$ (1,600,057)	\$ (2,860,103)
District support services	2,038,601	—	—	(2,038,601)	(2,209,014)
Elementary and secondary regular instruction	18,949,610	173,618	2,711,962	(16,064,030)	(32,699,847)
Vocational education instruction	333,061	—	14,626	(318,435)	(537,777)
Special education instruction	8,264,835	230,930	7,125,247	(908,658)	(7,712,476)
Instructional support services	2,987,518	—	—	(2,987,518)	(3,927,678)
Pupil support services	5,556,435	36,980	98,008	(5,421,447)	(6,383,140)
Sites and buildings	5,757,551	—	—	(5,757,551)	(7,243,559)
Fiscal and other fixed cost programs	223,275	—	—	(223,275)	(233,841)
Food service	2,657,883	501,276	2,312,679	156,072	83,685
Community service	1,454,964	517,265	742,732	(194,967)	(420,255)
Unallocated depreciation	3,284,068	—	—	(3,284,068)	(3,253,593)
Interest and fiscal charges	4,687,319	—	—	(4,687,319)	(2,578,471)
Total governmental activities	<u>\$ 58,117,008</u>	<u>\$ 1,731,697</u>	<u>\$ 13,055,457</u>	(43,329,854)	(69,976,069)
General revenues					
Taxes					
Property taxes, levied for general purposes				16,566,234	13,055,584
Property taxes, levied for community service				460,408	441,819
Property taxes, levied for debt service				9,477,815	5,040,466
General grants and aids				36,127,245	38,449,108
Other general revenues				744,563	977,546
Gain on sale of capital assets				38,588	59,627
Investment earnings				3,536,904	501,644
Total general revenues				<u>66,951,757</u>	<u>58,525,794</u>
Change in net position				23,621,903	(11,450,275)
Net position – beginning				<u>(64,188,683)</u>	<u>(52,738,408)</u>
Net position – ending				<u><u>\$(40,566,780)</u></u>	<u><u>\$(64,188,683)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 13,759,390	\$ 110,412,747	\$ 5,838,615
Receivables			
Current taxes	8,904,650	–	4,598,866
Delinquent taxes	142,241	–	73,114
Accounts and interest	176,046	1,491,905	–
Due from other governmental units	5,432,890	–	590
Due from other funds	–	–	–
Due from Fiduciary Fund	498,893	–	–
Inventory	22,487	–	–
Prepaid items	908,987	–	–
Total assets	<u>\$ 29,845,584</u>	<u>\$ 111,904,652</u>	<u>\$ 10,511,185</u>
Liabilities			
Salaries payable	\$ 456,200	\$ –	\$ –
Accounts and contracts payable	485,183	5,092,453	–
Due to other governmental units	983,622	–	–
Due to other funds	–	–	–
Unearned revenue	–	–	–
Total liabilities	<u>1,925,005</u>	<u>5,092,453</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	16,514,103	–	9,321,073
Unavailable revenue – delinquent taxes	121,762	–	66,806
Total deferred inflows of resources	<u>16,635,865</u>	<u>–</u>	<u>9,387,879</u>
Fund balances			
Nonspendable	931,474	–	–
Restricted	2,482,106	106,812,199	1,123,306
Assigned	3,326,097	–	–
Unassigned	4,545,037	–	–
Total fund balances	<u>11,284,714</u>	<u>106,812,199</u>	<u>1,123,306</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,845,584</u>	<u>\$ 111,904,652</u>	<u>\$ 10,511,185</u>

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 1,346,918	\$ 131,357,670	\$ 133,619,553
229,910	13,733,426	13,128,069
4,220	219,575	147,827
—	1,667,951	517,571
70,722	5,504,202	6,702,692
—	—	1,073,415
—	498,893	917,335
20,291	42,778	55,299
1,610	910,597	1,069,758
<u>\$ 1,673,671</u>	<u>\$ 153,935,092</u>	<u>\$ 157,231,519</u>
\$ 50,000	\$ 506,200	\$ 517,609
17,832	5,595,468	1,548,775
2,603	986,225	1,075,907
—	—	1,073,415
15,509	15,509	12,000
<u>85,944</u>	<u>7,103,402</u>	<u>4,227,706</u>
465,986	26,301,162	24,975,435
4,107	192,675	114,617
<u>470,093</u>	<u>26,493,837</u>	<u>25,090,052</u>
21,901	953,375	1,125,057
1,095,733	111,513,344	120,653,871
—	3,326,097	3,039,788
—	4,545,037	3,095,045
<u>1,117,634</u>	<u>120,337,853</u>	<u>127,913,761</u>
<u>\$ 1,673,671</u>	<u>\$ 153,935,092</u>	<u>\$ 157,231,519</u>

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019	2018
Total fund balances – governmental funds	\$ 120,337,853	\$ 127,913,761
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	121,282,514	106,881,522
Accumulated depreciation	(62,038,650)	(58,762,393)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance.		
General obligation bonds	(145,055,000)	(148,725,000)
Unamortized premium/discount	(5,066,767)	(5,512,644)
Capital leases	(2,268,246)	(3,151,030)
Net pension liability	(39,463,512)	(109,108,759)
Net OPEB liability	(9,664,016)	(9,113,416)
Compensated absences	(408,993)	(428,502)
Severance benefits	(2,159,653)	(2,177,017)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(1,896,159)	(1,962,668)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	5,292,587	4,914,632
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	47,111,706	62,497,426
Deferred outflows of resources – OPEB plan deferments	548,325	187,457
Deferred outflows of resources – deferred charges on refunding	519,978	588,172
Deferred inflows of resources – pension plan deferments	(63,598,941)	(23,054,238)
Deferred inflows of resources – OPEB plan deferments	(4,232,481)	(5,290,603)
Deferred inflows of resources – unavailable revenue – delinquent taxes	192,675	114,617
Total net position – governmental activities	\$ (40,566,780)	\$ (64,188,683)

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 16,524,052	\$ –	\$ 9,443,277
Investment earnings	293,948	3,044,448	56,780
Other	1,234,736	–	–
State sources	46,183,093	–	–
Federal sources	2,098,367	–	–
Total revenue	<u>66,334,196</u>	<u>3,044,448</u>	<u>9,500,057</u>
Expenditures			
Current			
Administration	2,689,891	–	–
District support services	2,138,021	–	–
Elementary and secondary regular instruction	29,180,561	–	–
Vocational education instruction	473,959	–	–
Special education instruction	12,129,556	–	–
Instructional support services	3,756,365	–	–
Pupil support services	6,313,381	–	–
Sites and buildings	6,458,926	–	–
Fiscal and other fixed cost programs	223,275	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	13,650,859	–
Debt service			
Principal	1,187,933	–	3,670,000
Interest and fiscal charges	44,945	–	5,086,566
Total expenditures	<u>64,596,813</u>	<u>13,650,859</u>	<u>8,756,566</u>
Excess (deficiency) of revenue over expenditures	1,737,383	(10,606,411)	743,491
Other financing sources (uses)			
Bonds issued	–	–	–
Premiums on bonds issued	–	–	–
Bond refunding payments	–	–	–
Capital leases	305,149	–	–
Sale of capital assets	89,303	–	–
Transfers in	–	–	–
Transfers (out)	–	–	–
Total other financing sources (uses)	<u>394,452</u>	<u>–</u>	<u>–</u>
Net change in fund balances	2,131,835	(10,606,411)	743,491
Fund balances			
Beginning of year	<u>9,152,879</u>	<u>117,418,610</u>	<u>379,815</u>
End of year	<u>\$ 11,284,714</u>	<u>\$ 106,812,199</u>	<u>\$ 1,123,306</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 459,070	\$ 26,426,399	\$ 18,607,583
21,372	3,416,548	481,676
1,241,524	2,476,260	2,810,881
943,387	47,126,480	47,123,365
2,115,625	4,213,992	4,326,410
4,780,978	83,659,679	73,349,915
—	2,689,891	2,690,786
—	2,138,021	2,282,534
—	29,180,561	26,702,012
—	473,959	439,099
—	12,129,556	11,823,370
—	3,756,365	3,349,715
—	6,313,381	6,333,655
—	6,458,926	6,872,773
—	223,275	233,841
2,725,535	2,725,535	2,609,816
1,888,155	1,888,155	1,690,708
12,111	13,662,970	2,772,910
—	4,857,933	4,965,157
—	5,131,511	1,518,817
4,625,801	91,630,039	74,285,193
155,177	(7,970,360)	(935,278)
—	—	116,160,000
—	—	3,682,969
—	—	(6,340,000)
—	305,149	503,592
—	89,303	60,327
—	—	3,038
—	—	(3,038)
—	394,452	114,066,888
155,177	(7,575,908)	113,131,610
962,457	127,913,761	14,782,151
\$ 1,117,634	\$ 120,337,853	\$ 127,913,761

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019	2018
Total net change in fund balances – governmental funds	\$ (7,575,908)	\$ 113,131,610
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	14,815,558	2,952,858
Depreciation expense	(3,640,108)	(3,575,837)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(50,715)	(700)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(305,149)	(116,663,592)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance.		
General obligation bonds	3,670,000	10,105,000
Unamortized premium/discount	445,877	(3,385,842)
Capital leases	1,187,933	1,200,157
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	69,645,247	28,323,179
Net OPEB liability	(550,600)	5,434,309
Compensated absences	19,509	38,847
Severance benefits	17,364	108,078
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	66,509	(1,288,587)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Fund is included in the governmental activities on the Statement of Activities.	377,955	1,046,063
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(15,385,720)	(22,203,906)
Deferred outflows of resources – OPEB plan deferments	360,868	84,339
Deferred outflows of resources – deferred charges on refunding	(68,194)	(68,194)
Deferred inflows of resources – pension plan deferments	(40,544,703)	(21,327,740)
Deferred inflows of resources – OPEB plan deferments	1,058,122	(5,290,603)
Deferred inflows of resources – unavailable revenue – delinquent taxes	78,058	(69,714)
Change in net position – governmental activities	<u>\$ 23,621,903</u>	<u>\$ (11,450,275)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 16,593,604	\$ 16,645,054	\$ 16,524,052	\$ (121,002)
Investment earnings	10,000	50,000	293,948	243,948
Other	1,190,922	1,043,443	1,234,736	191,293
State sources	46,524,609	46,264,783	46,183,093	(81,690)
Federal sources	3,317,566	2,567,492	2,098,367	(469,125)
Total revenue	67,636,701	66,570,772	66,334,196	(236,576)
Expenditures				
Current				
Administration	2,703,533	2,782,150	2,689,891	(92,259)
District support services	2,394,496	2,423,235	2,138,021	(285,214)
Elementary and secondary regular instruction	30,102,809	29,725,984	29,180,561	(545,423)
Vocational education instruction	371,694	486,850	473,959	(12,891)
Special education instruction	13,560,526	12,567,149	12,129,556	(437,593)
Instructional support services	3,756,972	3,926,087	3,756,365	(169,722)
Pupil support services	5,914,472	6,290,976	6,313,381	22,405
Sites and buildings	7,051,050	6,863,786	6,458,926	(404,860)
Fiscal and other fixed cost programs	276,000	289,000	223,275	(65,725)
Debt service				
Principal	1,170,762	1,170,762	1,187,933	17,171
Interest and fiscal charges	84,793	68,515	44,945	(23,570)
Total expenditures	67,387,107	66,594,494	64,596,813	(1,997,681)
Excess (deficiency) of revenue over expenditures	249,594	(23,722)	1,737,383	1,761,105
Other financing sources				
Capital leases	500,000	305,149	305,149	—
Sale of capital assets	—	89,000	89,303	303
Total other financing sources	500,000	394,149	394,452	303
Net change in fund balances	\$ 749,594	\$ 370,427	2,131,835	\$ 1,761,408
Fund balances				
Beginning of year			9,152,879	
End of year			\$ 11,284,714	

