

INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2021

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INDEPENDENT SCHOOL DISTRICT NO. 280

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2021

SCHOOL BOARD

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

ADMINISTRATION

Steven Unowsky	Superintendent
Latanya Daniels	Assistant Superintendent
Craig Holje	Chief Administrative Officer
Mary Clarkson	Executive Director of Special Programs
Jim Gilligan	Director of Finance
John Lorenzini	Finance Manager

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FINANCIAL SECTION

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PRINCIPALS

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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, 2021, 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, 2021, 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, the Schedule of Expenditures of Federal Awards, and the 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 2020 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 28, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 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 December 9, 2021 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
December 9, 2021

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INDEPENDENT SCHOOL DISTRICT NO. 280

Management's Discussion and Analysis Fiscal Year Ended June 30, 2021

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, 2021. 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, 2021 by \$29,474,955 (deficit net position).
- Government-wide revenues totaled \$83,378,655 and expenses were \$79,435,794. As a result, the District's total net position increased by \$3,942,861 during the fiscal year.
- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of \$19,621,674, an increase of \$3,423,923 from the prior year. The unrestricted portion of the year-end fund balance (assigned and unassigned) was \$15,042,712, which represents 23.0 percent of annual General Fund expenditures based on fiscal 2021 expenditure levels. The unassigned fund balance was \$11,208,090, which represents 17.2 percent of fiscal 2021 General Fund expenditures.

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 Minnesota statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following types 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 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, 2021 and 2020		
	2021	2020
Assets		
Current and other assets	\$ 69,437,895	\$ 107,683,801
Capital assets, net of depreciation	154,381,729	121,596,280
Total assets	<u>\$ 223,819,624</u>	<u>\$ 229,280,081</u>
Deferred outflows of resources		
Pension plan deferments	\$ 19,692,186	\$ 32,547,496
OPEB plan deferments	825,913	432,669
Deferred charges on refunding	383,590	451,784
Total deferred outflows of resources	<u>\$ 20,901,689</u>	<u>\$ 33,431,949</u>
Liabilities		
Current and other liabilities	\$ 9,233,913	\$ 14,997,650
Long-term liabilities, including due within one year	200,685,801	199,202,927
Total liabilities	<u>\$ 209,919,714</u>	<u>\$ 214,200,577</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 25,107,598	\$ 26,286,641
Pension plan deferments	35,949,048	51,088,679
OPEB plan deferments	3,219,908	4,553,949
Total deferred inflows of resources	<u>\$ 64,276,554</u>	<u>\$ 81,929,269</u>
Net position		
Net investment in capital assets	\$ 26,783,196	\$ 26,263,596
Restricted	10,962,938	10,384,473
Unrestricted	(67,221,089)	(70,065,885)
Total net position	<u>\$ (29,474,955)</u>	<u>\$ (33,417,816)</u>

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 \$3,942,861 in 2021. The decrease in current assets and increase in capital assets was a result of construction related to bonds issued in a previous year. Increases in resources restricted for capital asset acquisition and food service resulted in the overall increase in restricted net position. Changes in the District's proportionate share of two state-wide pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) contributed to the changes in deferred inflows/outflows of resources and long-term liabilities.

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

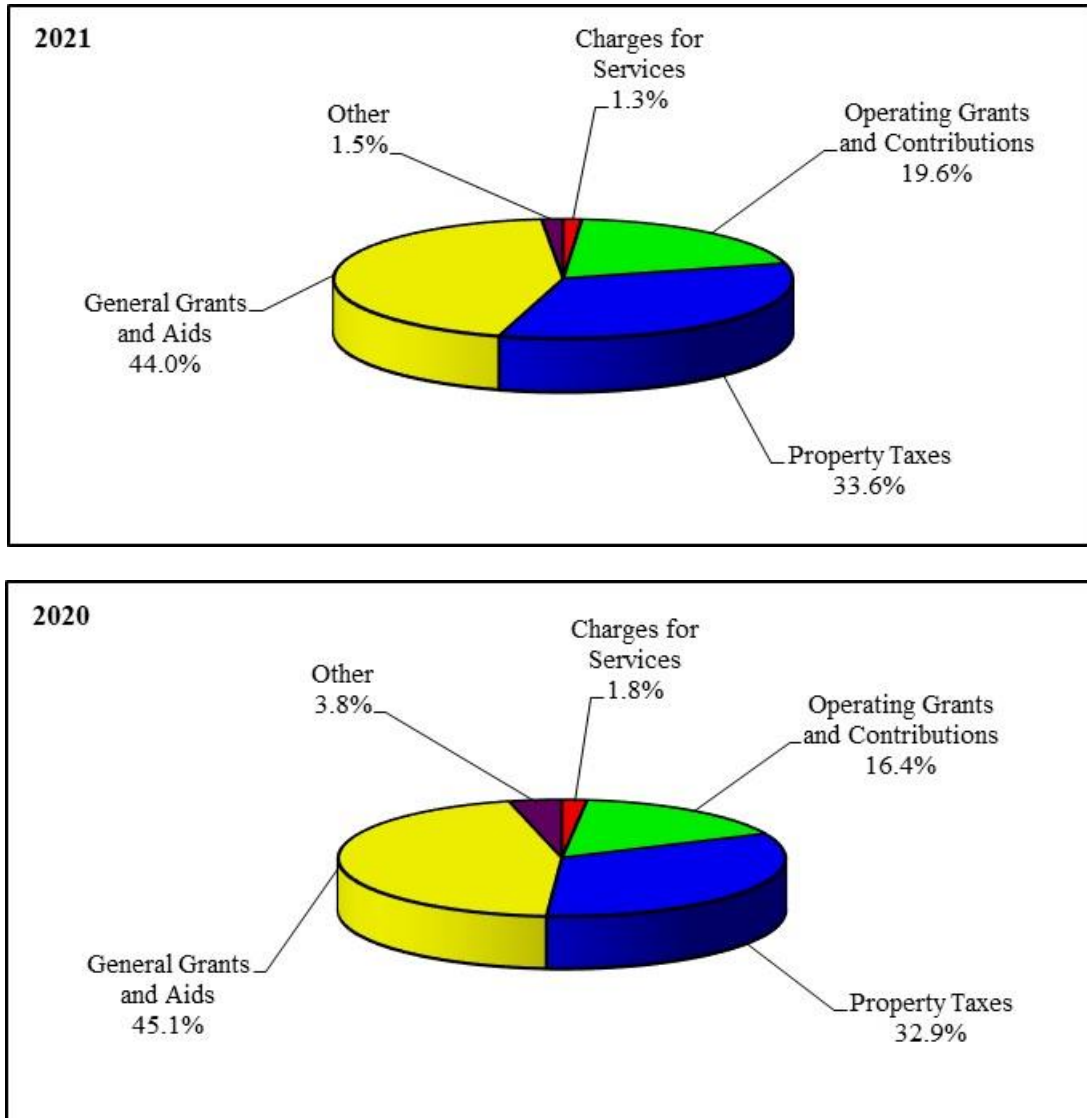
Table 2 Change in Net Position for the Years Ended June 30, 2021 and 2020		
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 1,068,091	\$ 1,492,769
Operating grants and contributions	16,364,623	13,785,794
General revenues		
Property taxes	27,990,914	27,653,830
General grants and aids	36,678,555	37,922,927
Other	1,276,472	3,203,835
Total revenues	<u>83,378,655</u>	<u>84,059,155</u>
Expenses		
Administration	2,514,812	2,926,141
District support services	2,376,927	2,157,245
Elementary and secondary regular instruction	30,942,132	29,846,895
Vocational education instruction	480,947	466,338
Special education instruction	12,223,647	12,729,667
Instructional support services	4,676,005	3,858,263
Pupil support services	6,202,568	6,280,289
Sites and buildings	10,568,828	8,695,645
Fiscal and other fixed cost programs	324,599	271,303
Food service	2,330,987	2,887,952
Community service	2,017,178	1,938,043
Interest and fiscal charges	4,777,164	5,283,250
Total expenses	<u>79,435,794</u>	<u>77,341,031</u>
Change in net position	3,942,861	6,718,124
Net position – beginning	<u>(33,417,816)</u>	<u>(40,135,940)</u>
Net position – ending	<u><u>\$ (29,474,955)</u></u>	<u><u>\$ (33,417,816)</u></u>

This table is presented on an accrual basis of accounting, and it 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.

Government-wide revenues for fiscal year 2021 were \$680,500 lower than last year, while expenses increased by \$2,094,763. Operating grants and contributions increased, due to multiple federal grant awards related to COVID-19 relief available during the current year. The decrease in general grants and aids was primarily in general education state aid, due to a decline in District enrollment. Charges for services and other general revenues were also lower than the prior year, due to the impact of COVID-19 restrictions and reduced investment income. The increase in expenses primarily reflects changes in the District's proportionate share of the PERA and the TRA 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 2021 and 2020

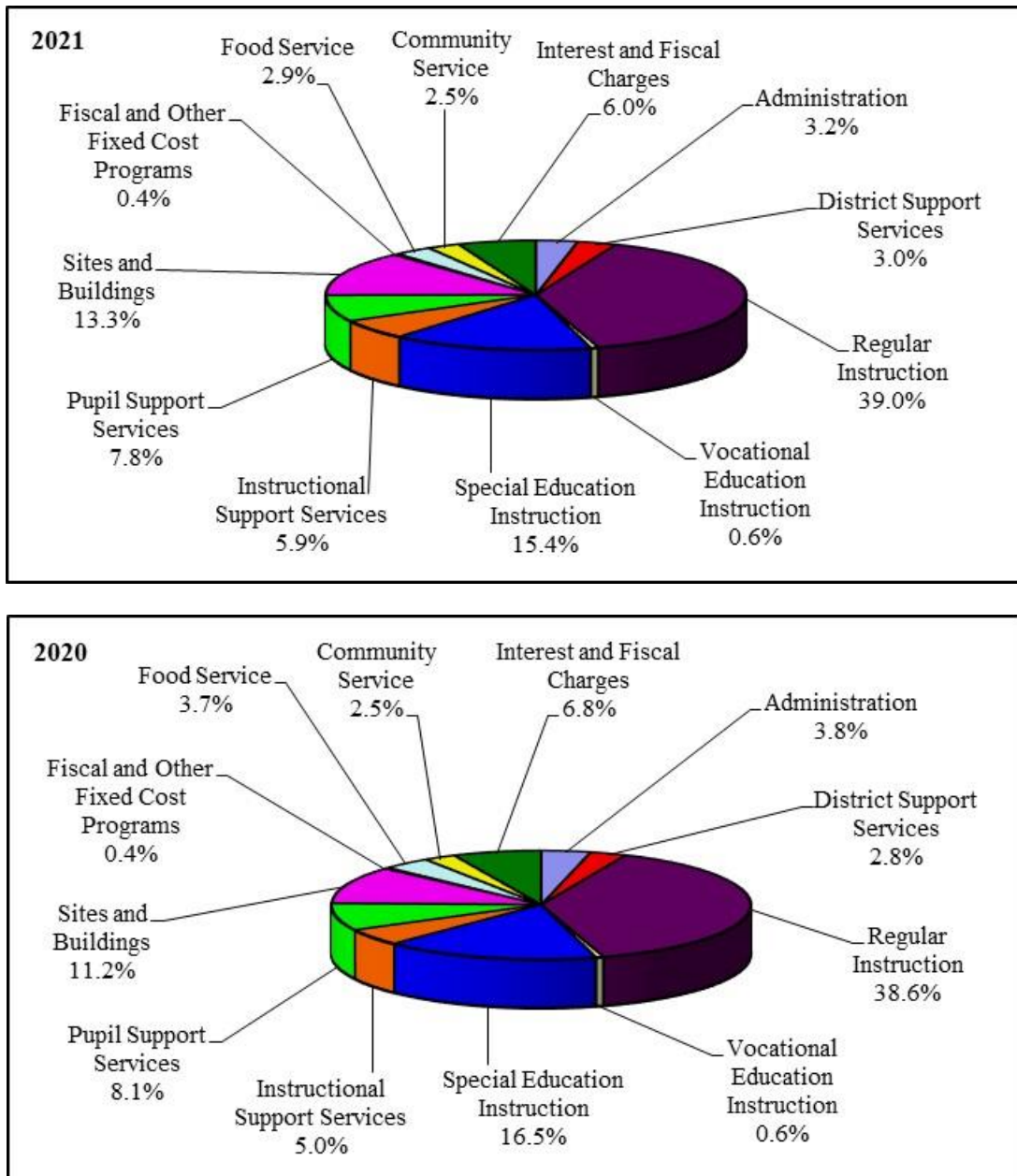


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts, as a result of limited funding increases in recent years.

