

INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2017

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INDEPENDENT SCHOOL DISTRICT NO. 280

Table of Contents

	Page
INTRODUCTORY SECTION	
SCHOOL BOARD AND ADMINISTRATION	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-16
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19-20
Reconciliation of the Balance Sheet to the Statement of Net Position	21
Statement of Revenue, Expenditures, and Changes in Fund Balances	22-23
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	25
Proprietary Funds	
Statement of Net Position	26
Statement of Revenue, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Fiduciary Funds	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	29
Notes to Basic Financial Statements	30-61
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability	62
Schedule of District Contributions	62
Teachers Retirement Association Pension Benefits Plan	
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability	63
Schedule of District Contributions	63
Pension Benefits Plan	
Schedule of Changes in the District's Net Pension Liability and Related Ratios	64
Other Post-Employment Benefits Plan	
Schedule of Changes in the District's Net OPEB Liability and Related Ratios	65
Schedule of Investment Returns	66

INDEPENDENT SCHOOL DISTRICT NO. 280

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	67
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	68
General Fund	
Comparative Balance Sheet	69
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	70–72
Food Service Special Revenue Fund	
Comparative Balance Sheet	73
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	74
Community Service Special Revenue Fund	
Comparative Balance Sheet	75
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	76
Debt Service Fund	
Comparative Balance Sheet	77
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	78
Internal Service Funds	
Combining Statement of Net Position	79
Combining Statement of Revenue, Expenses, and Changes in Net Position	80
Combining Statement of Cash Flows	81
OTHER DISTRICT INFORMATION (UNAUDITED)	
Government-Wide Revenue by Type	82
Government-Wide Expenses by Program	83–84
General Fund Revenue by Source	85
General Fund Expenditures by Program	86–87
School Tax Levies and Tax Capacity Rates by Fund	88
Tax Capacities	89
Property Tax Levies and Receivables	90–91
Student Enrollment	92
OTHER REQUIRED REPORTS	
Schedule of Expenditures of Federal Awards	93
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 <i>Government Auditing Standards</i>	94–95
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	96–97
Independent Auditor’s Report on Minnesota Legal Compliance	98
Schedule of Findings and Questioned Costs	99–100
Uniform Financial Accounting and Reporting Standards Compliance Table	101–102

INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2017

SCHOOL BOARD

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

ADMINISTRATION

Steven Unowsky	Superintendent
Craig Holje	Chief Human Resources and Administrative Officer
Bernice Humnick	Director of Finance

FINANCIAL SECTION

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PRINCIPALS

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

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 Independent School District No. 280 (the District) as of and for the year ended June 30, 2017, 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, 2017, 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.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

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 GASB, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) 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.

(continued)

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

Prior Year Comparative Information

We have previously audited the District's 2016 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 November 11, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 28, 2017

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INDEPENDENT SCHOOL DISTRICT NO. 280

Management's Discussion and Analysis Fiscal Year Ended June 30, 2017

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, 2017. 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, 2017 by \$52,738,408 (deficit net position). Government-wide revenues totaled \$73,794,131 and expenses were \$87,641,223. As a result, the District's total net position decreased by \$13,847,092 during the fiscal year ended June 30, 2017, excluding the change in accounting principle reported in the current year as discussed below.
- The District recorded changes in accounting principle in the current year for the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. These changes reflect new standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to certain pensions and other post-employment benefit (OPEB) obligations. The implementation of these standards reduced beginning net position in the government-wide financial statements by \$15,243,652.
- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of \$7,554,115, an increase of \$1,689,269 from the prior year. The unrestricted portion of the year-end fund balance (assigned and unassigned) was \$5,821,914, which represents 9.4 percent of annual General Fund expenditures based on fiscal 2017 expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 40,624,623	\$ 32,237,703
Capital assets, net of depreciation	<u>48,742,808</u>	<u>51,160,465</u>
Total assets	<u>\$ 89,367,431</u>	<u>\$ 83,398,168</u>
Deferred outflows of resources		
Pension and OPEB plan deferments	\$ 84,804,450	\$ 7,206,257
Deferred charges on refunding	<u>656,366</u>	<u>—</u>
Total deferred outflows of resources	<u>\$ 85,460,816</u>	<u>\$ 7,206,257</u>
Liabilities		
Current and other liabilities	\$ 5,127,554	\$ 5,176,180
Long-term liabilities, including due within one year	<u>203,376,504</u>	<u>87,250,320</u>
Total liabilities	<u>\$ 208,504,058</u>	<u>\$ 92,426,500</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 17,336,099	\$ 17,675,124
Pension plan deferments	<u>1,726,498</u>	<u>4,150,465</u>
Total deferred inflows of resources	<u>\$ 19,062,597</u>	<u>\$ 21,825,589</u>
Net position		
Net investment in capital assets	\$ 21,335,810	\$ 20,029,484
Restricted	2,123,728	1,308,712
Unrestricted	<u>(76,197,946)</u>	<u>(44,985,860)</u>
Total net position	<u>\$ (52,738,408)</u>	<u>\$ (23,647,664)</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, OPEB, and pension benefits, which are not included in fund balances.