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and temporary investments	\$ 6,727,546	\$ 6,219,370
Receivables		
Accounts	<u>9,324</u>	<u>10,513</u>
Total current assets	<u>6,736,870</u>	<u>6,229,883</u>
Liabilities		
Current liabilities		
Claims payable	508,843	431,862
Unearned revenue	<u>935,440</u>	<u>883,389</u>
Total current liabilities	<u>1,444,283</u>	<u>1,315,251</u>
Net position		
Unrestricted	<u>\$ 5,292,587</u>	<u>\$ 4,914,632</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	<u>2019</u>	<u>2018</u>
Operating revenue		
Contributions from governmental funds	\$ 7,728,687	\$ 7,283,909
Operating expenses		
Medical benefit claims	6,941,794	5,739,074
Dental benefit claims	<u>529,294</u>	<u>518,740</u>
Total operating expenses	<u>7,471,088</u>	<u>6,257,814</u>
Operating income	257,599	1,026,095
Nonoperating revenue		
Investment earnings	<u>120,356</u>	<u>19,968</u>
Change in net position	377,955	1,046,063
Net position		
Beginning of year	<u>4,914,632</u>	<u>3,868,569</u>
End of year	<u><u>\$ 5,292,587</u></u>	<u><u>\$ 4,914,632</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 7,781,927	\$ 7,269,608
Payments for medical claims	(6,867,447)	(6,104,814)
Payments for dental claims	(526,660)	(509,078)
Net cash flows from operating activities	<u>387,820</u>	<u>655,716</u>
Cash flows from investing activities		
Investment income received	<u>120,356</u>	<u>19,968</u>
Net change in cash and cash equivalents	508,176	675,684
Cash and cash equivalents		
Beginning of year	<u>6,219,370</u>	<u>5,543,686</u>
End of year	<u><u>\$ 6,727,546</u></u>	<u><u>\$ 6,219,370</u></u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 257,599	\$ 1,026,095
Adjustments to reconcile operating income to cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	1,189	(6,166)
Claims payable	76,981	(356,078)
Unearned revenue	<u>52,051</u>	<u>(8,135)</u>
Net cash flows from operating activities	<u><u>\$ 387,820</u></u>	<u><u>\$ 655,716</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Deposits	\$ 456,436	\$ 4,640,500
Investments held by trustee, at fair value		
State and local obligations	—	3,487,681
MNTrust Investment Shares Portfolio	—	1,705,097
Accounts and interest receivable	—	120,838
Total assets	<u>456,436</u>	<u>9,954,116</u>
Liabilities		
Due to district	<u>—</u>	<u>498,893</u>
Net position		
Held in trust for employee benefits and other purposes	<u>\$ 456,436</u>	<u>\$ 9,455,223</u>

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

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	\$ 40,181	\$ —
Investment earnings	8,018	203,285
Total additions	<u>48,199</u>	<u>203,285</u>
Deductions		
Benefits	—	498,893
Scholarships	41,908	—
Total deductions	<u>41,908</u>	<u>498,893</u>
Change in net position	6,291	(295,608)
Net position		
Beginning of year	<u>450,145</u>	<u>9,750,831</u>
End of year	<u>\$ 456,436</u>	<u>\$ 9,455,223</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Basic Financial Statements June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 280 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by the voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “unallocated depreciation.” Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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

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

Internal service funds are presented in the proprietary fund financial statements. Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds, such as the Scholarship Private-Purpose Trust Fund and Post-Employment Benefits Trust Fund, are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or the long-term facilities maintenance program.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is primarily used to account for the District's child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Proprietary Funds

Internal Service Funds – The District has established internal service funds to account for medical and dental benefits provided to employees as self-insured plans.

Fiduciary Funds

Scholarship Private-Purpose Trust Fund – The Scholarship Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students of the District.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer assets held in an irrevocable trust to fund other post-employment benefits (OPEB) for eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Community Service Special Revenue expenditures exceeded budget by \$18,324. Revenues in excess of budget funded this variance.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts established for specific purposes. In the Post-Employment Benefits Trust Fund, these assets represent amounts contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from all trust fund investments are allocated directly to the respective funds.

For purposes of the Statement of Cash Flows, all highly liquid debt instruments with an original maturity from the time of purchase of three months or less are considered to be cash equivalents. The proprietary fund's equity in the government-wide cash and investments pool is considered to be cash equivalent.

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

H. Inventories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses when consumed.

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Minnesota Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,532,264 of the property tax levy collectible in 2019 as revenue to the District in fiscal year 2018–2019. The remaining portion of the taxes collectible in 2019 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Generally, the District defines capital assets as those with an initial, individual cost of \$3,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Land and construction in progress are not depreciated.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Balances and Transfers

At June 30, 2019, the General Fund had a receivable of \$498,893 due from the Post-Employment Benefits Trust Fund to reimburse OPEB costs paid from the General Fund.

Interfund balances and transfers reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, balances due between the governmental funds and fiduciary funds are not eliminated.

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 deferred and amortized over the life of the bonds using the straight-line method.

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

N. Compensated Absences

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

O. Severance Benefits

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

Severance pay based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements as the liability matures prior to year-end.

P. Other Post-Employment Benefits (OPEB) Plan

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. State-Wide Pension Plans

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

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

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

R. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2019.
2. **Self-Insurance** – The District has established internal service funds to account for and finance its uninsured risk of loss for its employee medical and dental insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various healthcare and dental costs as described in the plans. The District makes premium payments to the internal service funds on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health and dental insurance premium costs and administrative service charges.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance for health insurance claim liabilities for the last two years were as follows:

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2018	\$ 767,940	\$ 5,739,074	\$ 6,104,814	\$ 402,200
2019	\$ 402,200	\$ 6,941,794	\$ 6,867,447	\$ 476,547

Changes in the balance for dental insurance claim liabilities for the last two years were as follows:

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2018	\$ 20,000	\$ 518,740	\$ 509,078	\$ 29,662
2019	\$ 29,662	\$ 529,294	\$ 526,660	\$ 32,296

S. Deferred Outflows/Inflows of Resources

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

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

The District reports deferred outflows of resources related to deferred charges on refunding in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

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

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

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

U. Fund Balance Classifications

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

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

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Use of Estimates

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

W. Prior Period Comparative Financial Information/Reclassification

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 67,731,810
Investments	80,641,870
Cash on hand	<u>1,250</u>
Total	<u><u>\$ 148,374,930</u></u>

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

Government-Wide Statement of Net Position	
Cash and temporary investments	\$ 138,085,216
Statement of Fiduciary Net Position	
Scholarship Private-Purpose Trust Fund	456,436
Post-Employment Benefits Trust Fund	<u>9,833,278</u>
Total	<u><u>\$ 148,374,930</u></u>

B. Deposits

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

At year-end, the carrying amount of the District’s deposits was \$67,731,810, while the balance on the bank records was \$67,732,960. At June 30, 2019, all deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Investment Risk – Maturity Duration in Years			Total
	Rating	Agency		Less Than 1	1 to 5	Greater Than 5	
State and local bonds	AAA	S&P	Level 2	\$ 9,461,999	\$ 1,858,767	\$ –	\$ 11,320,766
State and local bonds	AA	S&P	Level 2	\$ 5,471,160	\$ 7,071,089	\$ 794,571	13,336,820
State and local bonds	Aaa	Moody’s	Level 2	\$ 1,393,580	\$ –	\$ –	1,393,580
State and local bonds	Aa	Moody’s	Level 2	\$ 1,153,278	\$ 2,142,625	\$ –	3,295,903
State and local bonds	AA	Fitch	Level 2	\$ –	\$ 356,041	\$ –	356,041
Negotiable certificates of deposit		Not rated	Level 2	\$ 210,000	\$ 160,000	\$ –	370,000
U.S. agency securities	AA	S&P	Level 2	\$ 7,877,211	\$ 4,167,101	\$ –	12,044,312
U.S. treasuries	AA	S&P	Level 2	\$ 5,744,741	\$ 3,027,460	\$ –	8,772,201
Investment pools/mutual funds							
MSDLAF Liquid Class	AAA	S&P	Not applicable		No maturity date		93,171
MNTrust Investment Shares Portfolio	AAA	S&P	Not applicable		No maturity date		16,659,076
MNTrust Term Series		Not rated	Not applicable	\$ 13,000,000	\$ –	\$ –	13,000,000
Total investments							<u>\$ 80,641,870</u>

The Minnesota School District Liquid Asset Fund (MSDLAF), Minnesota Trust (MNTrust) Investment Shares Portfolio, and MNTrust Term Series are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission (SEC) that follow the regulatory rules of the SEC. The District’s investment in these pools is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For these investment pools there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice with the exception of the MNTrust Term Series, which has a seven-day redemption notice requirement.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

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

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policy limits the percentage of its total portfolio invested in certain instruments as follows: bankers’ acceptances (25.0 percent), commercial paper (85.0 percent), repurchase agreements (25.0 percent), certificates of deposit (50.0 percent from commercial banks and 50.0 percent from savings and loan associations), and local government investment pools (75.0 percent). At June 30, 2019, the District’s investment portfolio includes the following percentage of a specific issuers:

State of California	5.4%
Federal National Mortgage Association	5.9%
Federal Home Loan Mortgage Corporation	5.7%

NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 349,265	\$ –	\$ –	\$ –	\$ 349,265
Construction in progress	<u>1,873,014</u>	<u>14,047,819</u>	<u>–</u>	<u>(623,180)</u>	<u>15,297,653</u>
Total capital assets, not depreciated	<u>2,222,279</u>	<u>14,047,819</u>	<u>–</u>	<u>(623,180)</u>	<u>15,646,918</u>
Capital assets, depreciated					
Land improvements	6,573,702	–	–	–	6,573,702
Buildings	89,243,749	113,092	–	623,180	89,980,021
Equipment	<u>8,841,792</u>	<u>654,647</u>	<u>(414,566)</u>	<u>–</u>	<u>9,081,873</u>
Total capital assets, depreciated	<u>104,659,243</u>	<u>767,739</u>	<u>(414,566)</u>	<u>623,180</u>	<u>105,635,596</u>
Less accumulated depreciation for					
Land improvements	(4,040,211)	(340,677)	–	–	(4,380,888)
Buildings	(48,747,579)	(2,739,410)	–	–	(51,486,989)
Equipment	<u>(5,974,603)</u>	<u>(560,021)</u>	<u>363,851</u>	<u>–</u>	<u>(6,170,773)</u>
Total accumulated depreciation	<u>(58,762,393)</u>	<u>(3,640,108)</u>	<u>363,851</u>	<u>–</u>	<u>(62,038,650)</u>
Net capital assets, depreciated	<u>45,896,850</u>	<u>(2,872,369)</u>	<u>(50,715)</u>	<u>623,180</u>	<u>43,596,946</u>
Total capital assets, net	<u>\$ 48,119,129</u>	<u>\$ 11,175,450</u>	<u>\$ (50,715)</u>	<u>\$ –</u>	<u>\$ 59,243,864</u>

Depreciation expense was charged to the following governmental functions:

Elementary and secondary regular instruction	\$ 14,144
Special education instruction	8,050
Instructional support services	8,755
Pupil support services	278,823
Sites and buildings	2,472
Food service	28,791
Community service	15,005
Unallocated depreciation	<u>3,284,068</u>
Total depreciation expense	<u>\$ 3,640,108</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2013A Refunding Bonds	11/14/2013	3.00–4.00%	\$ 16,765,000	02/01/2025	\$ 4,300,000
2016A Refunding Bonds	01/13/2016	2.00–5.00%	\$ 4,880,000	02/01/2025	4,880,000
2017A Taxable OPEB Refunding Bonds	02/09/2017	3.00%	\$ 14,290,000	02/01/2027	13,585,000
2017B Alternative Facilities Refunding Bonds	02/09/2017	3.00%	\$ 6,130,000	02/01/2025	6,130,000
2018A School Building Bonds	03/01/2018	3.50–5.00%	\$ 84,615,000	02/01/2043	84,615,000
2018B Facilities Maintenance Bonds	03/01/2018	2.00–5.00%	\$ 31,545,000	02/01/2036	31,545,000
Total general obligation bonds					<u>\$ 145,055,000</u>

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

B. Capital Leases

The District has entered into a number of capital leases for the purchase of various capital assets. At the end of each agreement, the District owns the assets or has the right to purchase them for \$1. If the values of the individual assets acquired through the lease agreements exceed the District's capitalization threshold, the assets are reported in equipment at the values noted below, and the amortization of the lease cost is included in depreciation. All lease agreements are being paid by the General Fund. Capital lease agreements outstanding at year-end are as follows:

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Buses, computers, and energy improvements	\$ 1,234,000	4.86%	07/16/2007	07/16/2021	\$ 195,813
Buses	\$ 268,062	2.18%	07/01/2012	07/01/2019	40,836
Solar panels – Middle School	\$ 33,490	4.00%	09/01/2012	09/01/2022	12,485
Solar panels – High School	\$ 33,600	4.00%	11/01/2012	11/01/2022	13,118
Solar panels – STEM School	\$ 34,220	4.00%	08/01/2013	08/01/2023	14,475
Buses	\$ 266,862	1.91%	07/01/2013	07/01/2020	78,683
Buses	\$ 197,094	2.11%	07/01/2014	07/01/2021	88,000
Computers (1)	\$ –	1.80%	07/01/2014	07/01/2019	45,861
Buses	\$ 197,022	2.19%	07/15/2015	07/15/2022	116,228
Computers (1)	\$ –	1.64%	07/01/2015	07/01/2019	686,058
Buses	\$ 314,901	2.29%	07/12/2016	07/12/2023	238,721
Buses	\$ 503,592	1.65%	11/01/2017	07/01/2025	432,819
Buses	\$ 305,149	3.75%	07/15/2018	07/15/2025	305,149
Total capital leases					<u>\$ 2,268,246</u>

(1) The values of the individual assets acquired through these leases were below the District's capitalization threshold.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, compensated absences, pension benefits, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid from the General Fund and the Food Service and Community Service Special Revenue Funds.

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

Pension Plans	Net/Total Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 7,378,295	\$ 1,809,932	\$ 2,075,617	\$ 134,669
State-wide, multiple-employer – TRA	30,544,192	45,280,270	60,954,965	(12,897,121)
Single-employer – District	1,541,025	21,504	568,359	96,874
Total	<u>\$ 39,463,512</u>	<u>\$ 47,111,706</u>	<u>\$ 63,598,941</u>	<u>\$ (12,665,578)</u>

D. Minimum Debt Payments

Future principal and interest payments for general obligation bonds and capital leases are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2020	\$ 3,580,000	\$ 5,302,588	\$ 1,095,298	\$ 54,202
2021	4,075,000	5,187,288	331,781	32,009
2022	4,235,000	5,042,588	300,203	22,465
2023	4,385,000	4,892,037	201,597	13,613
2024	4,520,000	4,761,187	169,683	8,873
2025–2029	25,530,000	21,355,737	169,684	6,636
2030–2034	31,265,000	15,892,000	–	–
2035–2039	35,250,000	9,885,225	–	–
2040–2043	32,215,000	2,907,375	–	–
	<u>\$ 145,055,000</u>	<u>\$ 75,226,025</u>	<u>\$ 2,268,246</u>	<u>\$ 137,798</u>

E. Changes in Long-Term Liabilities

	June 30, 2018	Additions	Retirements	June 30, 2019	Due Within One Year
General obligation bonds	\$ 148,725,000	\$ –	\$ 3,670,000	\$ 145,055,000	\$ 3,580,000
Premiums	5,512,644	–	445,877	5,066,767	–
Capital leases	3,151,030	305,149	1,187,933	2,268,246	1,095,298
Net pension liability	109,108,759	1,109,613	70,754,860	39,463,512	–
Net OPEB liability	9,113,416	2,144,421	1,593,821	9,664,016	–
Compensated absences	428,502	408,993	428,502	408,993	408,993
Severance benefits	2,177,017	93,451	110,815	2,159,653	170,253
	<u>\$ 278,216,368</u>	<u>\$ 4,061,627</u>	<u>\$ 78,191,808</u>	<u>\$ 204,086,187</u>	<u>\$ 5,254,544</u>

NOTE 5 – FUND BALANCES

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

A. Classifications

At June 30, 2019, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 22,487	\$ –	\$ –	\$ 20,291	\$ 42,778
Prepays	908,987	–	–	1,610	910,597
Total nonspendable	931,474	–	–	21,901	953,375
Restricted					
Capital projects levy	274,886	–	–	–	274,886
Operating capital	1,024,918	–	–	–	1,024,918
Basic skills extended time	291,407	–	–	–	291,407
Medical Assistance	453,535	–	–	–	453,535
Food service	–	–	–	510,984	510,984
Community education	–	–	–	3,933	3,933
Early childhood family education	–	–	–	162,537	162,537
School readiness	–	–	–	334,054	334,054
Community service	–	–	–	84,225	84,225
Long-term facilities maintenance	437,360	28,269,208	–	–	28,706,568
Capital projects	–	78,542,991	–	–	78,542,991
Debt service	–	–	1,123,306	–	1,123,306
Total restricted	2,482,106	106,812,199	1,123,306	1,095,733	111,513,344
Assigned					
Third party special education	335,053	–	–	–	335,053
Synthetic turf	346,992	–	–	–	346,992
Carryover spending	258,424	–	–	–	258,424
School specific carryover	140,600	–	–	–	140,600
Program initiative	905,027	–	–	–	905,027
Enrollment	600,000	–	–	–	600,000
Future retirement	638,422	–	–	–	638,422
Student activities	101,579	–	–	–	101,579
Total assigned	3,326,097	–	–	–	3,326,097
Unassigned					
General Fund	4,545,037	–	–	–	4,545,037
Total	<u>\$ 11,284,714</u>	<u>\$ 106,812,199</u>	<u>\$ 1,123,306</u>	<u>\$ 1,117,634</u>	<u>\$ 120,337,853</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy that establishes a desired unassigned General Fund balance goal of between 4–8 percent of annual projected expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2019, were \$715,561. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2019, were \$2,222,026. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERS Pension Costs

At June 30, 2019, the District reported a liability of \$7,378,295 for its proportionate share of the GERS’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.1330 percent at the end of the measurement period and 0.1289 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 7,378,295
State’s proportionate share of the net pension liability associated with the District	\$ 241,911

For the year ended June 30, 2019, the District recognized pension expense of \$78,215 for its proportionate share of the GERS’s pension expense. In addition, the District recognized an additional \$56,454 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERS.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 189,541	\$ 216,326
Changes in actuarial assumptions	708,524	811,535
Difference between projected and actual investment earnings	–	701,299
Changes in proportion	196,306	346,457
District's contributions to the GERS subsequent to the measurement date	715,561	–
Total	<u>\$ 1,809,932</u>	<u>\$ 2,075,617</u>

A total of \$715,561 reported as deferred outflows or resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the GERS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 106,917
2021	\$ (412,027)
2022	\$ (522,140)
2023	\$ (153,996)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of \$30,544,192 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.4863 percent at the end of the measurement period and 0.4982 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$ 30,544,192
State's proportionate share of the net pension liability associated with the District	\$ 2,869,778

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

For the year ended June 30, 2019, the District recognized a negative pension expense of \$10,894,208. It also recognized \$2,002,913 as a decrease to pension expense (and grant revenue) for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 343,349	\$ 629,404
Changes in actuarial assumptions	41,994,227	52,347,847
Difference between projected and actual investment earnings	–	2,216,493
Changes in proportion	720,668	5,761,221
District's contributions to the TRA subsequent to the measurement date	2,222,026	–
Total	<u>\$ 45,280,270</u>	<u>\$ 60,954,965</u>

A total of \$2,222,026 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 2,951,154
2021	\$ 1,295,792
2022	\$ (394,732)
2023	\$ (13,098,319)
2024	\$ (8,650,616)

E. Actuarial Assumptions

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

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

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

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

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

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

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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

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

The target allocation and best-estimates of geometric 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 stocks	36 %	5.10 %
International stocks	17	5.30 %
Bonds (fixed income)	20	0.75 %
Alternative assets (private markets)	25	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate

1. GERP

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

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

2. TRA

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 11,990,674	\$ 7,378,295	\$ 3,570,908
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 48,473,509	\$ 30,544,192	\$ 15,752,624

H. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups, with eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are as follows:

Teacher Pension Benefits – For eligible teachers (with at least 15 years of continuous service and at least 55 years of age), the District pays a lump sum pension benefit that ranges from \$7,500 to \$10,000, based on years of service at retirement. Eligible teachers can earn an additional lump sum benefit of \$5,000 if they have unused sick leave of more than 150 days at retirement.