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.

The increase in the proportion of revenue derived from operating grants and contributions in fiscal 2021 was mainly due to the federal grant awards available for COVID-19 relief, as previously discussed. Charges for services decreased, due to the effects of the COVID-19 pandemic, which reduced activity fees and admissions. The drop in the "other" revenue category in fiscal 2021, was mainly caused by a decrease in investment income with less cash available for investment, due to the District spending down bond proceeds for its construction projects.

Figure B – Expenses for Fiscal Years 2021 and 2020



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.

Expenses for instructional support services and sites and buildings were higher than the prior year, due to increased purchases of instructional technology and software to facilitate distance learning and increased maintenance projects. The year-to-year change in the percentage of expenses incurred in several program areas shown above, was also impacted by 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, 2021 and 2020			
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Major funds			
General	\$ 19,621,674	\$ 16,197,751	\$ 3,423,923
Capital Projects – Building Construction	8,720,916	43,930,556	(35,209,640)
Debt Service	2,016,816	1,515,119	501,697
Nonmajor funds			
Food Service Special Revenue	521,062	237,508	283,554
Community Service Special Revenue	<u>466,817</u>	<u>600,659</u>	<u>(133,842)</u>
Total governmental funds	<u>\$ 31,347,285</u>	<u>\$ 62,481,593</u>	<u>\$ (31,134,308)</u>

The General Fund balance increased \$3,423,923 in fiscal 2021. The increase was mainly due to additional federal funding received for COVID-19 relief, and cost-containment measures that resulted in expenditures being held \$4,625,288 under budget.

The Capital Projects – Building Construction Fund decreased \$35,209,640, due to spending on a number of significant capital projects financed by school building bonds and facilities maintenance bonds issued during the previous year.

The Debt Service Fund increased \$501,697, which was due to debt service property tax levies exceeding scheduled debt service expenditures.

The Food Service Special Revenue Fund increased \$283,554, as the District operated its child nutrition program as a Summer Food Service Program for Children in fiscal 2021, under which meals for all school-age children are provided free through a federal grant. Expenses decreased \$650,430 from last year, due to a lower number of meals served overall.

The Community Service Special Revenue Fund decreased \$133,842 in the current year. COVID-19 restrictions reduced program participation, causing tuition and fees revenues to end fiscal 2021 at \$233,986 under budget.

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>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 67,814,901</u>	<u>\$ 69,473,622</u>	<u>\$ 1,658,721</u>	<u>2.4%</u>
Expenditures	<u>\$ 69,382,406</u>	<u>\$ 69,919,513</u>	<u>\$ 537,107</u>	<u>0.8%</u>
Other financing sources	<u>\$ 29,200</u>	<u>\$ 29,200</u>	<u>\$ —</u>	<u>—</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.

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 aids using updated enrollment numbers.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2021 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	\$ 68,703,392	\$ (770,230)	(1.1%)	\$ 785,248	1.2%
Expenditures	65,294,225	\$ (4,625,288)	(6.6%)	\$ 1,833,978	2.9%
Other financing sources	<u>14,756</u>	\$ (14,444)	(49.5%)	\$ (9,544)	(39.3%)
Net change in fund balances	<u>\$ 3,423,923</u>				

The increase in 2021 actual revenue is largely due to increased federal COVID-19 relief grant funding. State revenues were under budget by \$582,593, mainly in general education aid due to lower enrollment than anticipated, which contributed to the overall variance of \$770,230. The increase in expenditures from the prior year was mostly due to increases in instructional technology supplies and capital maintenance expenditures. The underspending compared to budget was due to conservative budgeting, cost-containment measures, and savings in purchased services for transportation, utilities, and maintenance services, due to distance learning.

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, 2021 and 2020:

Table 6 Capital Assets			
	2021	2020	Change
Land	\$ 349,265	\$ 349,265	\$ –
Construction in process	115,907,048	80,363,921	35,543,127
Land improvements	6,607,884	6,607,884	–
Buildings	90,026,844	90,021,281	5,563
Equipment	10,189,222	9,442,831	746,391
Less accumulated depreciation	(68,698,534)	(65,188,902)	(3,509,632)
Total	<u>\$ 154,381,729</u>	<u>\$ 121,596,280</u>	<u>\$ 32,785,449</u>
Depreciation expense	<u>\$ 3,509,632</u>	<u>\$ 3,462,203</u>	<u>\$ 47,429</u>

The increase in construction in progress reflects the improvement projects activity in the Capital Projects – Building Construction Fund. The increase in equipment is primarily due to buses and maintenance equipment purchased during the year.

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			
	2021	2020	Change
General obligation bonds	\$ 137,400,000	\$ 141,475,000	\$ (4,075,000)
Premiums	4,175,012	4,620,889	(445,877)
Capital leases	811,285	1,128,698	(317,413)
Net/total pension liability	45,565,329	41,099,823	4,465,506
Net OPEB liability	9,372,064	8,342,058	1,030,006
Compensated absences	499,592	481,868	17,724
Severance benefits	2,862,519	2,054,591	807,928
Total	<u>\$ 200,685,801</u>	<u>\$ 199,202,927</u>	<u>\$ 1,482,874</u>

The decreases in general obligation bonds and capital leases as shown in Table 7 are due to scheduled principal payments, with no new debt issued in fiscal 2021.

The differences in the net pension liability mainly 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 retiree insurance benefits.

The state limits the amount of general obligation debt the District can issue to 15.0 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	\$ 5,594,102,275
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 839,115,341</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 \$161, or 2.45 percent, per pupil to the basic general education funding formula for fiscal year 2022, and an additional \$135, or 2.00 percent, per pupil to the formula for fiscal year 2023.

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 Summer 2022.

In August 2016, the District was one of 74 districts in the state to receive funding for a Voluntary Pre-Kindergarten Program. This funding allowed the District to offer an additional 126 4-year-old students the opportunity to participate in preschool 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, serving 194 students in 2020–21.

In November 2013, the community approved a renewal and increase to the capital projects referendum that provides the District with revenue 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. 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. This referendum provided \$3.5 million in 2021 and is anticipated to continue to increase incrementally throughout its term.

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, 256 students participated in College in the Schools programming, earning 2,284 credits from the University of Minnesota worth more than \$1.2 million in 2020–2021. The District maintains board-approved gender inclusion and equity policies, while focusing on equity-based programming. Furthermore, the District is actively increasing solar installations with a goal of 20 percent of electricity coming from solar energy.

The District consists mostly of residential and commercial/industrial properties with redevelopment of new multifamily and multipurpose units in Richfield. 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.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic caused numerous financial and operational challenges for school districts in fiscal 2021, including impacting the number of students districts served, and is expected to continue to have a significant impact in fiscal 2022 and possibly beyond.

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, 700 Harriet Avenue South, Richfield, Minnesota 55423.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Position
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	\$ 48,832,999	\$ 85,650,632
Receivables		
Current taxes	13,394,855	14,205,334
Delinquent taxes	194,742	212,457
Accounts and interest	146,480	1,502,441
Due from fiduciary fund	697,086	816,085
Due from other governmental units	5,660,503	5,243,363
Inventory	86,321	35,613
Prepaid items	424,909	17,876
Capital assets		
Not depreciated	116,256,313	80,713,186
Depreciated, net of accumulated depreciation	38,125,416	40,883,094
Total capital assets, net of accumulated depreciation	154,381,729	121,596,280
Total assets	223,819,624	229,280,081
Deferred outflows of resources		
Pension plan deferments	19,692,186	32,547,496
OPEB plan deferments	825,913	432,669
Deferred charges on refunding	383,590	451,784
Total deferred outflows of resources	20,901,689	33,431,949
Total assets and deferred outflows of resources	\$ 244,721,313	\$ 262,712,030
Liabilities		
Salaries payable	\$ 545,201	\$ 335,208
Accounts and contracts payable	4,380,140	10,382,385
Accrued interest payable	2,122,222	2,192,130
Due to other governmental units	709,641	612,713
Unearned revenue	942,105	955,714
Claims incurred, but not reported	534,604	519,500
Long-term liabilities		
Due within one year	5,319,973	5,023,641
Due in more than one year	195,365,828	194,179,286
Total long-term liabilities	200,685,801	199,202,927
Total liabilities	209,919,714	214,200,577
Deferred inflows of resources		
Property taxes levied for subsequent year	25,107,598	26,286,641
Pension plan deferments	35,949,048	51,088,679
OPEB plan deferments	3,219,908	4,553,949
Total deferred inflows of resources	64,276,554	81,929,269
Net position		
Net investment in capital assets	26,783,196	26,263,596
Restricted for		
Capital asset acquisition	8,458,609	8,052,268
Food service	521,062	237,508
Community service	597,057	691,075
Other state restrictions	1,386,210	1,403,622
Unrestricted	(67,221,089)	(70,065,885)
Total net position	(29,474,955)	(33,417,816)
Total liabilities, deferred inflows of resources, and net position	\$ 244,721,313	\$ 262,712,030

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Activities
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