Total net position decreased by \$29,090,744 in 2017, which reflects a decrease of \$13,847,092 from current year operating results, along with a decrease of \$15,243,652 from the change in accounting principle. Much of the decrease from current year operating results, as well as the increases in deferred outflows and long-term liabilities, can be attributed to changes in the District's share of unfunded pension liabilities related to the state-wide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans.

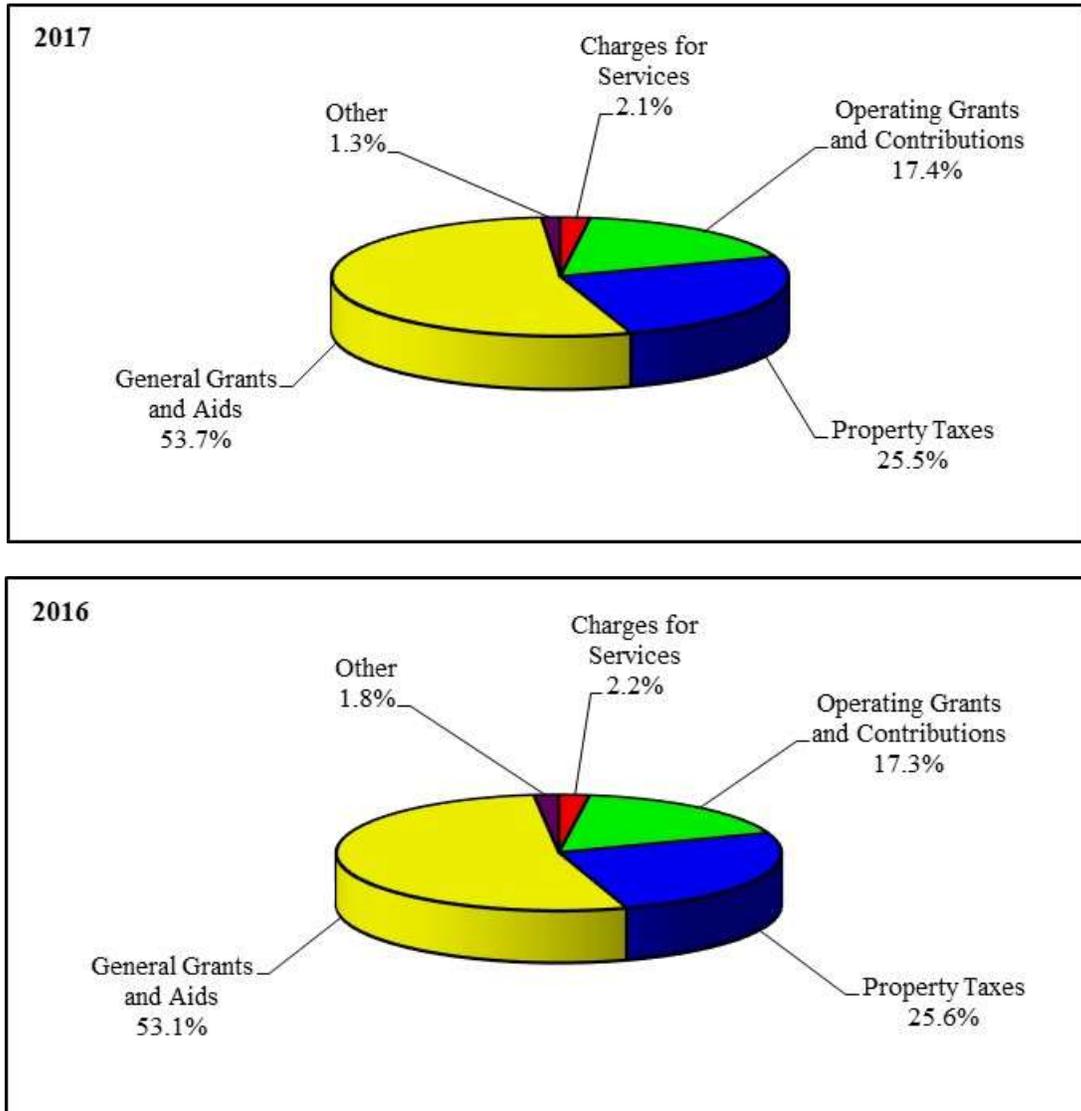
Table 2 presents a condensed version of the change in net position of the District:

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues		
Charges for services	\$ 1,560,266	\$ 1,584,189
Operating grants and contributions	12,880,552	12,316,562
General revenues		
Property taxes	18,795,154	18,231,651
General grants and aids	39,625,932	37,777,017
Other	932,227	1,245,057
Total revenues	<u>73,794,131</u>	<u>71,154,476</u>
Expenses		
Administration	3,205,654	2,441,557
District support services	1,941,718	1,879,857
Elementary and secondary regular instruction	40,383,383	28,500,351
Vocational education instruction	453,790	499,839
Special education instruction	15,977,707	12,410,065
Instructional support services	3,615,236	5,673,182
Pupil support services	6,640,241	5,619,303
Sites and buildings	5,733,901	5,901,471
Fiscal and other fixed cost programs	248,327	268,482
Food service	2,771,245	2,675,729
Community service	1,668,349	1,519,388
Unallocated depreciation	3,235,338	3,234,815
Interest and fiscal charges	1,766,334	1,903,059
Total expenses	<u>87,641,223</u>	<u>72,527,098</u>
Change in net position	(13,847,092)	(1,372,622)
Net position – beginning, as previously reported	(23,647,664)	(22,275,042)
Change in accounting principle	<u>(15,243,652)</u>	–
Net position – beginning, as restated	<u>(38,891,316)</u>	<u>(22,275,042)</u>
Net position – ending	<u>\$ (52,738,408)</u>	<u>\$ (23,647,664)</u>

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. Revenues increased with funding improvements in general and special education funding formulas. The significant increase in expenses reflects natural inflationary increases, along with the change in the PERA and the TRA multi-employer defined benefit pension plans mentioned earlier.