Other Pension Benefits – The District offers pension benefits to several other employee groups. Eligible employees (with at least 15 years of continuous service and at least 55 years of age) can earn a lump sum pension benefit that differs by bargaining unit, ranging from \$3,500 up to 50 percent of their annual salary.

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's pay-as-you-go contributions for the benefits described above were \$59,134 during the current year. The District has not established a trust fund to finance these pension benefits.

C. Membership

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

Active plan members	<u><u>578</u></u>
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D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2017 and a measurement date as of June 30, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.10%
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

E. Discount Rate

The discount rate used to measure the pension liability was 3.10 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. The discount rate used in the previous study was 3.40 percent.

F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance – July 1, 2018	\$ 1,430,111
Changes for the year	
Service cost	95,865
Interest	50,886
Assumption changes	23,297
Benefit payments – employer-financed	(59,134)
Total net changes	<u>110,914</u>
Ending balance – June 30, 2019	<u><u>\$ 1,541,025</u></u>

G. Total Pension Liability Sensitivity to Discount Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Pension discount rate	2.10%	3.10%	4.10%
Total pension liability	\$ 1,635,106	\$ 1,541,025	\$ 1,449,059

H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

For the current year ended, the District recognized pension expense of \$96,874, and at year-end reported the following deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 566,249
Changes in actuarial assumptions	<u>21,504</u>	<u>2,110</u>
Total	<u><u>\$ 21,504</u></u>	<u><u>\$ 568,359</u></u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

These amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ (49,877)
2021	\$ (49,877)
2022	\$ (49,877)
2023	\$ (49,877)
2024	\$ (49,877)
Thereafter	\$ (297,470)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**A. Plan Description**

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

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

B. Benefits Provided

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups hired before January 1, 2011, the District pays the eligible retiree's premiums for medical (single or family coverage premium at active employee rates), dental (single or family coverage premium at active employee rates), and/or life insurance (coverage to 2–3 times their basic annual salary to a maximum of \$300,000), for some period after retirement. The length of the benefits to be paid by the District differ by bargaining unit, with some contracts specifying a number of months of coverage based on years of service (ranging from 48–120 months coverage for 15–30 years of continuous service), and some covering premium costs from the time of retirement until the employee reaches the age of eligibility for Medicare.

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's pay-as-you-go contributions for the benefits described on the previous page were \$1,094,928 during the current year.

D. Membership

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

Retirees and beneficiaries receiving benefits	75
Active plan members	<u>579</u>
Total members	<u><u>654</u></u>

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 19,119,239
Plan fiduciary net position	<u>(9,455,223)</u>
District's net OPEB liability	<u><u>\$ 9,664,016</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>49.5%</u></u>

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2017 and measurement date as of June 30, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.90%
Expected long-term investment return	2.40% (net of investment expenses)
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.25% grading to 5.00% over 5 years
Dental trend rate	4.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00 %	1.00 %
Fixed income	95.00	2.50 %
Total	<u>100.00 %</u>	2.40 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 2.10 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 2.90 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been taken into account.

I. Changes in the Net OPEB Liability

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (Asset) (a-b)</u>
Beginning balance – July 1, 2018	\$ 18,864,247	\$ 9,750,831	\$ 9,113,416
Changes for the year			
Service cost	778,052	–	778,052
Interest	603,253	–	603,253
Assumption changes	467,508	–	467,508
Contributions – paid through governmental funds	–	1,094,928	(1,094,928)
Net investment income	–	234,020	(234,020)
Difference expected and actual	–	(30,735)	30,735
Benefit payments – paid through trust	(498,893)	(498,893)	–
Benefit payments – paid through governmental funds	(1,094,928)	(1,094,928)	–
Total net changes	<u>254,992</u>	<u>(295,608)</u>	<u>550,600</u>
Ending balance – June 30, 2019	<u>\$ 19,119,239</u>	<u>\$ 9,455,223</u>	<u>\$ 9,664,016</u>

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

Assumption changes since the prior measurement date include the following:

- The discount rate decreased from 3.20 percent to 2.90 percent in the current year.

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	1.90%	2.90%	3.90%
Net OPEB liability	\$ 11,506,278	\$ 9,664,016	\$ 8,032,204

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

	<u>1% Decrease in Healthcare Cost Trend Rate</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase in Healthcare Cost Trend Rate</u>
OPEB medical trend rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
Net OPEB liability	\$ 7,163,541	\$ 9,664,016	\$ 12,694,020

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of \$226,538. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability gains	\$ —	\$ 3,897,157
Changes in actuarial assumptions	389,590	335,324
Difference between projected and actual investment earnings	158,735	—
Total	<u>\$ 548,325</u>	<u>\$ 4,232,481</u>

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

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

Year Ending June 30,	OPEB Expense Amount
2020	\$ (920,747)
2021	\$ (920,749)
2022	\$ (946,528)
2023	\$ (974,050)
2024	\$ 77,918

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established the Richfield Employees' Flex-Benefits Plan (the Plan). The Plan is a flexible benefit plan classified as a "cafeteria plan" under § 125 of the IRC. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

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

The employee portion of insurance premiums (health, dental, and disability) are withheld and paid by the District directly to the designated insurance companies. The dependent care and medical expense reimbursement portions of the Plan are administered by an independent contract administrator. All plan activity is accounted for in the General Fund and special revenue funds. All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose.

B. Federal and State Receivables

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

C. Construction Contracts

At June 30, 2019, the District had commitments totaling \$52,700,000 under construction contracts for which the work was not yet completed.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1533%	\$ 7,201,266	\$ —	\$ 7,201,266	\$ 8,045,286	89.51%	78.70%
06/30/2016	06/30/2015	0.1454%	\$ 7,535,384	\$ —	\$ 7,535,384	\$ 8,532,242	88.32%	78.20%
06/30/2017	06/30/2016	0.1337%	\$ 10,855,777	\$ 141,837	\$ 10,997,614	\$ 8,274,425	131.20%	68.90%
06/30/2018	06/30/2017	0.1289%	\$ 8,228,891	\$ 103,489	\$ 8,332,380	\$ 8,303,816	99.10%	75.90%
06/30/2019	06/30/2018	0.1330%	\$ 7,378,295	\$ 241,911	\$ 7,620,206	\$ 8,932,562	82.60%	79.50%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 630,341	\$ 630,341	\$ —	\$ 8,532,242	7.39%
06/30/2016	\$ 620,582	\$ 620,582	\$ —	\$ 8,274,425	7.50%
06/30/2017	\$ 622,899	\$ 622,899	\$ —	\$ 8,303,816	7.50%
06/30/2018	\$ 670,214	\$ 670,214	\$ —	\$ 8,932,562	7.50%
06/30/2019	\$ 715,561	\$ 715,561	\$ —	\$ 9,521,362	7.52%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5182%	\$ 23,878,283	\$ 1,679,943	\$ 25,558,226	\$ 23,658,854	100.93%	81.50%
06/30/2016	06/30/2015	0.4984%	\$ 30,830,969	\$ 3,781,486	\$ 34,612,455	\$ 25,326,686	121.73%	76.80%
06/30/2017	06/30/2016	0.5217%	\$124,437,898	\$ 12,491,078	\$136,928,976	\$ 27,134,182	458.60%	44.88%
06/30/2018	06/30/2017	0.4982%	\$ 99,449,757	\$ 9,614,203	\$109,063,960	\$ 26,824,890	370.74%	51.57%
06/30/2019	06/30/2018	0.4863%	\$ 30,544,192	\$ 2,869,778	\$ 33,413,970	\$ 26,855,892	113.73%	78.07%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,899,501	\$ 1,899,501	\$ —	\$ 25,326,686	7.50%
06/30/2016	\$ 2,035,062	\$ 2,035,062	\$ —	\$ 27,134,182	7.50%
06/30/2017	\$ 2,010,864	\$ 2,010,864	\$ —	\$ 26,824,890	7.50%
06/30/2018	\$ 2,014,735	\$ 2,014,735	\$ —	\$ 26,855,892	7.50%
06/30/2019	\$ 2,222,026	\$ 2,222,026	\$ —	\$ 28,743,799	7.73%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Pension Benefits Plan
Schedule of Changes in the District's Total
Pension Liability and Related Ratios
Year Ended June 30, 2019

	2019	2018	2017
Total pension liability			
Service cost	\$ 95,865	\$ 88,783	\$ 132,145
Interest	50,886	71,782	72,669
Assumption changes	23,297	(2,494)	—
Plan changes	—	36,550	—
Difference between expected and actual	—	(669,205)	—
Benefit payments	(59,134)	(233,568)	(142,256)
Net change in total pension liability	110,914	(708,152)	62,558
Total pension liability – beginning of year	1,430,111	2,138,263	2,075,705
Total pension liability – end of year	<u>\$ 1,541,025</u>	<u>\$ 1,430,111</u>	<u>\$ 2,138,263</u>
Covered-employee payroll	<u>\$ 31,120,902</u>	<u>\$ 30,214,468</u>	<u>\$ 32,571,794</u>
Total pension liability as a percentage of covered-employee payroll	<u>4.95%</u>	<u>4.73%</u>	<u>6.56%</u>

Note 1: The District has not established a trust fund to finance its single-employer related benefits.