	2021			2020	
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 2,514,812	\$ 470,316	\$ 55,805	\$ (1,988,691)	\$ (2,674,130)
District support services	2,376,927	—	—	(2,376,927)	(2,157,245)
Elementary and secondary regular instruction	30,942,132	89,349	5,239,939	(25,612,844)	(26,448,096)
Vocational education instruction	480,947	—	10,373	(470,574)	(454,783)
Special education instruction	12,223,647	133,462	6,740,302	(5,349,883)	(5,518,761)
Instructional support services	4,676,005	—	132,884	(4,543,121)	(3,849,863)
Pupil support services	6,202,568	—	769,420	(5,433,148)	(5,821,159)
Sites and buildings	10,568,828	—	—	(10,568,828)	(8,695,645)
Fiscal and other fixed cost programs	324,599	—	—	(324,599)	(271,303)
Food service	2,330,987	11,246	2,578,319	258,578	(219,436)
Community service	2,017,178	363,718	837,581	(815,879)	(668,797)
Interest and fiscal charges	4,777,164	—	—	(4,777,164)	(5,283,250)
Total governmental activities	<u>\$ 79,435,794</u>	<u>\$ 1,068,091</u>	<u>\$ 16,364,623</u>	(62,003,080)	(62,062,468)
General revenues					
Taxes					
Property taxes, levied for general purposes				17,739,503	17,990,103
Property taxes, levied for community service				472,528	441,383
Property taxes, levied for debt service				9,778,883	9,222,344
General grants and aids				36,678,555	37,922,927
Other general revenues				956,964	671,646
Investment earnings				319,508	2,532,189
Total general revenues				<u>65,945,941</u>	<u>68,780,592</u>
Change in net position				3,942,861	6,718,124
Net position – beginning				<u>(33,417,816)</u>	<u>(40,135,940)</u>
Net position – ending				<u>\$ (29,474,955)</u>	<u>\$ (33,417,816)</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 21,700,296	\$ 12,575,064	\$ 6,621,460
Receivables			
Current taxes	8,523,542	–	4,639,365
Delinquent taxes	125,650	–	65,554
Accounts and interest	66,202	64,123	–
Due from other governmental units	5,197,881	–	–
Due from Fiduciary Fund	697,086	–	–
Inventory	41,968	–	–
Prepaid items	416,274	–	–
Total assets	<u>\$ 36,768,899</u>	<u>\$ 12,639,187</u>	<u>\$ 11,326,379</u>
Liabilities			
Salaries payable	\$ 495,252	\$ –	\$ –
Accounts and contracts payable	429,622	3,918,271	–
Due to other governmental units	701,848	–	–
Unearned revenue	–	–	–
Total liabilities	<u>1,626,722</u>	<u>3,918,271</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	15,399,020	–	9,246,303
Unavailable revenue – delinquent taxes	121,483	–	63,260
Total deferred inflows of resources	<u>15,520,503</u>	<u>–</u>	<u>9,309,563</u>
Fund balances (deficit)			
Nonspendable	458,242	–	–
Restricted	4,120,720	8,720,916	2,016,816
Assigned	3,834,622	–	–
Unassigned	11,208,090	–	–
Total fund balances	<u>19,621,674</u>	<u>8,720,916</u>	<u>2,016,816</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,768,899</u>	<u>\$ 12,639,187</u>	<u>\$ 11,326,379</u>

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 822,544	\$ 41,719,364	\$ 78,251,403
231,948	13,394,855	14,205,334
3,538	194,742	212,457
6,178	136,503	1,492,950
462,622	5,660,503	5,243,363
—	697,086	816,085
44,353	86,321	35,613
1,260	417,534	17,876
<u>\$ 1,572,443</u>	<u>\$ 62,306,908</u>	<u>\$ 100,275,081</u>
\$ 49,949	\$ 545,201	\$ 335,208
32,247	4,380,140	10,382,385
7,793	709,641	612,713
28,905	28,905	34,095
<u>118,894</u>	<u>5,663,887</u>	<u>11,364,401</u>
462,275	25,107,598	26,286,641
3,395	188,138	142,446
<u>465,670</u>	<u>25,295,736</u>	<u>26,429,087</u>
45,613	503,855	53,489
1,069,111	15,927,563	50,316,653
—	3,834,622	5,278,307
(126,845)	11,081,245	6,833,144
<u>987,879</u>	<u>31,347,285</u>	<u>62,481,593</u>
<u>\$ 1,572,443</u>	<u>\$ 62,306,908</u>	<u>\$ 100,275,081</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, 2021
(With Partial Comparative Information as of June 30, 2020)

	2021	2020
Total fund balances – governmental funds	\$ 31,347,285	\$ 62,481,593
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	223,080,263	186,785,182
Accumulated depreciation	(68,698,534)	(65,188,902)
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	(137,400,000)	(141,475,000)
Unamortized premium	(4,175,012)	(4,620,889)
Capital leases	(811,285)	(1,128,698)
Net/total pension liability	(45,565,329)	(41,099,823)
Net OPEB liability	(9,372,064)	(8,342,058)
Compensated absences	(499,592)	(481,868)
Severance benefits	(2,862,519)	(2,054,591)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,122,222)	(2,192,130)
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.	5,683,183	5,967,601
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	19,692,186	32,547,496
Deferred outflows of resources – OPEB plan deferments	825,913	432,669
Deferred outflows of resources – deferred charges on refunding	383,590	451,784
Deferred inflows of resources – pension plan deferments	(35,949,048)	(51,088,679)
Deferred inflows of resources – OPEB plan deferments	(3,219,908)	(4,553,949)
Deferred inflows of resources – unavailable revenue – delinquent taxes	188,138	142,446
Total net position – governmental activities	<u>\$ (29,474,955)</u>	<u>\$ (33,417,816)</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 17,711,182	\$ –	\$ 9,762,301
Investment earnings	57,517	232,886	8,107
Other	927,675	–	–
State sources	45,171,242	–	–
Federal sources	4,835,776	–	–
Total revenue	68,703,392	232,886	9,770,408
Expenditures			
Current			
Administration	2,474,595	–	–
District support services	2,393,196	–	–
Elementary and secondary regular instruction	28,745,798	–	–
Vocational education instruction	457,381	–	–
Special education instruction	11,744,010	–	–
Instructional support services	4,551,070	–	–
Pupil support services	6,489,250	–	–
Sites and buildings	7,765,869	–	–
Fiscal and other fixed cost programs	324,599	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	35,442,526	–
Debt service			
Principal	317,413	–	4,075,000
Interest and fiscal charges	31,044	–	5,193,711
Total expenditures	65,294,225	35,442,526	9,268,711
Excess (deficiency) of revenue over expenditures	3,409,167	(35,209,640)	501,697
Other financing sources			
Sale of capital assets	14,756	–	–
Net change in fund balances	3,423,923	(35,209,640)	501,697
Fund balances			
Beginning of year	16,197,751	43,930,556	1,515,119
End of year	\$ 19,621,674	\$ 8,720,916	\$ 2,016,816

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 471,739	\$ 27,945,222	\$ 27,704,059
2,643	301,153	2,431,089
613,172	1,540,847	2,198,053
773,665	45,944,907	46,719,750
2,644,288	7,480,064	4,972,930
4,505,507	83,212,193	84,025,881
—	2,474,595	2,773,580
—	2,393,196	2,214,339
—	28,745,798	28,172,567
—	457,381	446,106
—	11,744,010	12,252,919
—	4,551,070	3,983,311
—	6,489,250	6,341,124
—	7,765,869	5,809,500
—	324,599	271,303
2,329,660	2,329,660	2,932,950
2,026,041	2,026,041	1,941,557
94	35,442,620	65,113,606
—	4,392,413	4,719,548
—	5,224,755	5,364,963
4,355,795	114,361,257	142,337,373
149,712	(31,149,064)	(58,311,492)
—	14,756	24,392
149,712	(31,134,308)	(58,287,100)
838,167	62,481,593	120,768,693
\$ 987,879	\$ 31,347,285	\$ 62,481,593

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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, 2021

(With Partial Comparative Information for the Year Ended June 30, 2020)

	2021	2020
Total net change in fund balances – governmental funds	\$(31,134,308)	\$(58,287,100)
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	36,295,081	65,872,649
Depreciation expense	(3,509,632)	(3,462,203)
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.		
	–	(58,030)
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	4,075,000	3,580,000
Unamortized premium	445,877	445,878
Capital leases	317,413	1,139,548
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/total pension liability	(4,465,506)	(1,636,311)
Net OPEB liability	(1,030,006)	1,321,958
Compensated absences	(17,724)	(72,875)
Severance benefits	(807,928)	105,062
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.		
	69,908	(295,971)
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.		
	(284,418)	675,014
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	(12,855,310)	(14,564,210)
Deferred outflows of resources – OPEB plan deferments	393,244	(115,656)
Deferred outflows of resources – deferred charges on refunding	(68,194)	(68,194)
Deferred inflows of resources – pension plan deferments	15,139,631	12,510,262
Deferred inflows of resources – OPEB plan deferments	1,334,041	(321,468)
Deferred inflows of resources – unavailable revenue – delinquent taxes	45,692	(50,229)
Change in net position – governmental activities	<u>\$ 3,942,861</u>	<u>\$ 6,718,124</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, 2021

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 17,677,523	\$ 17,677,523	\$ 17,711,182	\$ 33,659
Investment earnings	85,000	91,500	57,517	(33,983)
Other	1,076,544	1,199,094	927,675	(271,419)
State sources	46,150,048	45,753,835	45,171,242	(582,593)
Federal sources	2,825,786	4,751,670	4,835,776	84,106
Total revenue	67,814,901	69,473,622	68,703,392	(770,230)
Expenditures				
Current				
Administration	2,878,323	2,620,283	2,474,595	(145,688)
District support services	1,980,877	2,006,673	2,393,196	386,523
Elementary and secondary regular instruction	30,501,275	30,526,020	28,745,798	(1,780,222)
Vocational education instruction	458,424	524,943	457,381	(67,562)
Special education instruction	12,895,403	12,015,633	11,744,010	(271,623)
Instructional support services	5,016,573	4,919,215	4,551,070	(368,145)
Pupil support services	6,813,514	7,415,697	6,489,250	(926,447)
Sites and buildings	8,251,462	9,257,588	7,765,869	(1,491,719)
Fiscal and other fixed cost programs	239,330	286,236	324,599	38,363
Debt service				
Principal	316,843	316,843	317,413	570
Interest and fiscal charges	30,382	30,382	31,044	662
Total expenditures	69,382,406	69,919,513	65,294,225	(4,625,288)
Excess (deficiency) of revenue over expenditures	(1,567,505)	(445,891)	3,409,167	3,855,058
Other financing sources				
Sale of capital assets	29,200	29,200	14,756	(14,444)
Net change in fund balances	\$ (1,538,305)	\$ (416,691)	3,423,923	\$ 3,840,614
Fund balances				
Beginning of year			16,197,751	
End of year			\$ 19,621,674	

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Position
 Proprietary Fund
 Internal Service Fund
 as of June 30, 2021
 (With Partial Comparative Information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and temporary investments	\$ 7,113,635	\$ 7,399,229
Receivables		
Accounts	9,977	9,491
Prepaid items	<u>7,375</u>	<u>—</u>
Total current assets	7,130,987	7,408,720
Liabilities		
Current liabilities		
Claims payable	534,604	519,500
Unearned revenue	<u>913,200</u>	<u>921,619</u>
Total current liabilities	<u>1,447,804</u>	<u>1,441,119</u>
Net position		
Unrestricted	<u><u>\$ 5,683,183</u></u>	<u><u>\$ 5,967,601</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Fund
 Internal Service Fund
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Operating revenue		
Contributions from governmental funds	\$ 7,502,698	\$ 7,621,648
Operating expenses		
Medical benefit claims	7,314,396	6,590,943
Dental benefit claims	491,075	456,791
Total operating expenses	<u>7,805,471</u>	<u>7,047,734</u>
Operating income (loss)	(302,773)	573,914
Nonoperating revenue		
Investment earnings	<u>18,355</u>	<u>101,100</u>
Change in net position	(284,418)	675,014
Net position		
Beginning of year	<u>5,967,601</u>	<u>5,292,587</u>
End of year	<u><u>\$ 5,683,183</u></u>	<u><u>\$ 5,967,601</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Cash Flows
 Proprietary Fund
 Internal Service Fund
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 7,486,418	\$ 7,607,660
Payments for medical claims	(7,295,255)	(6,564,152)
Payments for dental claims	(495,112)	(472,925)
Net cash flows from operating activities	<u>(303,949)</u>	<u>570,583</u>
Cash flows from investing activities		
Investment income received	<u>18,355</u>	<u>101,100</u>
Net change in cash and cash equivalents	(285,594)	671,683
Cash and cash equivalents		
Beginning of year	<u>7,399,229</u>	<u>6,727,546</u>
End of year	<u><u>\$ 7,113,635</u></u>	<u><u>\$ 7,399,229</u></u>
Reconciliation of operating income (income) to net cash flows from operating activities		
Operating income (loss)	\$ (302,773)	\$ 573,914
Adjustments to reconcile operating income (loss) to cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	(486)	(167)
Prepays	(7,375)	—
Claims payable	15,104	10,657
Unearned revenue	<u>(8,419)</u>	<u>(13,821)</u>
Net cash flows from operating activities	<u><u>\$ (303,949)</u></u>	<u><u>\$ 570,583</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2021