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

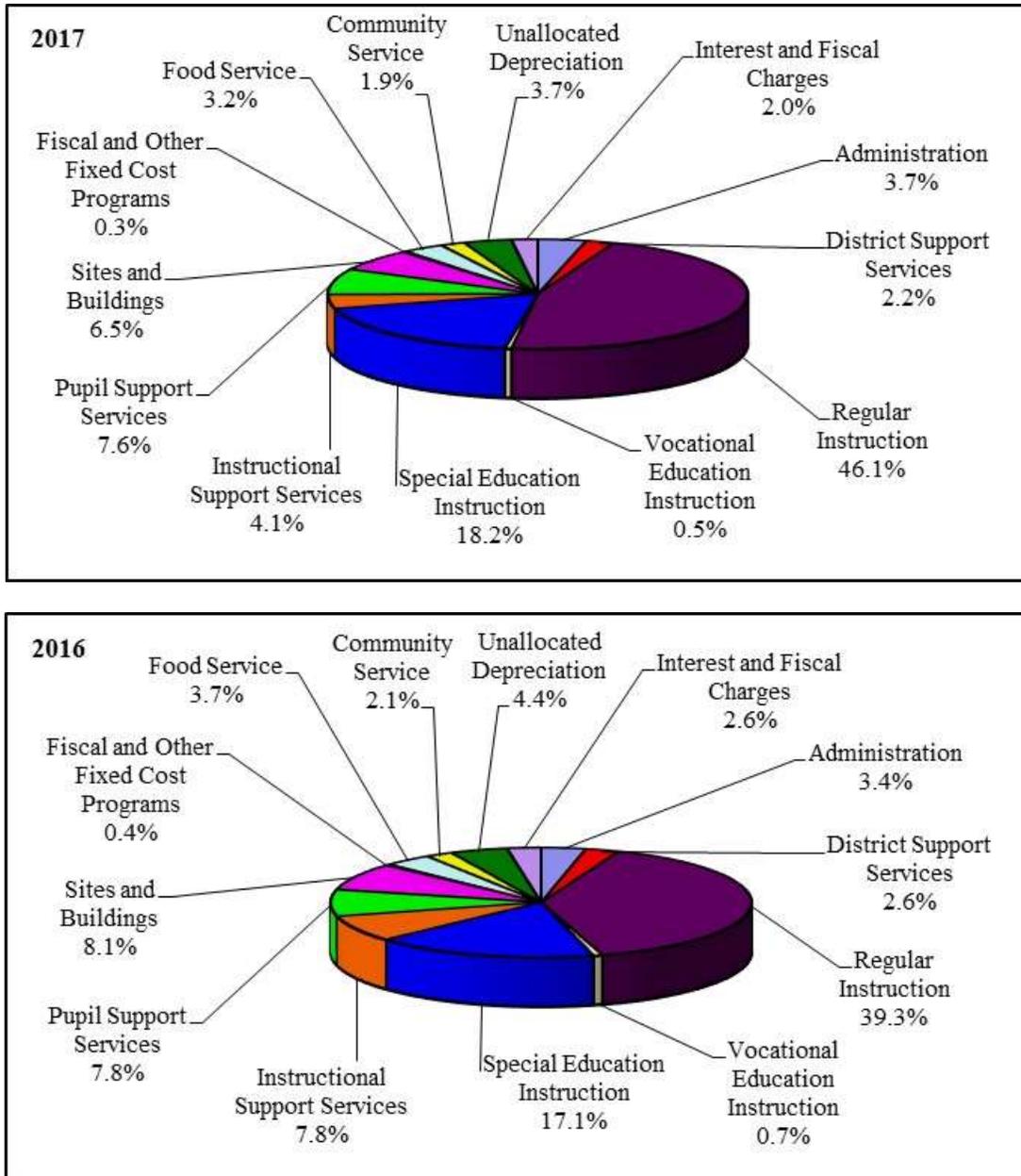
Figure A – Sources of Revenue for Fiscal Years 2017 and 2016



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

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

Figure B – Expenses for Fiscal Years 2017 and 2016



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Major funds			
General	\$ 7,554,115	\$ 5,864,846	\$ 1,689,269
Debt Service	6,803,019	380,121	6,422,898
Nonmajor funds			
Food Service Special Revenue	357,454	192,919	164,535
Community Service Special Revenue	<u>67,563</u>	<u>171,664</u>	<u>(104,101)</u>
Total governmental funds	<u>\$ 14,782,151</u>	<u>\$ 6,609,550</u>	<u>\$ 8,172,601</u>

In 2017, the General Fund balance increased \$1,689,269, mainly due to conservative budgeting and cost containment measures, as well as the pursuit of additional revenue opportunities for which the District qualified.

The increase in the Food Service Special Revenue Fund of \$164,535 was mainly due to additional participation in the program.

The decrease in the Community Service Special Revenue Fund was mainly due to higher than anticipated purchased services to meet the demand of participation in community education programming.