Note 2: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019	2018	2017
Total OPEB liability			
Service cost	\$ 778,052	\$ 715,483	\$ 1,037,067
Interest	603,253	803,777	790,623
Assumption changes	467,508	(502,988)	—
Difference between expected and actual	—	(5,845,737)	—
Benefit payments	(1,593,821)	(1,406,567)	(788,391)
Net change in total OPEB liability	254,992	(6,236,032)	1,039,299
Total OPEB liability – beginning of year	18,864,247	25,100,279	24,060,980
Total OPEB liability – end of year	19,119,239	18,864,247	25,100,279
Plan fiduciary net position			
Contributions	1,094,928	489,232	475,081
Investment earnings	203,285	115,612	128,792
Benefit payments	(1,593,821)	(1,406,567)	(788,391)
Net change in plan fiduciary net position	(295,608)	(801,723)	(184,518)
Plan fiduciary net position – beginning of year	9,750,831	10,552,554	10,737,072
Plan fiduciary net position – end of year	9,455,223	9,750,831	10,552,554
Net OPEB liability	<u>\$ 9,664,016</u>	<u>\$ 9,113,416</u>	<u>\$ 14,547,725</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>49.45%</u>	<u>51.69%</u>	<u>42.04%</u>
Covered-employee payroll	<u>\$ 31,313,113</u>	<u>\$ 30,401,080</u>	<u>\$ 32,754,693</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>30.86%</u>	<u>29.98%</u>	<u>44.41%</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	1.20 %
2018	1.10 %
2019	2.10 %

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

PENSION BENEFITS PLAN

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.40 percent to 3.10 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.40 percent.
- Retirement rates were changed to all start at age 55 regardless of whether the participant is eligible for a benefit.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.20 percent to 2.90 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Headcount Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Headcount Mortality Tables with MP-2016 Generational Improvement Scale.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.20 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 507,528	\$ 839,390	\$ 1,346,918
Receivables			
Current taxes	—	229,910	229,910
Delinquent taxes	—	4,220	4,220
Due from other governmental units	35,451	35,271	70,722
Inventory	20,291	—	20,291
Prepaid items	1,610	—	1,610
Total assets	<u>\$ 564,880</u>	<u>\$ 1,108,791</u>	<u>\$ 1,673,671</u>
Liabilities			
Salaries payable	\$ 12,692	\$ 37,308	\$ 50,000
Accounts and contracts payable	3,179	14,653	17,832
Due to other governmental units	615	1,988	2,603
Unearned revenue	15,509	—	15,509
Total liabilities	<u>31,995</u>	<u>53,949</u>	<u>85,944</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	—	465,986	465,986
Unavailable revenue – delinquent taxes	—	4,107	4,107
Total deferred inflows of resources	<u>—</u>	<u>470,093</u>	<u>470,093</u>
Fund balances			
Nonspendable	21,901	—	21,901
Restricted	510,984	584,749	1,095,733
Total fund balances	<u>532,885</u>	<u>584,749</u>	<u>1,117,634</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 564,880</u>	<u>\$ 1,108,791</u>	<u>\$ 1,673,671</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 459,070	\$ 459,070
Investment earnings	7,682	13,690	21,372
Other	517,973	723,551	1,241,524
State sources	197,054	746,333	943,387
Federal sources	2,115,625	—	2,115,625
Total revenue	2,838,334	1,942,644	4,780,978
Expenditures			
Current			
Food service	2,725,535	—	2,725,535
Community service	—	1,888,155	1,888,155
Capital outlay	11,282	829	12,111
Total expenditures	2,736,817	1,888,984	4,625,801
Net change in fund balances	101,517	53,660	155,177
Fund balances			
Beginning of year	431,368	531,089	962,457
End of year	\$ 532,885	\$ 584,749	\$ 1,117,634

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019	2018
Assets		
Cash and temporary investments	\$ 13,759,390	\$ 8,533,126
Receivables		
Current taxes	8,904,650	8,168,832
Delinquent taxes	142,241	103,065
Accounts and interest	176,046	66,647
Due from other governmental units	5,432,890	6,599,203
Due from other funds	—	1,073,415
Due from OPEB trust	498,893	917,335
Inventory	22,487	33,339
Prepaid items	908,987	1,069,758
Total assets	<u>\$ 29,845,584</u>	<u>\$ 26,564,720</u>
Liabilities		
Salaries payable	\$ 456,200	\$ 464,728
Accounts and contracts payable	485,183	842,960
Due to other governmental units	983,622	1,070,716
Unearned Revenue	—	296
Total liabilities	<u>1,925,005</u>	<u>2,378,700</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	16,514,103	14,953,561
Unavailable revenue – delinquent taxes	121,762	79,580
Total deferred inflows of resources	<u>16,635,865</u>	<u>15,033,141</u>
Fund balances (deficits)		
Nonspendable for inventory	22,487	33,339
Nonspendable for prepaids	908,987	1,069,758
Restricted for staff development	—	310,519
Restricted for capital projects levy	274,886	203,885
Restricted for operating capital	1,024,918	813,614
Restricted for basic skills extended time	291,407	105,811
Restricted for long-term facilities maintenance	437,360	—
Restricted for Medical Assistance	453,535	481,120
Assigned for third party special education	335,053	335,054
Assigned for synthetic turf	346,992	318,216
Assigned for carryover spending	258,424	258,424
Assigned for school specific carryover	140,600	185,000
Assigned for program initiative	905,027	905,027
Assigned for enrollment	600,000	600,000
Assigned for future retirement	638,422	313,310
Assigned for student activities	101,579	124,757
Unassigned – long-term facilities maintenance restricted account deficit	—	(297,829)
Unassigned	4,545,037	3,392,874
Total fund balances	<u>11,284,714</u>	<u>9,152,879</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,845,584</u>	<u>\$ 26,564,720</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019		2018	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 16,645,054	\$ 16,524,052	\$ (121,002)	\$ 13,100,376
Investment earnings	50,000	293,948	243,948	141,787
Other	1,043,443	1,234,736	191,293	1,391,846
State sources	46,264,783	46,183,093	(81,690)	46,142,115
Federal sources	2,567,492	2,098,367	(469,125)	2,251,487
Total revenue	66,570,772	66,334,196	(236,576)	63,027,611
Expenditures				
Current				
Administration				
Salaries	1,882,118	1,865,518	(16,600)	1,837,588
Employee benefits	633,813	612,012	(21,801)	595,757
Purchased services	99,661	45,325	(54,336)	97,466
Supplies and materials	80,031	96,940	16,909	97,170
Capital expenditures	1,000	—	(1,000)	—
Other expenditures	85,527	70,096	(15,431)	62,805
Total administration	2,782,150	2,689,891	(92,259)	2,690,786
District support services				
Salaries	978,540	951,990	(26,550)	857,858
Employee benefits	493,409	398,467	(94,942)	367,257
Purchased services	469,292	470,769	1,477	563,233
Supplies and materials	458,536	339,416	(119,120)	401,172
Other expenditures	23,458	(22,621)	(46,079)	93,014
Total district support services	2,423,235	2,138,021	(285,214)	2,282,534
Elementary and secondary regular instruction				
Salaries	19,852,111	19,536,593	(315,518)	18,090,666
Employee benefits	7,206,833	7,114,950	(91,883)	6,113,691
Purchased services	1,707,884	1,526,453	(181,431)	1,624,937
Supplies and materials	889,130	773,917	(115,213)	668,988
Capital expenditures	41,424	47,383	5,959	39,277
Other expenditures	28,602	181,265	152,663	164,453
Total elementary and secondary regular instruction	29,725,984	29,180,561	(545,423)	26,702,012

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019		2018	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	309,399	307,721	(1,678)	296,545
Employee benefits	88,601	91,696	3,095	90,799
Purchased services	68,500	53,203	(15,297)	35,144
Supplies and materials	20,350	19,654	(696)	15,269
Other expenditures	—	1,685	1,685	1,342
Total vocational education instruction	486,850	473,959	(12,891)	439,099
Special education instruction				
Salaries	8,143,542	8,239,776	96,234	8,047,967
Employee benefits	2,985,240	2,925,180	(60,060)	2,849,765
Purchased services	747,950	789,580	41,630	779,963
Supplies and materials	685,847	122,034	(563,813)	82,339
Capital expenditures	2,570	—	(2,570)	16,278
Other expenditures	2,000	52,986	50,986	47,058
Total special education instruction	12,567,149	12,129,556	(437,593)	11,823,370
Instructional support services				
Salaries	1,946,641	1,907,796	(38,845)	1,949,426
Employee benefits	661,011	642,382	(18,629)	596,629
Purchased services	519,816	382,114	(137,702)	299,539
Supplies and materials	291,151	285,925	(5,226)	75,764
Capital expenditures	470,500	522,395	51,895	405,787
Other expenditures	36,968	15,753	(21,215)	22,570
Total instructional support services	3,926,087	3,756,365	(169,722)	3,349,715
Pupil support services				
Salaries	2,482,203	2,572,828	90,625	2,322,510
Employee benefits	911,527	991,303	79,776	945,079
Purchased services	2,342,852	2,158,772	(184,080)	2,297,627
Supplies and materials	226,333	229,582	3,249	226,569
Capital expenditures	327,331	350,365	23,034	534,093
Other expenditures	730	10,531	9,801	7,777
Total pupil support services	6,290,976	6,313,381	22,405	6,333,655

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019		2018	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,809,391	1,794,045	(15,346)	1,757,539
Employee benefits	760,700	742,968	(17,732)	765,004
Purchased services	3,017,345	2,826,929	(190,416)	3,115,020
Supplies and materials	377,750	355,674	(22,076)	670,944
Capital expenditures	892,000	733,700	(158,300)	562,435
Other expenditures	6,600	5,610	(990)	1,831
Total sites and buildings	6,863,786	6,458,926	(404,860)	6,872,773
Fiscal and other fixed cost programs				
Purchased services	289,000	223,275	(65,725)	233,398
Other expenditures	—	—	—	443
Total fiscal and other fixed cost programs	289,000	223,275	(65,725)	233,841
Debt service				
Principal	1,170,762	1,187,933	17,171	1,200,157
Interest and fiscal charges	68,515	44,945	(23,570)	64,824
Total debt service	1,239,277	1,232,878	(6,399)	1,264,981
Total expenditures	66,594,494	64,596,813	(1,997,681)	61,992,766
Excess (deficiency) of revenue over expenditures	(23,722)	1,737,383	1,761,105	1,034,845
Other financing sources				
Capital leases	305,149	305,149	—	503,592
Sale of capital assets	89,000	89,303	303	60,327
Total other financing sources	394,149	394,452	303	563,919
Net change in fund balances	\$ 370,427	2,131,835	\$ 1,761,408	1,598,764
Fund balances				
Beginning of year		9,152,879		7,554,115
End of year		\$ 11,284,714		\$ 9,152,879