	Custodial Fund	Post-Employment Benefits Trust Fund
	<u> </u>	<u> </u>
Assets		
Deposits	\$ 24,006	\$ 1,078,900
Investments held by trustee, at fair value		
State and local obligations	—	6,581,793
MNTrust Investment Shares Portfolio	—	1,210,001
Accounts and interest receivable	—	116,257
Total assets	<u>24,006</u>	<u>8,986,951</u>
Liabilities		
Due to district	<u>—</u>	<u>697,086</u>
Net position		
Restricted for OPEB and scholarships	<u>\$ 24,006</u>	<u>\$ 8,289,865</u>

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2021

	Custodial Fund	Post-Employment Benefits Trust Fund
	<u> </u>	<u> </u>
Additions		
Contributions		
Private donations	\$ 9,149	\$ —
Investment earnings	2	100,761
Total additions	<u>9,151</u>	<u>100,761</u>
Deductions		
Benefits	—	697,086
Scholarships	6,098	—
Total deductions	<u>6,098</u>	<u>697,086</u>
Change in net position	3,053	(596,325)
Net position		
Beginning of year	<u>20,953</u>	<u>8,886,190</u>
End of year	<u>\$ 24,006</u>	<u>\$ 8,289,865</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Basic Financial Statements June 30, 2021

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 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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. 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.

Fiduciary funds, such as the Custodial and Post-Employment Benefits Trust Funds, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Custodial Fund – The Custodial Fund is used to account for scholarship activity administered by outside parties.

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.

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. There were no budgeted expenditure appropriation lapses at year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 be 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,587,259 of the property tax levy collectible in 2021 as revenue to the District in fiscal year 2020–2021. The remaining portion of the taxes collectible in 2021 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.

L. Interfund Balances

At June 30, 2021, the General Fund had a receivable of \$697,086 due from the Post-Employment Benefits Trust Fund to reimburse OPEB costs paid from the General Fund.

Interfund balances 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (OPEB) Plan

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

R. 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.

S. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 the current fiscal year.
- 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.

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
2020	\$ 476,547	\$ 6,590,943	\$ 6,564,152	\$ 503,338
2021	\$ 503,338	\$ 7,314,396	\$ 7,295,255	\$ 522,479

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
2020	\$ 32,296	\$ 456,791	\$ 472,925	\$ 16,162
2021	\$ 16,162	\$ 491,075	\$ 495,112	\$ 12,125

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Net Position

In the government-wide, proprietary fund, and fiduciary 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.

V. Fund Balance Classifications

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

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

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, 2020, 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	\$ 7,328,089
Investments	50,398,460
Cash on hand	<u>1,150</u>
Total	<u>\$ 57,727,699</u>

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

Government-Wide Statement of Net Position	
Cash and temporary investments	\$ 48,832,999
Statement of Fiduciary Net Position	
Custodial Fund	24,006
Post-Employment Benefits Trust Fund	<u>8,870,694</u>
Total	<u>\$ 57,727,699</u>

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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 \$7,328,089, while the balance on the bank records was \$7,330,930. At June 30, 2021, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

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	
State and local bonds	AAA	S&P	Level 2	\$ –	\$ 3,430,120	\$ 3,430,120
State and local bonds	AA	S&P	Level 2	\$ 999,632	\$ –	999,632
State and local bonds	Aa	Moody’s	Level 2	\$ 1,154,710	\$ 2,151,897	3,306,607
Negotiable certificates of deposit	Not rated		Level 2	\$ 160,000	\$ –	160,000
U.S. agency securities	AA	S&P	Level 2	\$ 2,002,325	\$ –	2,002,325
U.S. treasuries	AA	S&P	Level 2	\$ 501,620	\$ –	501,620
Investment pools/mutual funds						
MNTrust Investment Shares Portfolio	AAA	S&P	Not applicable	No maturity date		21,498,156
MNTrust Term Series	Not rated		Not applicable	\$ 18,500,000	\$ –	18,500,000
Total investments						<u>\$ 50,398,460</u>

The 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, there is no redemption notice required for the MNTrust Investment Shares Portfolio, but the MNTrust Term Series 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 the end of the current fiscal year, 5.2 percent of the District's portfolio was invested in debt securities issued by Independent School District No. 281, Robbinsdale, Minnesota.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 349,265	\$ –	\$ –	\$ 349,265
Construction in progress	80,363,921	35,543,127	–	115,907,048
Total capital assets, not depreciated	80,713,186	35,543,127	–	116,256,313
Capital assets, depreciated				
Land improvements	6,607,884	–	–	6,607,884
Buildings	90,021,281	5,563	–	90,026,844
Equipment	9,442,831	746,391	–	10,189,222
Total capital assets, depreciated	106,071,996	751,954	–	106,823,950
Less accumulated depreciation for				
Land improvements	(4,724,048)	(346,592)	–	(5,070,640)
Buildings	(54,059,584)	(2,553,658)	–	(56,613,242)
Equipment	(6,405,270)	(609,382)	–	(7,014,652)
Total accumulated depreciation	(65,188,902)	(3,509,632)	–	(68,698,534)
Net capital assets, depreciated	40,883,094	(2,757,678)	–	38,125,416
Total capital assets, net	<u>\$ 121,596,280</u>	<u>\$ 32,785,449</u>	<u>\$ –</u>	<u>\$ 154,381,729</u>

Depreciation expense was charged to the following governmental functions:

Administration	\$ 393
District support services	1,411
Elementary and secondary regular instruction	10,923
Vocational education instruction	481
Special education instruction	8,046
Instructional support services	52,604
Pupil support services	171,718
Sites and buildings	3,237,667
Food service	26,389
Total depreciation expense	<u>\$ 3,509,632</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	\$ 3,155,000
2016A Refunding Bonds	01/13/2016	2.00–5.00%	\$ 4,880,000	02/01/2025	3,385,000
2017A Taxable OPEB Refunding Bonds	02/09/2017	3.00%	\$ 14,290,000	02/01/2027	11,585,000
2017B Alternative Facilities Refunding Bonds	02/09/2017	3.00%	\$ 6,130,000	02/01/2025	4,215,000
2018A School Building Bonds	03/01/2018	3.50–5.00%	\$ 84,615,000	02/01/2043	83,515,000
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>\$ 137,400,000</u>

These bonds were issued to finance the acquisition or construction of capital facilities, 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	\$ 68,392
Solar panels – Middle School	\$ 33,490	4.00%	09/01/2012	09/01/2022	5,078
Solar panels – High School	\$ 33,600	4.00%	11/01/2012	11/01/2022	5,736
Solar panels – STEM School	\$ 34,220	4.00%	08/01/2013	08/01/2023	7,890
Buses	\$ 197,094	2.11%	07/01/2014	07/01/2021	29,947
Buses	\$ 197,022	2.19%	07/15/2015	07/15/2022	28,708
Buses	\$ 314,901	2.29%	07/12/2016	07/12/2023	146,462
Buses	\$ 503,592	1.65%	11/01/2017	07/01/2025	293,241
Buses	\$ 305,149	3.75%	07/15/2018	07/15/2025	225,831
Total capital leases					<u>\$ 811,285</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**C. Other Long-Term Liabilities**

The District offers various 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	\$ 8,207,781	\$ 1,144,315	\$ 331,950	\$ 399,815
State-wide, multiple-employer – TRA	35,913,719	18,512,236	34,978,704	5,121,696
Single-employer – District	1,443,829	35,635	638,394	92,932
Total	<u>\$ 45,565,329</u>	<u>\$ 19,692,186</u>	<u>\$ 35,949,048</u>	<u>\$ 5,614,443</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
2022	\$ 4,235,000	\$ 5,042,588	\$ 299,546	\$ 21,794
2023	4,385,000	4,892,038	171,589	12,955
2024	4,520,000	4,761,188	169,683	8,873
2025	4,640,000	4,634,188	121,916	4,815
2026	4,920,000	4,503,738	48,551	1,821
2027–2031	27,840,000	19,209,763	–	–
2032–2036	33,505,000	13,645,025	–	–
2037–2041	36,675,000	7,166,850	–	–
2042–2043	16,680,000	880,775	–	–
	<u>\$ 137,400,000</u>	<u>\$ 64,736,150</u>	<u>\$ 811,285</u>	<u>\$ 50,258</u>

E. Changes in Long-Term Liabilities

	June 30, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
General obligation bonds	\$ 141,475,000	\$ –	\$ 4,075,000	\$ 137,400,000	\$ 4,235,000
Premiums	4,620,889	–	445,877	4,175,012	–
Capital leases	1,128,698	–	317,413	811,285	299,546
Net/total pension liability	41,099,823	9,010,679	4,545,173	45,565,329	78,993
Net OPEB liability	8,342,058	2,381,472	1,351,466	9,372,064	–
Compensated absences	481,868	499,592	481,868	499,592	499,592
Severance benefits	2,054,591	963,931	156,003	2,862,519	206,842
	<u>\$ 199,202,927</u>	<u>\$ 12,855,674</u>	<u>\$ 11,372,800</u>	<u>\$ 200,685,801</u>	<u>\$ 5,319,973</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, 2021, 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	\$ 41,968	\$ –	\$ –	\$ 44,353	\$ 86,321
Prepays	416,274	–	–	1,260	417,534
Total nonspendable	458,242	–	–	45,613	503,855
Restricted					
Student activities	71,791	–	–	–	71,791
Scholarships	434,923	–	–	–	434,923
Capital projects levy	626,301	–	–	–	626,301
Operating capital	373,849	–	–	–	373,849
Area learning center	345,573	–	–	–	345,573
Basic skills extended time	427,074	–	–	–	427,074
Long-term facilities maintenance	1,734,360	4,185,050	–	–	5,919,410
Medical Assistance	106,849	–	–	–	106,849
Food service	–	–	–	475,449	475,449
Early childhood family education	–	–	–	131,942	131,942
School readiness	–	–	–	325,764	325,764
Community service	–	–	–	135,956	135,956
Capital projects	–	4,535,866	–	–	4,535,866
Debt service	–	–	2,016,816	–	2,016,816
Total restricted	4,120,720	8,720,916	2,016,816	1,069,111	15,927,563
Assigned					
Third party special education	335,054	–	–	–	335,054
Synthetic turf	374,384	–	–	–	374,384
Carryover spending	397,047	–	–	–	397,047
School specific carryover	120,913	–	–	–	120,913
Program initiative	905,027	–	–	–	905,027
Enrollment	600,000	–	–	–	600,000
Future retirement	638,422	–	–	–	638,422
COVID-19	463,775	–	–	–	463,775
Total assigned	3,834,622	–	–	–	3,834,622
Unassigned					
Community education restricted account deficit	–	–	–	(126,845)	(126,845)
General Fund	11,208,090	–	–	–	11,208,090
Total unassigned	11,208,090	–	–	(126,845)	11,081,245
Total	<u>\$ 19,621,674</u>	<u>\$ 8,720,916</u>	<u>\$ 2,016,816</u>	<u>\$ 987,879</u>	<u>\$ 31,347,285</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has a formal fund balance policy of maintaining 4–10 percent of operating expenditures in unassigned General Fund reserves, with actions outlined for certain benchmarks in that range, chosen for contingency and sustainability purposes.