The Debt Service Fund increased \$6,422,898, which was due to the issuance of Alternative Facilities Refunding Bonds, Series 2017B, the proceeds of which have been placed in an escrow account for future debt refunding.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 60,222,287</u>	<u>\$ 61,478,100</u>	<u>\$ 1,255,813</u>	<u>2.1%</u>
Expenditures	<u>\$ 60,401,319</u>	<u>\$ 61,442,553</u>	<u>\$ 1,041,234</u>	<u>1.7%</u>

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

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

Table 5 summarizes the operating results of the General Fund:

	<u>2017 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	\$ 62,776,549	\$ 1,298,449	2.1%	\$ 633,107	1.0%
Expenditures	61,683,189	\$ 240,636	0.4%	\$ (2,505,019)	(3.9%)
Other financing sources	<u>595,909</u>	\$ 595,909	100.0%	\$ (2,977,028)	(83.3%)
Net change in fund balances	<u>\$ 1,689,269</u>				

The increase in 2017 actual revenue is largely due to increases in state general education and special education aids. The expenditure decrease was mainly in capital expenditures, which were about \$2.9 million lower than last year, mainly due to the purchase of buses and technology equipment through capital leases in the prior year. Budget to actual variances in revenue were due to conservative budgeting with special education revenue and higher than expected revenue associated with a fiscal host agreement with Intermediate District No. 287. Budget to actual variances in expenditures and other financing sources were mainly due to the purchase of buses and cleaning equipment through capital leases that were not budgeted because the full purchase price is completely offset by the lease proceeds reported in other financing sources.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 349,265	\$ 349,265	\$ -
Construction in process	100,000	-	100,000
Land improvements	6,573,702	6,573,702	-
Buildings	88,977,909	88,959,235	18,674
Equipment	8,176,873	7,573,711	603,162
Less accumulated depreciation	<u>(55,434,941)</u>	<u>(52,295,448)</u>	<u>(3,139,493)</u>
Total	<u><u>\$ 48,742,808</u></u>	<u><u>\$ 51,160,465</u></u>	<u><u>\$ (2,417,657)</u></u>
Depreciation expense	<u><u>\$ 3,490,836</u></u>	<u><u>\$ 3,445,890</u></u>	<u><u>\$ 44,946</u></u>

The increase in equipment is due to a number of vehicle purchases and cleaning equipment made by the District, in addition to other small purchases throughout the District.

Long-Term Liabilities

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
General obligation bonds	\$ 42,670,000	\$ 39,385,000	\$ 3,285,000
Premiums	2,165,157	1,615,336	549,821
Discounts	(38,355)	(103,890)	65,535
Capital leases	3,847,595	4,515,393	(667,798)
Net pension liability	137,431,938	39,240,822	98,191,116
Net OPEB liability	14,547,725	-	14,547,725
Compensated absences	467,349	364,852	102,497
Severance benefits	<u>2,285,095</u>	<u>2,232,807</u>	<u>52,288</u>
Total	<u><u>\$ 203,376,504</u></u>	<u><u>\$ 87,250,320</u></u>	<u><u>\$ 116,126,184</u></u>

The increase in general obligation bonds as shown in Table 7 is primarily due to the issuance of the previously mentioned refunding bonds, offset by scheduled principal payments made during the year. The change in capital leases is based on the planned repayment schedules, offset by the new leases issued to replace three school buses and purchase cleaning equipment.

The differences in the net pension liability reflects the change in the District’s proportionate share of the state-wide pension obligations for the PERA and the TRA, along with the implementation of the new GASB standard for reporting the District’s single-employer pension plan. The change in the net OPEB liability reflects the implementation of the new GASB standards for OPEB.

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

District’s market value	\$ 4,236,913,179
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 635,536,977</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 \$121, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2018, and an additional \$124, or 2 percent, per pupil to the formula for fiscal year 2019.

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 will target reducing class sizes, improving course offerings and stabilizing educational programming. In addition, voters approved a bond issue for \$86,800,000 to provide facility improvements focused on deferred maintenance, safety and improved instructional facilities. This will be combined with \$32,430,000 in School Board-authorized bond projects for indoor air quality improvements as part of a multi-year improvement project.