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 507,528	\$ 441,654
Receivables		
Accounts and interest	—	100
Due from other governmental units	35,451	—
Inventory	20,291	21,960
Prepaid items	<u>1,610</u>	<u>—</u>
Total assets	<u><u>\$ 564,880</u></u>	<u><u>\$ 463,714</u></u>
Liabilities		
Salaries payable	\$ 12,692	\$ 12,247
Accounts and contracts payable	3,179	7,025
Due to other governmental units	615	1,370
Unearned revenue	<u>15,509</u>	<u>11,704</u>
Total liabilities	31,995	32,346
Fund balances		
Nonspendable for inventory	20,291	21,960
Nonspendable for prepaids	1,610	—
Restricted for food service	<u>510,984</u>	<u>409,408</u>
Total fund balances	<u><u>532,885</u></u>	<u><u>431,368</u></u>
Total liabilities and fund balances	<u><u>\$ 564,880</u></u>	<u><u>\$ 463,714</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ —	\$ 7,682	\$ 7,682	\$ 2,558
Other – primarily meal sales	481,500	517,973	36,473	516,894
State sources	170,050	197,054	27,004	174,516
Federal sources	2,138,400	2,115,625	(22,775)	2,074,923
Total revenue	<u>2,789,950</u>	<u>2,838,334</u>	<u>48,384</u>	<u>2,768,891</u>
Expenditures				
Current				
Salaries	836,953	877,235	40,282	853,532
Employee benefits	442,284	410,306	(31,978)	406,243
Purchased services	109,500	80,846	(28,654)	78,273
Supplies and materials	1,359,550	1,353,377	(6,173)	1,267,996
Other expenditures	10,100	3,771	(6,329)	3,772
Capital outlay	35,000	11,282	(23,718)	85,161
Total expenditures	<u>2,793,387</u>	<u>2,736,817</u>	<u>(56,570)</u>	<u>2,694,977</u>
Excess (deficiency) of revenue over expenditures	(3,437)	101,517	104,954	73,914
Other financing sources				
Sale of capital assets	<u>1,000</u>	<u>—</u>	<u>(1,000)</u>	<u>—</u>
Net change in fund balances	<u>\$ (2,437)</u>	101,517	<u>\$ 103,954</u>	73,914
Fund balances				
Beginning of year		<u>431,368</u>		<u>357,454</u>
End of year		<u>\$ 532,885</u>		<u>\$ 431,368</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 839,390	\$ 713,572
Receivables		
Current taxes	229,910	230,112
Delinquent taxes	4,220	3,520
Due from other governmental units	<u>35,271</u>	<u>102,984</u>
Total assets	<u>\$ 1,108,791</u>	<u>\$ 1,050,188</u>
Liabilities		
Salaries payable	\$ 37,308	\$ 40,634
Accounts and contracts payable	14,653	6,852
Due to other governmental units	<u>1,988</u>	<u>3,821</u>
Total liabilities	<u>53,949</u>	<u>51,307</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	465,986	465,023
Deferred revenue – delinquent taxes	<u>4,107</u>	<u>2,769</u>
Total deferred inflows of resources	<u>470,093</u>	<u>467,792</u>
Fund balances		
Restricted for community education	3,933	36,869
Restricted for early childhood family education	162,537	155,727
Restricted for school readiness	334,054	276,580
Restricted for community service	<u>84,225</u>	<u>61,913</u>
Total fund balances	<u>584,749</u>	<u>531,089</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,108,791</u>	<u>\$ 1,050,188</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 464,700	\$ 459,070	\$ (5,630)	\$ 443,785
Investment earnings	10,000	13,690	3,690	5,058
Other – primarily tuition and fees	450,350	723,551	273,201	902,141
State sources	821,452	746,333	(75,119)	804,500
Total revenue	1,746,502	1,942,644	196,142	2,155,484
Expenditures				
Current				
Salaries	1,037,621	1,059,340	21,719	857,803
Employee benefits	323,475	367,209	43,734	310,957
Purchased services	341,402	332,240	(9,162)	339,647
Supplies and materials	156,662	123,470	(33,192)	179,043
Other expenditures	7,700	5,896	(1,804)	3,258
Capital outlay	3,800	829	(2,971)	1,250
Total expenditures	1,870,660	1,888,984	18,324	1,691,958
Net change in fund balances	\$ (124,158)	53,660	\$ 177,818	463,526
Fund balances				
Beginning of year		531,089		67,563
End of year		\$ 584,749		\$ 531,089

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 110,412,747	\$ 118,733,139
Receivables		
Accounts and interest	<u>1,491,905</u>	<u>450,824</u>
Total assets	<u><u>\$ 111,904,652</u></u>	<u><u>\$ 119,183,963</u></u>
Liabilities		
Accounts and contracts payable	\$ 5,092,453	\$ 691,938
Due to other funds	<u>—</u>	<u>1,073,415</u>
Total liabilities	<u>5,092,453</u>	<u>1,765,353</u>
Fund balances		
Restricted for long-term facilities maintenance	28,269,208	32,455,846
Restricted for capital projects	<u>78,542,991</u>	<u>84,962,764</u>
Total fund balances	<u>106,812,199</u>	<u>117,418,610</u>
Total liabilities and fund balances	<u><u>\$ 111,904,652</u></u>	<u><u>\$ 119,183,963</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,500,000	\$ 3,044,448	\$ 1,544,448	\$ 265,178
Expenditures				
Capital outlay				
Purchased services	–	4,883,004	4,883,004	2,550,803
Capital expenditures	26,113,654	8,767,855	(17,345,799)	135,696
Total expenditures	26,113,654	13,650,859	(12,462,795)	2,686,499
Excess (deficiency) of revenue over expenditures	(24,613,654)	(10,606,411)	14,007,243	(2,421,321)
Other financing sources (uses)				
Bonds issued	–	–	–	116,160,000
Premiums on bonds issued	–	–	–	3,682,969
Transfers (out)	–	–	–	(3,038)
Total other financing sources (uses)	–	–	–	119,839,931
Net change in fund balances	<u>\$ (24,613,654)</u>	(10,606,411)	<u>\$ 14,007,243</u>	117,418,610
Fund balances				
Beginning of year		117,418,610		–
End of year		<u>\$ 106,812,199</u>		<u>\$ 117,418,610</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2019	2018
Assets				
Cash and temporary investments	\$ 5,246,444	\$ 592,171	\$ 5,838,615	\$ 5,198,062
Receivables				
Current taxes	4,195,045	403,821	4,598,866	4,729,125
Delinquent taxes	64,911	8,203	73,114	41,242
Due from other governmental units	538	52	590	505
	<u>538</u>	<u>52</u>	<u>590</u>	<u>505</u>
Total assets	<u>\$ 9,506,938</u>	<u>\$ 1,004,247</u>	<u>\$ 10,511,185</u>	<u>\$ 9,968,934</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 8,502,601	\$ 818,472	\$ 9,321,073	\$ 9,556,851
Deferred revenue – delinquent taxes	58,648	8,158	66,806	32,268
Total deferred inflows of resources	<u>8,561,249</u>	<u>826,630</u>	<u>9,387,879</u>	<u>9,589,119</u>
Fund balances				
Restricted for debt service	<u>945,689</u>	<u>177,617</u>	<u>1,123,306</u>	<u>379,815</u>
Total deferred inflows of resources and fund balances	<u>\$ 9,506,938</u>	<u>\$ 1,004,247</u>	<u>\$ 10,511,185</u>	<u>\$ 9,968,934</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2019					2018
	Actual					
		Regular	OPEB		Over (Under)	
	Budget	Debt Service Account	Debt Service Account	Total	Budget	Actual
Revenue						
Local sources						
Property taxes	\$ 9,556,084	\$ 8,657,068	\$ 786,209	\$ 9,443,277	\$ (112,807)	\$ 5,063,422
Investment earnings	—	56,780	—	56,780	56,780	67,095
State sources	—	—	—	—	—	2,234
Total revenue	9,556,084	8,713,848	786,209	9,500,057	(56,027)	5,132,751
Expenditures						
Debt service						
Principal	3,670,000	3,300,000	370,000	3,670,000	—	3,765,000
Interest	5,079,943	4,661,293	418,650	5,079,943	—	1,448,443
Fiscal charges and other	10,450	6,148	475	6,623	(3,827)	5,550
Total expenditures	8,760,393	7,967,441	789,125	8,756,566	(3,827)	5,218,993
Excess (deficiency) of revenue over expenditures	795,691	746,407	(2,916)	743,491	(52,200)	(86,242)
Other financing sources (uses)						
Bond refunding payments	—	—	—	—	—	(6,340,000)
Transfers in	—	—	—	—	—	3,038
Total other financing sources (uses)	—	—	—	—	—	(6,336,962)
Net change in fund balances	\$ 795,691	746,407	(2,916)	743,491	\$ (52,200)	(6,423,204)
Fund balances						
Beginning of year		199,282	180,533	379,815		6,803,019
End of year		\$ 945,689	\$ 177,617	\$ 1,123,306		\$ 379,815

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2019
(With Comparative Totals as of June 30, 2018)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2019	2018
Assets				
Current assets				
Cash and temporary investments	\$ 6,608,113	\$ 119,433	\$ 6,727,546	\$ 6,219,370
Receivables				
Accounts	5,050	4,274	9,324	10,513
Total current assets	6,613,163	123,707	6,736,870	6,229,883
Liabilities				
Current liabilities				
Claims incurred, but not reported	476,547	32,296	508,843	431,862
Unearned revenue	888,815	46,625	935,440	883,389
Total current liabilities	1,365,362	78,921	1,444,283	1,315,251
Net position				
Unrestricted	\$ 5,247,801	\$ 44,786	\$ 5,292,587	\$ 4,914,632

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2018)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2019	2018
Operating revenue				
Contributions from governmental funds	\$ 7,195,802	\$ 532,885	\$ 7,728,687	\$ 7,283,909
Operating expenses				
Medical benefit claims	6,941,794	—	6,941,794	5,739,074
Dental benefit claims	—	529,294	529,294	518,740
Total operating expenses	6,941,794	529,294	7,471,088	6,257,814
Operating income	254,008	3,591	257,599	1,026,095
Nonoperating revenue				
Investment earnings	118,879	1,477	120,356	19,968
Change in net position	372,887	5,068	377,955	1,046,063
Net position				
Beginning of year	4,874,914	39,718	4,914,632	3,868,569
End of year	\$ 5,247,801	\$ 44,786	\$ 5,292,587	\$ 4,914,632

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2019	2018
Cash flows from operating activities				
Contributions from governmental funds	\$ 7,257,948	\$ 523,979	\$ 7,781,927	\$ 7,269,608
Payments for medical claims	(6,867,447)	—	(6,867,447)	(6,104,814)
Payments for dental claims	—	(526,660)	(526,660)	(509,078)
Net cash flows from operating activities	390,501	(2,681)	387,820	655,716
Cash flows from investing activities				
Investment income received	118,879	1,477	120,356	19,968
Net change in cash and cash equivalents	509,380	(1,204)	508,176	675,684
Cash and cash equivalents				
Beginning of year	6,098,733	120,637	6,219,370	5,543,686
End of year	\$ 6,608,113	\$ 119,433	\$ 6,727,546	\$ 6,219,370
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 254,008	\$ 3,591	\$ 257,599	\$ 1,026,095
Adjustments to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts receivable	63	1,126	1,189	(6,166)
Claims payable	74,347	2,634	76,981	(356,078)
Unearned revenue	62,083	(10,032)	52,051	(8,135)
Net cash flows from operating activities	\$ 390,501	\$ (2,681)	\$ 387,820	\$ 655,716