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 the Defined Contribution Plan (DCP) administered by Minnesota State.

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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent 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. The post-retirement increase will be equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 per year 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.

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

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 2021 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, 2021, were \$705,335. 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,					
	2019		2020		2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.71 %	11.00 %	11.92 %	11.00 %	12.13 %
Coordinated Plan	7.50 %	7.71 %	7.50 %	7.92 %	7.50 %	8.13 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2021, were \$2,360,678. 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 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 Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	\$ 425,223
Add employer contributions not related to future contribution efforts	(56)
Deduct the TRA's contributions not included in allocation	<u>(508)</u>
Total employer contributions	424,659
Total nonemployer contributions	<u>35,587</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 460,246</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. GERF Pension Costs

At June 30, 2021, the District reported a liability of \$8,207,781 for its proportionate share of the General Employees Fund's net pension liability. 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 state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$253,060. The net pension liability was measured as of June 30, 2020, 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 proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1369 percent at the end of the measurement period and 0.1355 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$ 8,207,781
State's proportionate share of the net pension liability associated with the District	\$ 253,060

For the year ended June 30, 2021, the District recognized pension expense of \$377,791 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$22,024 as grant revenue for its proportionate share of the state of Minnesota's contribution of \$16 million to the GERF.

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

At June 30, 2021, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 74,015	\$ 31,054
Changes in actuarial assumptions	–	300,896
Net collective difference between projected and actual investment earnings	172,132	–
Changes in proportion	192,833	–
District's contributions to the GERF subsequent to the measurement date	705,335	–
Total	<u>\$ 1,144,315</u>	<u>\$ 331,950</u>

The \$705,335 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ (317,346)
2023	\$ 50,796
2024	\$ 175,276
2025	\$ 198,304

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of \$35,913,719 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2020, 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 0.4861 percent at the end of the measurement period and 0.5062 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	\$ 35,913,719
State's proportionate share of the net pension liability associated with the District	\$ 3,009,465

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

For the year ended June 30, 2021, the District recognized pension expense of \$4,846,009. It also recognized \$275,687 as an increase to pension expense for the support provided by direct aid.

At June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 720,215	\$ 560,690
Changes in actuarial assumptions	13,827,601	30,294,201
Net difference between projected and actual investment earnings on pension plan investments	530,247	—
Changes in proportion	1,073,495	4,123,813
District's contributions to the TRA subsequent to the measurement date	2,360,678	—
Total	<u>\$ 18,512,236</u>	<u>\$ 34,978,704</u>

A total of \$2,360,678 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, 2022. Other deferred outflows of resources and inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ 465,309
2023	\$ (12,238,277)
2024	\$ (7,790,575)
2025	\$ 800,475
2026	\$ (64,078)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	
Active member payroll growth		2.85% to 8.85% before July 1, 2028, 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 Pub-2010 General Employee Mortality Table for the GERF Plan and the RP-2014 tables for the TRA for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2020 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, 2020 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- Employer contribution rate increased from 7.92 percent to 8.13 percent in July 2020.

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

The 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 equity	35.50 %	5.10 %
Private markets	25.00	5.90 %
Fixed income	20.00	0.75 %
International equity	17.50	5.30 %
Cash equivalents	2.00	– %
Total	100.00 %	

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2020 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 GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 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 (SEIR).

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 13,154,225	\$ 8,207,781	\$ 4,127,361
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 54,983,524	\$ 35,913,719	\$ 20,201,164

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at www.mnpera.org.

Detailed information about the plan's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; 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.

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

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 \$79,000 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>627</u>
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D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2020 and a measurement date as of June 30, 2021, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.10%
20-year municipal bond yield	2.10%
Inflation rate	2.50%
Salary increases	Service graded table

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 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.

E. Discount Rate

The discount rate used to measure the pension liability was 2.10 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 was changed from 2.40 percent to 2.10 percent since the previous valuation.

F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2020	\$ 1,343,038
Changes for the year	
Service cost	125,988
Interest	34,314
Assumption changes	19,489
Benefit payments – employer-financed	(79,000)
Total net changes	<u>100,791</u>
Ending balance – June 30, 2021	<u>\$ 1,443,829</u>

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	1.10%	2.10%	3.10%
Total pension liability	\$ 1,526,259	\$ 1,443,829	\$ 1,361,515

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

For the current year ended, the District recognized pension expense of \$92,932, and at year-end reported the following deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ —	\$ 614,878
Changes in actuarial assumptions	35,635	23,516
Total	<u>\$ 35,635</u>	<u>\$ 638,394</u>

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

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ (67,370)
2023	\$ (67,370)
2024	\$ (67,370)
2025	\$ (67,370)
2026	\$ (67,370)
Thereafter	\$ (265,909)

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.

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 above were \$654,380 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	108
Active plan members	<u>642</u>
Total members	<u><u>750</u></u>

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

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 17,661,929
Plan fiduciary net position	<u>(8,289,865)</u>
District's net OPEB liability	<u>\$ 9,372,064</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>46.9%</u>

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2019 and measurement date as of June 30, 2021, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.10%
Expected long-term investment return	2.40% (net of investment expenses)
20-year municipal bond yield	2.10%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.25% grading to 5.00% over 5 years
Dental trend rate	4.00%

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 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.

Assumption changes since the prior measurement date include:

- The expected long-term investment rate was changed from 2.90 percent to 2.40 percent.
- The discount rate was changed from 2.50 percent to 2.10 percent.

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.

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

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

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

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 1.10 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 2.10 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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning balance – July 1, 2020	\$ 17,228,248	\$ 8,886,190	\$ 8,342,058
Changes for the year			
Service cost	815,590	–	815,590
Interest	434,307	–	434,307
Assumption changes	535,250	–	535,250
Contributions – paid through governmental funds	–	654,380	(654,380)
Net investment income	–	213,269	(213,269)
Difference between expected and actual experience	–	(112,508)	112,508
Benefit payments – paid through trust	(697,086)	(697,086)	–
Benefit payments – paid through governmental funds	(654,380)	(654,380)	–
Total net changes	433,681	(596,325)	1,030,006
Ending balance – June 30, 2021	\$ 17,661,929	\$ 8,289,865	\$ 9,372,064

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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.10%	2.10%	3.10%
Net OPEB liability	\$ 10,980,130	\$ 9,372,064	\$ 7,948,493

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

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:

	1% Decrease in Healthcare Cost Trend Rates	Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
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
Dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 7,119,658	\$ 9,372,064	\$ 12,083,711

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

For the current year ended, the District recognized negative OPEB expense of \$42,899. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ —	\$ 2,265,445
Changes in actuarial assumptions	679,795	954,463
Difference between projected and actual investment earnings	146,118	—
Total	<u>\$ 825,913</u>	<u>\$ 3,219,908</u>

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

Year Ending June 30,	OPEB Expense Amount
2022	\$ (1,105,306)
2023	\$ (1,132,828)
2024	\$ (80,861)
2025	\$ (164,205)
2026	\$ 89,205

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, 2021, the District had commitments totaling \$5,700,000 under construction contracts for which the work was not yet completed.

D. COVID-19 Impact

The COVID-19 pandemic has caused numerous financial and operational challenges for school districts in fiscal 2021, and is expected to have a significant impact on fiscal 2022 and possibly beyond. Any potential effects it may have on the District's future operations and financial condition cannot be determined at this time and have not been reflected in these financial statements.

NOTE 11 – SUBSEQUENT EVENT

In October 2021, the District approved the sale of \$2,230,000 General Obligation Alternative Facilities Refunding Bonds, Series 2021A. The bonds, which will be used to refund the 2023 through 2025 maturities of the 2013A G.O. Refunding Bonds, have an interest rate of 5.00 percent and a final maturity of February 1, 2025.

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, 2021

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%
06/30/2020	06/30/2019	0.1355%	\$ 7,491,491	\$ 232,823	\$ 7,724,314	\$ 9,521,362	78.68%	80.20%
06/30/2021	06/30/2020	0.1369%	\$ 8,207,781	\$ 253,060	\$ 8,460,841	\$ 9,731,816	84.34%	79.10%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

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%
06/30/2020	\$ 729,901	\$ 729,901	\$ —	\$ 9,731,816	7.50%
06/30/2021	\$ 705,335	\$ 705,335	\$ —	\$ 9,404,488	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

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%
06/30/2020	06/30/2019	0.5062%	\$ 32,265,294	\$ 2,855,396	\$ 35,120,690	\$ 28,743,799	112.25%	78.21%
06/30/2021	06/30/2020	0.4861%	\$ 35,913,719	\$ 3,009,465	\$ 38,923,184	\$ 28,250,668	127.13%	75.48%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

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%
06/30/2020	\$ 2,236,945	\$ 2,236,945	\$ —	\$ 28,250,668	7.92%
06/30/2021	\$ 2,360,678	\$ 2,360,678	\$ —	\$ 29,038,274	8.13%

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, 2021

	District Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
Total pension liability					
Service cost	\$ 132,145	\$ 88,783	\$ 95,865	\$ 117,330	\$ 125,988
Interest	72,669	71,782	50,886	49,064	34,314
Assumption changes	–	(2,494)	23,297	(26,634)	19,489
Plan changes	–	36,550	–	–	–
Difference between expected and actual experience	–	(669,205)	–	(185,271)	–
Benefit payments	(142,256)	(233,568)	(59,134)	(152,476)	(79,000)
Net change in total pension liability	62,558	(708,152)	110,914	(197,987)	100,791
Total pension liability – beginning of year	2,075,705	2,138,263	1,430,111	1,541,025	1,343,038
Total pension liability – end of year	<u>\$ 2,138,263</u>	<u>\$ 1,430,111</u>	<u>\$ 1,541,025</u>	<u>\$ 1,343,038</u>	<u>\$ 1,443,829</u>
Covered-employee payroll	<u>\$ 32,571,794</u>	<u>\$ 30,214,468</u>	<u>\$ 31,120,902</u>	<u>\$ 36,284,075</u>	<u>\$ 37,372,597</u>
Total pension liability as a percentage of covered-employee payroll	<u>6.56%</u>	<u>4.73%</u>	<u>4.95%</u>	<u>3.70%</u>	<u>3.86%</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, 2021

	District Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	\$ 1,037,067	\$ 715,483	\$ 778,052	\$ 740,487	\$ 815,590
Interest	790,623	803,777	603,253	553,907	434,307
Assumption changes	—	(502,988)	467,508	(1,180,205)	535,250
Difference between expected and actual experience	—	(5,845,737)	—	(475,304)	—
Benefit payments	(788,391)	(1,406,567)	(1,593,821)	(1,529,876)	(1,351,466)
Net change in total OPEB liability	1,039,299	(6,236,032)	254,992	(1,890,991)	433,681
Total OPEB liability – beginning of year	24,060,980	25,100,279	18,864,247	19,119,239	17,228,248
Total OPEB liability – end of year	25,100,279	18,864,247	19,119,239	17,228,248	17,661,929
Plan fiduciary net position					
Contributions	475,081	489,232	1,094,928	713,791	654,380
Investment earnings	128,792	115,612	203,285	247,052	100,761
Benefit payments	(788,391)	(1,406,567)	(1,593,821)	(1,529,876)	(1,351,466)
Net change in plan fiduciary net position	(184,518)	(801,723)	(295,608)	(569,033)	(596,325)
Plan fiduciary net position					
Beginning of year	10,737,072	10,552,554	9,750,831	9,455,223	8,886,190
End of year	10,552,554	9,750,831	9,455,223	8,886,190	8,289,865
Net OPEB liability	\$ 14,547,725	\$ 9,113,416	\$ 9,664,016	\$ 8,342,058	\$ 9,372,064
Plan fiduciary net position as a percentage of the total OPEB liability	42.04%	51.69%	49.45%	51.58%	46.94%
Covered-employee payroll	\$ 32,754,693	\$ 30,401,080	\$ 31,313,113	\$ 36,975,971	\$ 38,085,250
Net OPEB liability as a percentage of covered-employee payroll	44.41%	29.98%	30.86%	22.56%	24.61%

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, 2021

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	1.20 %
2018	1.10 %
2019	2.10 %
2020	2.60 %
2021	1.10 %

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, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information (continued)
June 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

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 contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

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, 2021

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 \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

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, 2021

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.
- 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.