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

In November 2013, the community approved a renewal and increase to the capital projects referendum that provided the District with approximately \$2.2 million annually over the next 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. An increase in the District's net tax capacity is projected to occur over the next several years as a result of the expiration of existing tax increment financing districts, as well as increased redevelopment within the community. This will result in access to increased financial resources for this capital project.

The District has continued its efforts to develop and implement a more transparent budgeting system which is aligned with the District's new Strategic Plan and priorities. In 2018, the District is implementing a new seven-period day schedule at Richfield High School.

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 credit while attending Richfield High School. In total, 201 students participated in College in the Schools programming, earning 1,451 credits from the University of Minnesota worth \$700,166 in 2016–2017. In addition, the District has reorganized its Richfield College Experience Program alternative program to offer concurrent college programming onsite at Normandale Community College.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Position
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	Governmental Activities	
	2017	2016
Assets		
Cash and temporary investments	\$ 18,082,437	\$ 14,682,525
Receivables		
Current taxes	9,077,355	9,568,749
Delinquent taxes	198,763	183,845
Accounts and interest	52,521	605,576
Due from fiduciary fund	313,310	664,373
Due from other governmental units	6,376,138	5,697,243
Inventory	58,951	39,885
Prepaid items	2,539	76,999
Net OPEB asset	-	718,508
Restricted assets – temporarily restricted		
Cash and investments for debt service	6,407,950	-
Interest receivable for debt service	54,659	-
Total restricted assets – temporarily restricted	6,462,609	-
Capital assets		
Not depreciated	449,265	349,265
Depreciated, net of accumulated depreciation	48,293,543	50,811,200
Total capital assets, net of accumulated depreciation	48,742,808	51,160,465
Total assets	89,367,431	83,398,168
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	84,701,332	7,206,257
Other post-employment benefits plan deferments	103,118	-
Deferred charges on refunding	656,366	-
Total deferred outflows of resources	85,460,816	7,206,257
Total assets and deferred outflows of resources	<u>\$ 174,828,247</u>	<u>\$ 90,604,425</u>
Liabilities		
Salaries payable	\$ 421,884	\$ 396,647
Accounts and contracts payable	587,302	1,035,677
Accrued interest payable	674,081	822,551
Due to other governmental units	1,764,823	1,306,108
Unearned revenue	891,524	902,557
Claims incurred, but not reported	787,940	712,640
Long-term liabilities		
Due within one year	11,946,895	4,937,167
Due in more than one year	191,429,609	82,313,153
Total long-term liabilities	203,376,504	87,250,320
Total liabilities	208,504,058	92,426,500
Deferred inflows of resources		
Property taxes levied for subsequent year	17,336,099	17,675,124
Pension plan deferments	1,726,498	4,150,465
Total deferred inflows of resources	19,062,597	21,825,589
Net position		
Net investment in capital assets	21,335,810	20,029,484
Restricted for		
Capital asset acquisition	1,510,031	834,940
Food service	357,454	192,919
Community service	72,298	176,135
Other state funding restrictions	183,945	104,718
Unrestricted	(76,197,946)	(44,985,860)
Total net position	<u>(52,738,408)</u>	<u>(23,647,664)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 174,828,247</u>	<u>\$ 90,604,425</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Activities
 Year Ended June 30, 2017
 (With Partial Comparative Information for the Year Ended June 30, 2016)