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Revenue by Type
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues		General Revenues			Total
	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	
2010	\$ 1,317,261 2.3%	\$ 9,590,517 16.7%	\$ 15,565,797 27.2%	\$ 29,656,010 51.8%	\$ 1,148,554 2.0%	\$ 57,278,139 100.0%
2011	1,351,240 2.3%	10,298,601 17.2%	20,230,069 33.7%	27,076,258 45.1%	1,021,567 1.7%	59,977,735 100.0%
2012	1,323,815 2.2%	9,293,298 15.5%	15,535,989 25.9%	32,608,548 54.4%	1,140,976 2.0%	59,902,626 100.0%
2013	1,424,268 2.3%	9,746,687 15.6%	16,830,692 26.9%	33,166,877 53.1%	1,332,852 2.1%	62,501,376 100.0%
2014	1,583,759 2.4%	10,968,097 16.6%	13,361,381 20.2%	39,261,648 59.3%	1,060,054 1.5%	66,234,939 100.0%
2015	1,381,895 2.0%	10,858,507 15.8%	18,478,774 26.9%	36,866,254 53.8%	987,311 1.5%	68,572,741 100.0%
2016	1,584,189 2.2%	12,316,562 17.3%	18,231,651 25.6%	37,777,017 53.1%	1,245,057 1.8%	71,154,476 100.0%
2017	1,560,266 2.1%	12,880,552 17.4%	18,795,154 25.5%	39,625,932 53.7%	932,227 1.3%	73,794,131 100.0%
2018	1,833,335 2.5%	12,985,765 17.7%	18,537,869 25.3%	38,449,108 52.4%	1,538,817 2.1%	73,344,894 100.0%
2019	1,731,697 2.1%	13,055,457 16.0%	26,504,457 32.4%	36,127,245 44.2%	4,320,055 5.3%	81,738,911 100.0%

Note: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized were particularly significant in fiscal years 2011 and 2014. These changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Expenses by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2010	\$ 2,408,132 4.0%	\$ 1,387,693 2.3%	\$ 24,525,779 40.8%	\$ 804,192 1.3%	\$ 9,356,398 15.6%	\$ 1,729,489 2.9%	\$ 4,423,174 7.4%
2011	2,364,391 3.9%	1,365,550 2.2%	25,498,288 41.8%	752,047 1.2%	9,275,816 15.2%	1,439,697 2.4%	4,514,682 7.4%
2012	2,469,933 3.9%	1,427,634 2.3%	26,191,779 41.5%	725,344 1.1%	9,935,410 15.7%	1,442,920 2.3%	4,942,630 7.8%
2013	2,463,144 3.9%	1,344,273 2.1%	26,204,800 41.5%	552,076 0.9%	10,325,009 16.3%	1,315,674 2.1%	5,014,798 7.9%
2014	2,704,943 4.2%	1,367,285 2.1%	26,209,555 40.5%	523,544 0.8%	10,709,470 16.5%	2,665,280 4.1%	5,612,101 8.7%
2015	2,780,256 4.2%	1,350,886 2.0%	27,446,721 41.0%	439,443 0.7%	11,177,578 16.7%	2,855,239 4.3%	5,511,201 8.2%
2016	2,441,557 3.4%	1,879,857 2.6%	28,500,351 39.3%	499,839 0.7%	12,410,065 17.1%	5,673,182 7.8%	5,619,303 7.7%
2017	3,205,654 3.7%	1,941,718 2.2%	40,383,383 46.1%	453,790 0.5%	15,977,707 18.2%	3,615,236 4.1%	6,640,241 7.6%
2018	3,226,510 3.8%	2,209,014 2.6%	35,798,892 42.2%	537,777 0.6%	15,041,531 17.7%	3,927,678 4.6%	6,395,379 7.6%
2019	1,921,888 3.3%	2,038,601 3.5%	18,949,610 32.6%	333,061 0.6%	8,264,835 14.2%	2,987,518 5.1%	5,556,435 9.6%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
\$ 6,803,508 11.3%	\$ 216,135 0.4%	\$ 1,570,841 2.6%	\$ 1,289,240 2.1%	\$ 3,014,043 5.0%	\$ 2,606,195 4.3%	\$ 60,134,819 100.0%
6,732,002 11.0%	220,807 0.4%	1,809,824 3.0%	1,320,500 2.2%	3,066,722 5.0%	2,675,391 4.3%	61,035,717 100.0%
6,635,565 10.5%	233,039 0.4%	1,985,798 3.1%	1,307,059 2.1%	3,216,881 5.1%	2,613,772 4.2%	63,127,764 100.0%
6,654,356 10.5%	251,815 0.4%	2,086,777 3.3%	1,245,474 2.0%	3,219,889 5.1%	2,483,173 4.0%	63,161,258 100.0%
5,136,435 7.9%	279,042 0.4%	2,372,816 3.7%	1,335,512 2.1%	3,296,138 5.1%	2,577,800 3.9%	64,789,921 100.0%
6,124,862 9.1%	318,428 0.5%	2,390,570 3.6%	1,344,766 2.0%	3,246,459 4.8%	1,957,346 2.9%	66,943,755 100.0%
5,901,471 8.1%	268,482 0.4%	2,675,729 3.7%	1,519,388 2.1%	3,234,815 4.5%	1,903,059 2.6%	72,527,098 100.0%
5,733,901 6.5%	248,327 0.3%	2,771,245 3.2%	1,668,349 1.9%	3,235,338 3.7%	1,766,334 2.0%	87,641,223 100.0%
7,243,559 8.6%	233,841 0.3%	2,645,759 3.1%	1,703,165 2.0%	3,253,593 3.8%	2,578,471 3.1%	84,795,169 100.0%
5,757,551 9.9%	223,275 0.4%	2,657,883 4.6%	1,454,964 2.5%	3,284,068 5.6%	4,687,319 8.1%	58,117,008 100.0%

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INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2010	\$ 11,237,159 22.4%	\$ 31,609,959 62.9%	\$ 5,584,065 11.1%	\$ 1,806,853 3.6%	\$ 50,238,036 100.0%
2011	14,917,502 28.6%	31,958,208 61.4%	3,358,156 6.4%	1,845,918 3.6%	52,079,784 100.0%
2012	10,587,151 20.4%	37,026,885 71.3%	2,497,377 4.8%	1,819,060 3.5%	51,930,473 100.0%
2013	11,353,435 21.0%	38,123,440 70.7%	2,391,684 4.4%	2,088,697 3.9%	53,957,256 100.0%
2014	7,594,508 13.3%	44,992,848 78.8%	2,671,161 4.7%	1,837,042 3.2%	57,095,559 100.0%
2015	12,429,665 21.0%	42,796,472 72.3%	2,268,868 3.8%	1,667,896 2.9%	59,162,901 100.0%
2016	12,969,947 20.9%	45,073,735 72.5%	2,051,552 3.3%	2,048,208 3.3%	62,143,442 100.0%
2017	13,422,904 21.4%	45,677,476 72.8%	2,083,704 3.3%	1,592,465 2.5%	62,776,549 100.0%
2018	13,100,376 20.8%	46,142,115 73.2%	2,251,487 3.6%	1,533,633 2.4%	63,027,611 100.0%
2019	16,524,052 24.9%	46,183,093 69.6%	2,098,367 3.2%	1,528,684 2.3%	66,334,196 100.0%

Note: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized were particularly significant in fiscal years 2011 and 2014. These changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2010	\$ 2,236,456 4.3%	\$ 1,344,757 2.6%	\$ 23,715,332 46.1%	\$ 783,680 1.5%	\$ 9,090,519 17.7%
2011	2,371,106 4.4%	1,339,401 2.5%	25,134,023 47.0%	731,005 1.4%	9,100,333 17.0%
2012	2,353,857 4.3%	1,365,761 2.5%	25,066,366 46.1%	695,800 1.3%	9,548,848 17.5%
2013	2,352,202 4.3%	1,333,360 2.4%	25,418,747 46.3%	531,952 1.0%	10,195,144 18.6%
2014	2,485,240 4.4%	1,322,189 2.4%	25,989,323 46.3%	506,708 0.9%	10,657,828 19.0%
2015	2,562,193 4.4%	1,307,061 2.3%	27,005,565 46.6%	417,657 0.7%	11,046,981 19.1%
2016	2,531,424 3.9%	1,868,531 2.9%	27,838,034 43.4%	484,356 0.8%	12,232,161 19.1%
2017	2,472,656 4.0%	1,890,917 3.1%	28,685,536 46.5%	295,009 0.5%	11,519,037 18.7%
2018	2,690,786 4.3%	2,282,534 3.7%	26,702,012 43.1%	439,099 0.7%	11,823,370 19.1%
2019	2,689,891 4.2%	2,138,021 3.3%	29,180,561 45.2%	473,959 0.7%	12,129,556 18.8%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
\$ 1,615,364 3.1%	\$ 4,525,761 8.8%	\$ 7,349,636 14.3%	\$ 816,402 1.6%	\$ 51,477,907 100.0%
1,324,449 2.5%	4,565,045 8.5%	7,979,702 14.9%	907,385 1.8%	53,452,449 100.0%
1,312,859 2.4%	4,880,377 9.0%	8,306,378 15.3%	894,205 1.6%	54,424,451 100.0%
1,255,126 2.3%	5,096,974 9.3%	7,905,507 14.4%	847,840 1.4%	54,936,852 100.0%
2,633,320 4.7%	5,470,787 9.7%	6,160,962 11.0%	935,255 1.6%	56,161,612 100.0%
2,816,864 4.9%	5,537,272 9.5%	6,402,196 11.0%	886,727 1.5%	57,982,516 100.0%
5,628,717 8.8%	5,650,890 8.8%	6,396,910 10.0%	1,557,185 2.3%	64,188,208 100.0%
2,935,556 4.8%	6,107,461 9.9%	6,221,688 10.1%	1,555,329 2.4%	61,683,189 100.0%
3,349,715 5.4%	6,333,655 10.2%	6,872,773 11.1%	1,498,822 2.4%	61,992,766 100.0%
3,756,365 5.8%	6,313,381 9.8%	6,458,926 10.0%	1,456,153 2.2%	64,596,813 100.0%

INDEPENDENT SCHOOL DISTRICT NO. 280

School Tax Levies and Tax Capacity Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2010	\$ 11,061,218	\$ 426,230	\$ 4,911,509	\$ 16,398,957
	2011	10,915,132	437,571	5,016,610	16,369,313
	2012	10,894,520	443,325	5,195,929	16,533,774
	2013	11,681,439	448,603	5,517,081	17,647,123
	2014	12,413,561	440,121	5,510,138	18,363,820
	2015	12,781,122	423,798	4,848,050	18,052,970
	2016	13,591,717	433,925	5,125,866	19,151,508
	2017	13,295,212	454,869	5,191,980	18,942,061
	2018	16,506,195	465,023	9,556,851	26,528,069
	2019	18,046,456	465,989	9,321,120	27,833,565
Tax capacity rates					
	2010	10.511	1.045	12.041	23.597
	2011	12.251	1.164	13.344	26.759
	2012	12.690	1.274	14.930	28.894
	2013	13.710	1.301	16.000	31.011
	2014	16.834	1.280	16.024	34.138
	2015	14.207	1.001	11.451	26.659
	2016	15.664	1.023	12.084	28.771
	2017	14.988	0.972	11.094	27.054
	2018	16.168	0.969	19.913	37.050
	2019	15.586	0.845	16.900	33.331