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information (continued)
June 30, 2021

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

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.

PENSION BENEFITS PLAN

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.40 percent to 2.10 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees, to rates which vary by service and contract group.
- The discount rate was changed from 3.10 percent to 2.40 percent.

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.

2018 CHANGES IN PLAN PROVISIONS

- One retiree with a special agreement was paid a specified amount during the year.

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.

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information (continued)
June 30, 2021

OTHER POST-EMPLOYMENT BENEFITS PLAN

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment rate was changed from 2.90 percent to 2.40 percent.
- The discount rate was changed from 2.50 percent to 2.10 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- Healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees, to rates which vary by service and contract group.
- The discount rate was changed from 2.90 percent to 2.50 percent.

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.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2021

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 161,706	\$ 660,838	\$ 822,544
Receivables			
Current taxes	—	231,948	231,948
Delinquent taxes	—	3,538	3,538
Accounts and interest	—	6,178	6,178
Due from other governmental units	384,379	78,243	462,622
Inventory	44,353	—	44,353
Prepaid items	1,260	—	1,260
Total assets	<u>\$ 591,698</u>	<u>\$ 980,745</u>	<u>\$ 1,572,443</u>
Liabilities			
Salaries payable	\$ 19,567	\$ 30,382	\$ 49,949
Accounts and contracts payable	21,766	10,481	32,247
Due to other governmental units	398	7,395	7,793
Unearned revenue	28,905	—	28,905
Total liabilities	<u>70,636</u>	<u>48,258</u>	<u>118,894</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	—	462,275	462,275
Unavailable revenue – delinquent taxes	—	3,395	3,395
Total deferred inflows of resources	<u>—</u>	<u>465,670</u>	<u>465,670</u>
Fund balances (deficit)			
Nonspendable	45,613	—	45,613
Restricted	475,449	593,662	1,069,111
Unassigned	—	(126,845)	(126,845)
Total fund balances	<u>521,062</u>	<u>466,817</u>	<u>987,879</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 591,698</u>	<u>\$ 980,745</u>	<u>\$ 1,572,443</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 471,739	\$ 471,739
Investment earnings	537	2,106	2,643
Other	34,358	578,814	613,172
State sources	—	773,665	773,665
Federal sources	2,578,319	65,969	2,644,288
Total revenue	2,613,214	1,892,293	4,505,507
Expenditures			
Current			
Food service	2,329,660	—	2,329,660
Community service	—	2,026,041	2,026,041
Capital outlay	—	94	94
Total expenditures	2,329,660	2,026,135	4,355,795
Net change in fund balances	283,554	(133,842)	149,712
Fund balances			
Beginning of year	237,508	600,659	838,167
End of year	\$ 521,062	\$ 466,817	\$ 987,879

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	\$ 21,700,296	\$ 18,361,630
Receivables		
Current taxes	8,523,542	8,953,645
Delinquent taxes	125,650	139,017
Accounts and interest	66,202	213,924
Due from other governmental units	5,197,881	4,939,385
Due from OPEB trust	697,086	816,085
Inventory	41,968	15,937
Prepaid items	416,274	17,876
Total assets	<u>\$ 36,768,899</u>	<u>\$ 33,457,499</u>
Liabilities		
Salaries payable	\$ 495,252	\$ 246,576
Accounts and contracts payable	429,622	311,858
Due to other governmental units	701,848	601,583
Total liabilities	<u>1,626,722</u>	<u>1,160,017</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	15,399,020	16,006,569
Unavailable revenue – delinquent taxes	121,483	93,162
Total deferred inflows of resources	<u>15,520,503</u>	<u>16,099,731</u>
Fund balances (deficits)		
Nonspendable for inventory	41,968	15,937
Nonspendable for prepaids	416,274	17,876
Restricted for student activities	71,791	85,533
Restricted for scholarships	434,923	434,691
Restricted for capital projects levy	626,301	81,208
Restricted for operating capital	373,849	887,203
Restricted for area learning center	345,573	108,151
Restricted for achievement and integration	–	39,185
Restricted for basic skills extended time	427,074	558,710
Restricted for long-term facilities maintenance	1,734,360	1,592,644
Restricted for Medical Assistance	106,849	177,352
Assigned for third party special education	335,054	335,054
Assigned for synthetic turf	374,384	362,271
Assigned for carryover spending	397,047	258,424
Assigned for school specific carryover	120,913	141,501
Assigned for program initiative	905,027	905,027
Assigned for enrollment	600,000	600,000
Assigned for future retirement	638,422	638,422
Assigned for COVID-19	463,775	499,303
Assigned for subsequent year budget	–	1,538,305
Unassigned	11,208,090	6,920,954
Total fund balances	<u>19,621,674</u>	<u>16,197,751</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,768,899</u>	<u>\$ 33,457,499</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 17,677,523	\$ 17,711,182	\$ 33,659	\$ 18,018,703
Investment earnings	91,500	57,517	(33,983)	273,021
Other	1,199,094	927,675	(271,419)	1,117,353
State sources	45,753,835	45,171,242	(582,593)	45,674,571
Federal sources	4,751,670	4,835,776	84,106	2,834,496
Total revenue	69,473,622	68,703,392	(770,230)	67,918,144
Expenditures				
Current				
Administration				
Salaries	1,812,191	1,763,232	(48,959)	1,973,342
Employee benefits	575,652	585,494	9,842	604,956
Purchased services	64,689	29,019	(35,670)	47,934
Supplies and materials	86,686	41,368	(45,318)	92,663
Capital expenditures	—	779	779	—
Other expenditures	81,065	54,703	(26,362)	54,685
Total administration	2,620,283	2,474,595	(145,688)	2,773,580
District support services				
Salaries	1,016,250	1,029,707	13,457	935,215
Employee benefits	428,084	424,956	(3,128)	395,325
Purchased services	462,906	533,611	70,705	544,147
Supplies and materials	61,632	359,931	298,299	330,426
Capital expenditures	10,300	400	(9,900)	—
Other expenditures	27,501	44,591	17,090	9,226
Total district support services	2,006,673	2,393,196	386,523	2,214,339
Elementary and secondary regular instruction				
Salaries	20,344,182	19,539,394	(804,788)	18,944,392
Employee benefits	7,287,007	6,930,387	(356,620)	6,686,735
Purchased services	1,877,736	1,425,509	(452,227)	1,618,470
Supplies and materials	818,442	670,985	(147,457)	721,906
Capital expenditures	20,570	30,871	10,301	35,131
Other expenditures	178,083	148,652	(29,431)	165,933
Total elementary and secondary regular instruction	30,526,020	28,745,798	(1,780,222)	28,172,567

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		2020
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Vocational education instruction			
Salaries	324,692	307,434	(17,258)
Employee benefits	124,121	107,187	(16,934)
Purchased services	56,528	22,884	(33,644)
Supplies and materials	18,102	17,983	(119)
Other expenditures	1,500	1,893	393
Total vocational education instruction	524,943	457,381	(67,562)
Special education instruction			
Salaries	8,047,688	8,080,014	32,326
Employee benefits	2,906,138	2,811,313	(94,825)
Purchased services	897,652	713,545	(184,107)
Supplies and materials	112,155	88,898	(23,257)
Capital expenditures	—	—	—
Other expenditures	52,000	50,240	(1,760)
Total special education instruction	12,015,633	11,744,010	(271,623)
Instructional support services			
Salaries	1,857,612	1,900,690	43,078
Employee benefits	628,496	637,592	9,096
Purchased services	468,680	380,684	(87,996)
Supplies and materials	1,195,007	1,101,754	(93,253)
Capital expenditures	735,900	515,953	(219,947)
Other expenditures	33,520	14,397	(19,123)
Total instructional support services	4,919,215	4,551,070	(368,145)
Pupil support services			
Salaries	3,318,405	2,915,631	(402,774)
Employee benefits	1,229,866	1,077,592	(152,274)
Purchased services	2,201,270	1,793,706	(407,564)
Supplies and materials	210,255	163,221	(47,034)
Capital expenditures	425,171	526,799	101,628
Other expenditures	30,730	12,301	(18,429)
Total pupil support services	7,415,697	6,489,250	(926,447)

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		2020
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	1,881,173	1,859,245	(21,928)
Employee benefits	743,451	736,537	(6,914)
Purchased services	4,444,934	2,872,405	(1,572,529)
Supplies and materials	647,763	587,913	(59,850)
Capital expenditures	1,529,167	1,704,067	174,900
Other expenditures	11,100	5,702	(5,398)
Total sites and buildings	9,257,588	7,765,869	(1,491,719)
Fiscal and other fixed cost programs			
Purchased services	239,330	290,499	51,169
Other expenditures	46,906	34,100	(12,806)
Total fiscal and other fixed cost programs	286,236	324,599	38,363
Debt service			
Principal	316,843	317,413	570
Interest and fiscal charges	30,382	31,044	662
Total debt service	347,225	348,457	1,232
Total expenditures	69,919,513	65,294,225	(4,625,288)
Excess (deficiency) of revenue over expenditures	(445,891)	3,409,167	3,855,058
Other financing sources			
Sale of capital assets	29,200	14,756	(14,444)
Net change in fund balances	\$ (416,691)	3,423,923	\$ 3,840,614
Fund balances			
Beginning of year		16,197,751	11,715,554
End of year		\$ 19,621,674	\$ 16,197,751

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 161,706	\$ 126,253
Receivables		
Due from other governmental units	384,379	217,506
Inventory	44,353	19,676
Prepaid items	<u>1,260</u>	<u>—</u>
Total assets	<u>\$ 591,698</u>	<u>\$ 363,435</u>
Liabilities		
Salaries payable	\$ 19,567	\$ 65,241
Accounts and contracts payable	21,766	22,721
Due to other governmental units	398	3,870
Unearned revenue	<u>28,905</u>	<u>34,095</u>
Total liabilities	70,636	125,927
Fund balances		
Nonspendable for inventory	44,353	19,676
Nonspendable for prepaids	1,260	—
Restricted for food service	<u>475,449</u>	<u>217,832</u>
Total fund balances	<u>521,062</u>	<u>237,508</u>
Total liabilities and fund balances	<u>\$ 591,698</u>	<u>\$ 363,435</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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 500	\$ 537	\$ 37	\$ 3,819
Other – primarily meal sales	205,040	34,358	(170,682)	358,710
State sources	176,000	–	(176,000)	183,658
Federal sources	2,125,880	2,578,319	452,439	2,138,434
Total revenue	2,507,420	2,613,214	105,794	2,684,621
Expenditures				
Current				
Salaries	764,738	869,165	104,427	1,113,482
Employee benefits	358,203	350,092	(8,111)	457,354
Purchased services	80,445	48,818	(31,627)	70,216
Supplies and materials	1,239,880	1,056,623	(183,257)	1,278,286
Other expenditures	11,000	4,962	(6,038)	13,612
Capital outlay	51,860	–	(51,860)	47,140
Total expenditures	2,506,126	2,329,660	(176,466)	2,980,090
Excess (deficiency) of revenue over expenditures	1,294	283,554	282,260	(295,469)
Other financing sources				
Sale of capital assets	–	–	–	92
Net change in fund balances	\$ 1,294	283,554	\$ 282,260	(295,377)
Fund balances				
Beginning of year		237,508		532,885
End of year		\$ 521,062		\$ 237,508

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 660,838	\$ 785,254
Receivables		
Current taxes	231,948	242,048
Delinquent taxes	3,538	3,852
Accounts and interest	6,178	27
Due from other governmental units	<u>78,243</u>	<u>86,472</u>
Total assets	<u><u>\$ 980,745</u></u>	<u><u>\$ 1,117,653</u></u>
Liabilities		
Salaries payable	\$ 30,382	\$ 23,067
Accounts and contracts payable	10,481	10,257
Due to other governmental units	<u>7,395</u>	<u>7,260</u>
Total liabilities	<u>48,258</u>	<u>40,584</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	462,275	473,804
Deferred revenue – delinquent taxes	<u>3,395</u>	<u>2,606</u>
Total deferred inflows of resources	<u>465,670</u>	<u>476,410</u>
Fund balances (deficit)		
Restricted for early childhood family education	131,942	201,523
Restricted for school readiness	325,764	395,272
Restricted for community service	135,956	91,674
Unassigned – community education restricted account deficit	<u>(126,845)</u>	<u>(87,810)</u>
Total fund balances	<u>466,817</u>	<u>600,659</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 980,745</u></u>	<u><u>\$ 1,117,653</u></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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 567,971	\$ 471,739	\$ (96,232)	\$ 461,511
Investment earnings	3,000	2,106	(894)	12,643
Other – primarily tuition and fees	812,800	578,814	(233,986)	621,990
State sources	788,179	773,665	(14,514)	861,521
Federal sources	60,671	65,969	5,298	—
Total revenue	<u>2,232,621</u>	<u>1,892,293</u>	<u>(340,328)</u>	<u>1,957,665</u>
Expenditures				
Current				
Salaries	1,128,307	1,101,133	(27,174)	1,114,083
Employee benefits	430,373	388,196	(42,177)	382,590
Purchased services	389,402	440,060	50,658	361,771
Supplies and materials	154,474	87,770	(66,704)	82,803
Other expenditures	16,033	8,882	(7,151)	310
Capital outlay	3,800	94	(3,706)	198
Total expenditures	<u>2,122,389</u>	<u>2,026,135</u>	<u>(96,254)</u>	<u>1,941,755</u>
Net change in fund balances	<u>\$ 110,232</u>	<u>(133,842)</u>	<u>\$ (244,074)</u>	<u>15,910</u>
Fund balances				
Beginning of year		<u>600,659</u>		<u>584,749</u>
End of year		<u>\$ 466,817</u>		<u>\$ 600,659</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 12,575,064	\$ 52,689,430
Receivables		
Accounts and interest	<u>64,123</u>	<u>1,278,999</u>
Total assets	<u><u>\$ 12,639,187</u></u>	<u><u>\$ 53,968,429</u></u>
Liabilities		
Salaries payable	\$ —	\$ 324
Accounts and contracts payable	<u>3,918,271</u>	<u>10,037,549</u>
Total liabilities	<u>3,918,271</u>	<u>10,037,873</u>
Fund balances		
Restricted for long-term facilities maintenance	4,185,050	11,186,480
Restricted for capital projects	<u>4,535,866</u>	<u>32,744,076</u>
Total fund balances	<u><u>8,720,916</u></u>	<u><u>43,930,556</u></u>
Total liabilities and fund balances	<u><u>\$ 12,639,187</u></u>	<u><u>\$ 53,968,429</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 600,000	\$ 232,886	\$ (367,114)	\$ 2,084,625
Other	—	—	—	100,000
Total revenue	600,000	232,886	(367,114)	2,184,625
Expenditures				
Capital outlay				
Salaries	51,000	51,641	641	65,323
Employee benefits	28,555	20,279	(8,276)	18,314
Purchased services	1,376,000	1,751,542	375,542	3,832,925
Capital expenditures	38,995,403	33,619,064	(5,376,339)	61,149,706
Total expenditures	40,450,958	35,442,526	(5,008,432)	65,066,268
Net change in fund balances	<u>\$ (39,850,958)</u>	(35,209,640)	<u>\$ 4,641,318</u>	(62,881,643)
Fund balances				
Beginning of year		43,930,556		106,812,199
End of year		<u>\$ 8,720,916</u>		<u>\$ 43,930,556</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2021
(With Comparative Totals as of June 30, 2020)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2021	2020
Assets				
Cash and temporary investments	\$ 5,264,279	\$ 1,357,181	\$ 6,621,460	\$ 6,288,836
Receivables				
Current taxes	3,587,149	1,052,216	4,639,365	5,009,641
Delinquent taxes	54,613	10,941	65,554	69,588
Total assets	<u>\$ 8,906,041</u>	<u>\$ 2,420,338</u>	<u>\$ 11,326,379</u>	<u>\$ 11,368,065</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 7,149,225	\$ 2,097,078	\$ 9,246,303	\$ 9,806,268
Deferred revenue – delinquent taxes	53,204	10,056	63,260	46,678
Total deferred inflows of resources	<u>7,202,429</u>	<u>2,107,134</u>	<u>9,309,563</u>	<u>9,852,946</u>
Fund balances				
Restricted for debt service	<u>1,703,612</u>	<u>313,204</u>	<u>2,016,816</u>	<u>1,515,119</u>
Total deferred inflows of resources and fund balances	<u>\$ 8,906,041</u>	<u>\$ 2,420,338</u>	<u>\$ 11,326,379</u>	<u>\$ 11,368,065</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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020	
	Actual					
		Regular	OPEB		Over (Under)	
	Budget	Debt Service	Debt Service	Total	Budget	Actual
		Account	Account			
Revenue						
Local sources						
Property taxes	\$ 9,805,406	\$ 7,633,192	\$ 2,129,109	\$ 9,762,301	\$ (43,105)	\$ 9,223,845
Investment earnings	10,000	8,107	—	8,107	(1,893)	56,981
Total revenue	9,815,406	7,641,299	2,129,109	9,770,408	(44,998)	9,280,826
Expenditures						
Debt service						
Principal	4,075,000	2,450,000	1,625,000	4,075,000	—	3,580,000
Interest	5,187,288	4,790,987	396,299	5,187,286	(2)	5,302,588
Fiscal charges and other	6,450	5,950	475	6,425	(25)	6,425
Total expenditures	9,268,738	7,246,937	2,021,774	9,268,711	(27)	8,889,013
Net change in fund balances	\$ 546,668	394,362	107,335	501,697	\$ (44,971)	391,813
Fund balances						
Beginning of year		1,309,250	205,869	1,515,119		1,123,306
End of year		\$ 1,703,612	\$ 313,204	\$ 2,016,816		\$ 1,515,119

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2021
(With Comparative Totals as of June 30, 2020)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2021	2020
Assets				
Current assets				
Cash and temporary investments	\$ 6,940,342	\$ 173,293	\$ 7,113,635	\$ 7,399,229
Receivables				
Accounts	4,818	5,159	9,977	9,491
Prepaid items	7,375	—	7,375	—
Total current assets	6,952,535	178,452	7,130,987	7,408,720
Liabilities				
Current liabilities				
Claims payable	522,479	12,125	534,604	519,500
Unearned revenue	860,119	53,081	913,200	921,619
Total current liabilities	1,382,598	65,206	1,447,804	1,441,119
Net position				
Unrestricted	\$ 5,569,937	\$ 113,246	\$ 5,683,183	\$ 5,967,601

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2021	2020
Operating revenue				
Contributions from governmental funds	\$ 6,989,164	\$ 513,534	\$ 7,502,698	\$ 7,621,648
Operating expenses				
Medical benefit claims	7,314,396	—	7,314,396	6,590,943
Dental benefit claims	—	491,075	491,075	456,791
Total operating expenses	<u>7,314,396</u>	<u>491,075</u>	<u>7,805,471</u>	<u>7,047,734</u>
Operating income (loss)	(325,232)	22,459	(302,773)	573,914
Nonoperating revenue				
Investment earnings	<u>17,991</u>	<u>364</u>	<u>18,355</u>	<u>101,100</u>
Change in net position	(307,241)	22,823	(284,418)	675,014
Net position				
Beginning of year	<u>5,877,178</u>	<u>90,423</u>	<u>5,967,601</u>	<u>5,292,587</u>
End of year	<u>\$ 5,569,937</u>	<u>\$ 113,246</u>	<u>\$ 5,683,183</u>	<u>\$ 5,967,601</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2021	2020
Cash flows from operating activities				
Contributions from governmental funds	\$ 6,977,567	\$ 508,851	\$ 7,486,418	\$ 7,607,660
Payments for medical claims	(7,295,255)	—	(7,295,255)	(6,564,152)
Payments for dental claims	—	(495,112)	(495,112)	(472,925)
Net cash flows from operating activities	(317,688)	13,739	(303,949)	570,583
Cash flows from investing activities				
Investment income received	17,991	364	18,355	101,100
Net change in cash and cash equivalents	(299,697)	14,103	(285,594)	671,683
Cash and cash equivalents				
Beginning of year	7,240,039	159,190	7,399,229	6,727,546
End of year	<u>\$ 6,940,342</u>	<u>\$ 173,293</u>	<u>\$ 7,113,635</u>	<u>\$ 7,399,229</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (325,232)	\$ 22,459	\$ (302,773)	\$ 573,914
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts receivable	(438)	(48)	(486)	(167)
Prepaid items	(7,375)	—	(7,375)	—
Claims payable	19,141	(4,037)	15,104	10,657
Unearned revenue	(3,784)	(4,635)	(8,419)	(13,821)
Net cash flows from operating activities	<u>\$ (317,688)</u>	<u>\$ 13,739</u>	<u>\$ (303,949)</u>	<u>\$ 570,583</u>

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	
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%
2020	1,492,769 1.8%	13,785,794 16.4%	27,653,830 32.9%	37,922,927 45.1%	3,203,835 3.8%	84,059,155 100.0%
2021	1,068,091 1.3%	16,364,623 19.6%	27,990,914 33.6%	36,678,555 44.0%	1,276,472 1.5%	83,378,655 100.0%

Note: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized were particularly significant in fiscal year 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
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%
2020	2,926,141 3.8%	2,157,245 2.8%	29,846,895 38.6%	466,338 0.6%	12,729,667 16.5%	3,858,263 5.0%	6,280,289 8.1%
2021	2,514,812 3.2%	2,376,927 3.0%	30,942,132 39.0%	480,947 0.6%	12,223,647 15.4%	4,676,005 5.9%	6,202,568 7.8%

Note: The District began allocating all depreciation to the applicable program areas in 2020, thereby eliminating unallocated depreciation.