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Tax Capacities
Last Ten Fiscal Years

For Taxes Collectible	Nonagricultural	Fiscal Disparities		Tax Increment	Total Tax Capacity
		Contribution	Distribution		
2010	\$ 51,590,968	\$ (8,248,701)	\$ 5,840,702	\$ (8,257,111)	\$ 40,925,858
2011	47,080,701	(7,864,995)	5,837,868	(7,011,033)	38,042,541
2012	43,229,608	(6,938,495)	6,030,051	(7,016,169)	35,304,995
2013	41,734,658	(5,994,792)	5,395,576	(6,266,994)	34,868,448
2014	42,259,288	(6,684,990)	5,690,941	(6,640,874)	34,624,365
2015	46,463,214	(6,982,700)	5,553,498	(4,097,780)	40,936,232
2016	49,828,563	(7,775,655)	5,480,389	(4,809,613)	42,723,684
2017	53,877,113	(8,342,402)	6,063,378	(5,498,277)	46,099,812
2018	57,728,286	(8,277,082)	6,000,883	(5,852,405)	49,599,682
2019	62,741,676	(8,212,926)	6,544,357	(6,559,348)	54,513,759

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2010	\$ 13,654,333	\$ 2,293,410	\$ 451,214	\$ 16,398,957
2011	13,543,572	2,346,823	478,918	16,369,313
2012	13,908,410	2,625,364	—	16,533,774
2013	15,083,955	2,563,168	—	17,647,123
2014	15,451,538	2,912,282	—	18,363,820
2015	15,087,402	2,965,568	—	18,052,970
2016	16,814,889	2,336,619	—	19,151,508
2017	16,204,749	2,737,312	—	18,942,061
2018	24,099,392	2,428,677	—	26,528,069
2019	24,207,991	3,625,574	—	27,833,565

Note 1: Delinquent taxes receivable are written off after seven years.

Note 2: Through 2011, a portion of the total spread levy was paid through tax credits for residential homestead properties, which were paid through state aids. Homestead tax credits were discontinued by the State Legislature beginning in 2012.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2019

Delinquent		Current	
Amount	Percent	Amount	Percent
\$ —	— %	\$ —	— %
—	—	—	—
—	—	—	—
—	—	—	—
(1,128)	(0.01)	—	—
12,480	0.07	—	—
24,359	0.13	—	—
29,573	0.16	—	—
154,291	0.58	—	—
—	—	13,733,426	49.34
<u>\$ 219,575</u>		<u>\$ —</u>	

INDEPENDENT SCHOOL DISTRICT NO. 280

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2010	89.40	299.62	1,711.45	1,914.15	4,014.62	4,638.40
2011	81.61	354.20	1,861.51	1,858.49	4,155.81	4,753.31
2012	82.28	403.87	1,978.34	1,844.21	4,308.70	4,893.13
2013	97.00	407.88	2,063.44	1,853.72	4,422.04	5,017.11
2014	78.03	373.05	2,094.56	1,838.06	4,383.70	4,991.76
2015	90.27	369.00	2,151.30	1,761.09	4,371.66	4,723.88
2016	84.62	329.47	2,136.43	1,813.32	4,363.84	4,726.49
2017	153.83	292.39	2,110.31	1,822.44	4,378.97	4,743.47
2018	186.40	300.31	2,006.61	1,866.58	4,359.90	4,733.18
2019	210.60	269.14	1,915.10	1,820.56	4,215.40	4,579.51

Note 1: Student enrollment for the most recent year is an estimate.

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

	Early Childhood and Kindergarten – Handicapped	Part-Time/ All-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2010 through 2014	Various	0.612	1.115	1.060	1.300
Fiscal 2015 through 2019	1.000	0.550/1.000	1.000	1.000	1.200

OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	Noncash Assistance
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	\$ 517,418	
National School Lunch Program	10.555	1,434,204	\$ 185,780
Summer Food Service Program for Children	10.559	<u>108,621</u>	
Total child nutrition cluster		\$ 2,060,243	
Fresh Fruit and Vegetable Program	10.582	55,382	
U.S. Department of Education			
Direct			
Indian Education Grants to Local Educational Agencies	84.060	7,124	
Passed through Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010	807,302	
Special education cluster			
Special Education Grants to States	84.027	912,898	
Special Education Preschool Grants	84.173	<u>28,785</u>	
Total special education cluster		941,683	
Special Education – Grants for Infants and Families	84.181	34,883	
English Language Acquisition State Grants	84.365	188,539	
Supporting Effective Instruction State Grant	84.367	104,062	
Passed through SouthWest Metro Intermediate District No. 288			
Career and Technical Education – Basic Grants to States	84.048	<u>14,440</u>	
Total expenditures of federal awards		<u>\$ 4,213,658</u>	

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon date November 12, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
November 12, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited of Independent School District No. 280's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(continued)

BASIS FOR QUALIFIED OPINION ON TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – CFDA No. 84.010

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding allowable costs for Title I Grants to Local Educational Agencies – CFDA No. 84.010, as reported in the accompanying Schedule of Findings and Questioned Costs as item 2019-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

QUALIFIED OPINION ON TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – CFDA No. 84.010

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on Title I Grants to Local Educational Agencies – CFDA No. 84.010 for the year ended June 30, 2019.

UNMODIFIED OPINION ON EACH OF THE OTHER MAJOR FEDERAL PROGRAMS

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on each of its other major federal programs identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed in the following paragraph, we identified one deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 to be a material weakness.

(continued)

DISTRICT'S RESPONSE TO FINDING

The District's response to the internal control over compliance and noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
November 12, 2019

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2019.

MINNESOTA LEGAL COMPLIANCE

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
November 12, 2019

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued? X Unmodified
 Qualified
 Adverse
 Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiencies identified? Yes X None reported
Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified? X Yes No
Significant deficiencies identified? Yes X None reported

Type of auditor's report issued on compliance for major programs?

The U.S. Department of Education
– Title I Grants to Local Educational Agencies Modified
– Child Nutrition Cluster Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? X Yes No

Programs tested as major programs:

<u>Program or Cluster</u>	<u>CFDA No.</u>
The U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Summer Food Service Program for Children	10.559
The U.S. Department of Education	
– Title I Grants to Local Educational Agencies	84.010

Threshold for distinguishing type A and B programs. \$ 750,000

Does the auditee qualify as a low-risk auditee? X Yes No

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2019

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE – U.S. DEPARTMENT OF EDUCATION, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – CFDA No. 84.010

2019-001 Internal Control Over Compliance and Noncompliance With Federal Allowable Cost Requirements

Criteria – 2 CFR § 200.302(b)(3) requires Independent School District No. 280 (the District) to maintain records that adequately identify the source and application of funds for federally-funded activities in accordance with 2 CFR 200 Subpart E – Cost Principles.

Condition – During our audit, we noted that the District did not have sufficient controls to ensure adequate and timely documentation of time and effort was created and retained to support salary costs charged to federal programs and ensure compliance with the U.S. Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) allowable costs standards, which resulted in noncompliance.

Questioned Costs – \$92,575.

Context – The District did not have adequate time and effort documentation on file to support salary costs charged to this program for 3 of 20 employees sampled, and for an additional 4 of the 20 employees sampled, the time and effort documentation on file did not accurately reflect the percentage of the employees time charged to the program. This was not a statistically valid sample.

Repeat Finding – This is a current year finding only.

Cause – This was an oversight by district personnel.

Effect – This could be viewed as a violation of the award agreement.

Recommendation – We recommend that the District review its internal control procedures relating to time and effort documentation of allowable costs for its Title I federal program.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review and update its policies and procedures relating to allowable costs for its federal programs to ensure compliance with the Uniform Guidance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2019

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

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INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2019

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 66,334,196	\$ 66,334,195	\$ 1
Total expenditures		\$ 64,596,813	\$ 64,596,813	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 931,474	\$ 931,474	\$ –
Restricted				
403	Staff development	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ 274,886	\$ 274,886	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ 1,024,918	\$ 1,024,917	\$ 1
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ 291,407	\$ 291,407	\$ –
467	Long-term facilities maintenance	\$ 437,360	\$ 437,361	\$ (1)
472	Medical Assistance	\$ 453,535	\$ 453,535	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 3,326,097	\$ 3,326,096	\$ 1
Unassigned				
422	Unassigned fund balance	\$ 4,545,037	\$ 4,545,036	\$ 1
Food Service				
Total revenue		\$ 2,838,334	\$ 2,838,335	\$ (1)
Total expenditures		\$ 2,736,817	\$ 2,736,818	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ 21,901	\$ 21,901	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 510,984	\$ 510,984	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ 1,942,644	\$ 1,942,646	\$ (2)
Total expenditures		\$ 1,888,984	\$ 1,888,985	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 3,933	\$ 3,933	\$ –
432	ECFE	\$ 162,537	\$ 162,538	\$ (1)
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ 334,054	\$ 334,055	\$ (1)
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 84,225	\$ 84,225	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2019

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ 3,044,448	\$ 3,044,448	\$ –
Total expenditures		\$ 13,650,859	\$ 13,650,859	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ 28,269,208	\$ 28,269,207	\$ 1
464	Restricted fund balance	\$ 78,542,991	\$ 78,542,991	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ 8,713,848	\$ 8,713,849	\$ (1)
Total expenditures		\$ 7,967,441	\$ 7,967,443	\$ (2)
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Max effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 945,689	\$ 945,688	\$ 1
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ 48,199	\$ 48,199	\$ –
Total expenditures		\$ 41,908	\$ 41,908	\$ –
422	Net position	\$ 456,436	\$ 456,436	\$ –
Internal Service				
Total revenue		\$ 7,849,043	\$ 7,849,043	\$ –
Total expenditures		\$ 7,471,088	\$ 7,471,090	\$ (2)
422	Net position	\$ 5,292,587	\$ 5,292,586	\$ 1
OPEB Revocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund				
Total revenue		\$ 203,285	\$ 203,285	\$ –
Total expenditures		\$ 498,893	\$ 498,893	\$ –
422	Net position	\$ 9,455,223	\$ 9,455,224	\$ (1)
OPEB Debt Service Fund				
Total revenue		\$ 786,209	\$ 786,209	\$ –
Total expenditures		\$ 789,125	\$ 789,125	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 177,617	\$ 177,616	\$ 1
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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