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
\$ 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%
8,695,645 11.2%	271,303 0.4%	2,887,952 3.7%	1,938,043 2.5%	— —	5,283,250 6.8%	77,341,031 100.0%
10,568,828 13.3%	324,599 0.4%	2,330,987 2.9%	2,017,178 2.5%	— —	4,777,164 6.0%	79,435,794 100.0%

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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
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%
2020	18,018,703 26.5%	45,674,571 67.3%	2,834,496 4.2%	1,390,374 2.0%	67,918,144 100.0%
2021	17,711,182 25.8%	45,171,242 65.8%	4,835,776 7.0%	985,192 1.4%	68,703,392 100.0%

Note: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized were particularly significant in fiscal year 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
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%
2020	2,773,580 4.4%	2,214,339 3.5%	28,172,567 44.4%	446,106 0.7%	12,252,919 19.3%
2021	2,474,595 3.8%	2,393,196 3.7%	28,745,798 44.0%	457,381 0.7%	11,744,010 18.0%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other	Total
\$ 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%
3,983,311 6.3%	6,341,124 10.0%	5,809,500 9.2%	1,466,801 2.2%	63,460,247 100.0%
4,551,070 7.0%	6,489,250 9.9%	7,765,869 11.9%	673,056 1.0%	65,294,225 100.0%

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					
	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
	2020	17,525,262	473,804	9,806,268	27,805,334
	2021	16,986,279	462,275	9,246,302	26,694,856
Tax capacity rates					
	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
	2020	14.846	0.821	16.991	32.658
	2021	14.494	0.763	15.260	30.517

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		
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
2020	66,716,919	(9,279,808)	6,730,399	(6,770,124)	57,397,386
2021	71,067,212	(9,680,006)	7,086,490	(8,540,202)	59,933,494

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	Total Spread
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
2020	24,410,184	3,395,150	27,805,334
2021	23,282,853	3,412,003	26,694,856

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

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2021

Delinquent		Current	
Amount	Percent	Amount	Percent
\$ —	— %	\$ —	— %
—	—	—	—
—	—	—	—
6,873	0.04	—	—
15,658	0.08	—	—
11,318	0.06	—	—
36,543	0.14	—	—
34,142	0.12	—	—
90,208	0.32	—	—
—	—	13,394,855	50.18
<u>\$ 194,742</u>		<u>\$ 13,394,855</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	
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	210.28	269.91	1,916.25	1,834.58	4,231.02	4,597.92
2020	225.10	242.19	1,827.48	1,900.34	4,195.11	4,575.16
2021	194.61	275.33	1,747.85	1,915.29	4,133.08	4,516.12

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 2012 through 2014	Various	0.612	1.115	1.060	1.300
Fiscal 2015 through 2021	1.000	0.550/1.000	1.000	1.000	1.200

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures
U.S. Department of Agriculture		
Passed through Minnesota Department of Education		
Child nutrition cluster		
COVID-19 – Summer Food Service Program for Children	10.559	\$ 2,149,576
Summer Food Service Program for Children	10.559	177,279
Total ALN 10.559 and child nutrition cluster		\$ 2,326,855
Child and Adult Care Food Program	10.558	1,458
Fresh Fruit and Vegetable Program	10.582	50,585
U.S. Department of Transportation		
Passed through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	61,390
U.S. Department of the Treasury		
Passed through Minnesota Department of Education		
COVID-19 – Coronavirus Relief Fund	21.019	1,601,259
COVID-19 – Coronavirus State and Local Fiscal Recovery Fund	21.027	21,495
U.S. Department of Education		
Direct		
Indian Education Grants to Local Educational Agencies	84.060	10,985
Passed through Minnesota Department of Education		
Special education cluster		
Special Education Grants to States	84.027	801,300
Special Education Preschool Grants	84.173	38,967
Total special education cluster		840,267
Title I Grants to Local Educational Agencies	84.010	912,276
Career and Technical Education – Basic Grants to States	84.048	9,846
Special Education – Grants for Infants and Families	84.181	35,519
Education for Homeless Children and Youth	84.196	19,050
English Language Acquisition State Grants	84.365	79,839
Supporting Effective Instruction State Grants	84.367	128,244
Comprehensive Literacy Development	84.371	662,570
Education Stabilization Fund		
COVID-19 – Governor’s Emergency Education Relief (GEER) Fund	84.425C	149,155
COVID-19 – Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	571,224
Total ALN 84.425		720,379
Total expenditures of federal awards		\$ 7,482,017

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 Assistance Listing Numbers (ALN) 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.

Note 4: The District had \$173,053 of noncash assistance included in the Summer Food Service Program for Children, ALN 10.559.

Note 5: The District had \$100,622 transferred into Title I ALN 84.010 from other Title programs.

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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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2021.

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) as a basis for designing 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 a 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. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding 2021-001, that we consider to be a significant deficiency.

(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 financial statements. 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*.

DISTRICT'S RESPONSE TO FINDING

The District's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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
December 9, 2021

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 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, 2021. 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)

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, 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 each of its major federal programs for the year ended June 30, 2021.

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 on the previous page. 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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, Radosenich & Co., P.A.

Minneapolis, Minnesota
December 9, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2021.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as it relates to accounting matters as described in the Schedule of Findings and Questioned Costs as finding 2021-002. Also, 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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

DISTRICT'S RESPONSE TO FINDING

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

(continued)

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

December 9, 2021

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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?

<input checked="" type="checkbox"/>	Unmodified
<input type="checkbox"/>	Qualified
<input type="checkbox"/>	Adverse
<input type="checkbox"/>	Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiencies identified? ☒ Yes ☐ None reported

Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiencies identified? ☐ Yes ☒ None reported

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

The U.S. Department of the Treasury	
COVID-19 Coronavirus Relief Fund	Unmodified
The U.S. Department of Education	
Title I Grants to Local Educational Agencies	Unmodified
Special education cluster	Unmodified

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

Programs tested as major programs:

Program or Cluster	Federal ALN
The U.S. Department of the Treasury	
COVID-19 Coronavirus Relief Fund	21.019
The U.S. Department of Education	
Title I Grants to Local Educational Agencies	84.010
The U.S. Department of Education – special education cluster consisting of:	
Special Education Grant to States	84.027
Special Education Preschool Grants	84.173

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

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2021

B. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2021-001 TIMELINESS OF CASH RECONCILIATIONS

Criteria – Internal controls over financial reporting are intended to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. To be effective, control procedures such as periodic and year-end account and subledger reconciliations must be performed regularly, accurately, and in a timely manner.

Condition – During our audit, we noted that the monthly cash reconciliations prepared by Independent School District No. 280, Richfield, Minnesota's (the District) staff were not being performed in a timely manner throughout the fiscal year. The effectiveness of this critical internal control was diminished due to a lack of timeliness in completing the procedure.

Questioned Costs – Not applicable.

Context – Monthly bank reconciliations were not being completed in a timely manner for the months of November 2020 through May 2021.

Repeat Finding – This is a current year finding.

Cause – The District employee responsible for completing this reconciliation was not completing them in a timely manner, and then that position turned over during the year. The cash reconciliation process was not current until the District's year-end closing process.

Effect – This condition subjected the District to a higher risk that misstatements could occur due to errors or fraud, and not be prevented or detected in a timely manner.

Recommendation – We recommend that District management review its internal controls to ensure the timely and accurate completion of monthly cash reconciliations, even in the event of employee absence or turnover.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. District management will continue to review its internal control procedures to ensure monthly cash reconciliations are accurately completed in a timely manner going forward. The District has separately issued a Corrective Action Plan related to this finding.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2021

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2021-002 PAYMENT OF INVOICES

Criteria – Minnesota Statutes § 471.425.

Condition – Minnesota Statutes require the District to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services, whichever is later. If such obligations are not paid within the appropriate time period, the District must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For 1 of 25 disbursements selected for testing, the District did not pay the obligation within the required time period, and did not pay interest on the unpaid obligation.

Questioned Costs – Not applicable.

Context – One of twenty-five disbursements tested were not in compliance.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by the District's management.

Effect – The invoice was not paid within the 35-day period as required by Minnesota Statutes, nor was interest paid on the obligation.

Recommendation – We recommend that the District review procedures in place to ensure that all invoices are paid within statutory requirements.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. District management will review payment schedules and processes to ensure invoices are paid within statutory timelines in the future. The District has issued a separate Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2021

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 68,703,392	\$ 68,703,392	\$ –
Total expenditures		\$ 65,294,225	\$ 65,294,224	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ 458,242	\$ 458,242	\$ –
Restricted				
401	Student activities	\$ 71,791	\$ 71,791	\$ –
402	Scholarships	\$ 434,923	\$ 434,923	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ 626,301	\$ 626,301	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
424	Operating capital	\$ 373,849	\$ 373,849	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ 345,573	\$ 345,573	\$ –
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	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ 427,074	\$ 427,074	\$ –
467	Long-term facilities maintenance	\$ 1,734,360	\$ 1,734,360	\$ –
472	Medical Assistance	\$ 106,849	\$ 106,849	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
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	\$ 3,834,622	\$ 3,834,622	\$ –
Unassigned				
422	Unassigned fund balance	\$ 11,208,090	\$ 11,208,091	\$ (1)
Food Service				
Total revenue		\$ 2,613,214	\$ 2,613,215	\$ (1)
Total expenditures		\$ 2,329,660	\$ 2,329,661	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ 45,613	\$ 45,613	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 475,449	\$ 475,449	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ 1,892,293	\$ 1,892,291	\$ 2
Total expenditures		\$ 2,026,135	\$ 2,026,134	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ (126,845)	\$ (126,845)	\$ –
432	ECFE	\$ 131,942	\$ 131,942	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ 325,764	\$ 325,764	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 135,956	\$ 135,955	\$ 1
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2021

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ 232,886	\$ 232,885	\$ 1
Total expenditures		\$ 35,442,526	\$ 35,442,525	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ 4,185,050	\$ 4,185,050	\$ –
464	Restricted fund balance	\$ 4,535,866	\$ 4,535,866	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ 7,641,299	\$ 7,641,299	\$ –
Total expenditures		\$ 7,246,937	\$ 7,246,938	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Maximum effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 1,703,612	\$ 1,703,612	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
Custodial				
Total revenue		\$ 9,151	\$ 9,151	\$ –
Total expenditures		\$ 6,098	\$ 6,098	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ 24,006	\$ 24,005	\$ 1
448	Achievement and integration	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Internal Service				
Total revenue		\$ 7,521,053	\$ 7,521,053	\$ –
Total expenditures		\$ 7,805,471	\$ 7,805,471	\$ –
422	Net position	\$ 5,683,183	\$ 5,683,183	\$ –
OPEB Revocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund				
Total revenue		\$ 100,761	\$ 100,761	\$ –
Total expenditures		\$ 697,086	\$ 697,086	\$ –
422	Net position	\$ 8,289,865	\$ 8,289,865	\$ –
OPEB Debt Service Fund				
Total revenue		\$ 2,129,109	\$ 2,129,110	\$ (1)
Total expenditures		\$ 2,021,774	\$ 2,021,775	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 313,204	\$ 313,204	\$ –
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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