Functions/Programs	Expenses	2017		2016	
		Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
			Governmental Activities	Governmental Activities	
Governmental activities					
Administration	\$ 3,205,654	\$ 319,366	\$ -	\$ (2,886,288)	\$ (2,110,539)
District support services	1,941,718	-	-	(1,941,718)	(1,879,857)
Elementary and secondary regular instruction	40,383,383	194,246	2,987,442	(37,201,695)	(25,539,943)
Vocational education instruction	453,790	-	-	(453,790)	(499,839)
Special education instruction	15,977,707	270,357	6,499,891	(9,207,459)	(5,753,192)
Instructional support services	3,615,236	-	-	(3,615,236)	(5,673,182)
Pupil support services	6,640,241	9,254	260,514	(6,370,473)	(5,382,767)
Sites and buildings	5,733,901	-	-	(5,733,901)	(5,901,471)
Fiscal and other fixed cost programs	248,327	-	-	(248,327)	(268,482)
Food service	2,771,245	456,944	2,405,968	91,667	(9,897)
Community service	1,668,349	310,099	726,737	(631,513)	(469,304)
Unallocated depreciation	3,235,338	-	-	(3,235,338)	(3,234,815)
Interest and fiscal charges	1,766,334	-	-	(1,766,334)	(1,903,059)
Total governmental activities	<u>\$ 87,641,223</u>	<u>\$ 1,560,266</u>	<u>\$ 12,880,552</u>	(73,200,405)	(58,626,347)
General revenues					
Taxes					
Property taxes, levied for general purposes				13,421,110	12,986,997
Property taxes, levied for community service				418,963	421,712
Property taxes, levied for debt service				4,955,081	4,822,942
General grants and aids				39,625,932	37,777,017
Other general revenues				907,594	1,209,963
Gain on sale of capital assets				20,399	-
Investment earnings				4,234	35,094
Total general revenues				<u>59,353,313</u>	<u>57,253,725</u>
Change in net position				(13,847,092)	(1,372,622)
Net position – beginning, as previously reported				(23,647,664)	(22,275,042)
Change in accounting principle				<u>(15,243,652)</u>	-
Net position – beginning, as restated				<u>(38,891,316)</u>	<u>(22,275,042)</u>
Net position – ending				<u>\$ (52,738,408)</u>	<u>\$ (23,647,664)</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
Governmental Funds
as of June 30, 2017

(With Partial Comparative Information as of June 30, 2016)

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	\$ 8,307,561	\$ 3,030,166	\$ 1,201,024
Cash and investments held by trustee	-	6,407,950	-
Receivables			
Current taxes	6,371,493	2,487,897	217,965
Delinquent taxes	137,637	55,891	5,235
Accounts and interest	37,143	64,697	993
Due from other governmental units	6,296,397	3,622	76,119
Due from Fiduciary Fund	313,310	-	-
Inventory	38,225	-	20,726
Prepaid items	-	-	2,539
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 21,501,766</u>	<u>\$ 12,050,223</u>	<u>\$ 1,524,601</u>
Liabilities			
Salaries payable	\$ 394,421	\$ -	\$ 27,463
Accounts and contracts payable	569,384	-	17,918
Due to other governmental units	1,170,224	-	594,599
Unearned revenue	-	-	-
Total liabilities	<u>2,134,029</u>	<u>-</u>	<u>639,980</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	11,689,250	5,191,980	454,869
Unavailable revenue – delinquent taxes	124,372	55,224	4,735
Total deferred inflows of resources	<u>11,813,622</u>	<u>5,247,204</u>	<u>459,604</u>
Fund balances (deficits)			
Nonspendable	38,225	-	23,265
Restricted	1,693,976	6,803,019	458,795
Assigned	3,046,457	-	-
Unassigned	2,775,457	-	(57,043)
Total fund balances	<u>7,554,115</u>	<u>6,803,019</u>	<u>425,017</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,501,766</u>	<u>\$ 12,050,223</u>	<u>\$ 1,524,601</u>

Total Governmental Funds

2017		2016	
\$	12,538,751	\$	10,392,146
	6,407,950		—
	9,077,355		9,568,749
	198,763		183,845
	102,833		599,901
	6,376,138		5,697,243
	313,310		664,373
	58,951		39,885
	2,539		76,999
<u>\$</u>	<u>35,076,590</u>	<u>\$</u>	<u>27,223,141</u>
\$	421,884	\$	396,647
	587,302		1,035,677
	1,764,823		1,306,108
	—		16,190
	2,774,009		2,754,622
	17,336,099		17,675,124
	184,331		183,845
	17,520,430		17,858,969
	61,490		116,884
	8,955,790		2,052,800
	3,046,457		2,029,882
	2,718,414		2,409,984
	14,782,151		6,609,550
<u>\$</u>	<u>35,076,590</u>	<u>\$</u>	<u>27,223,141</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, 2017

(With Partial Comparative Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Total fund balances – governmental funds	\$ 14,782,151	\$ 6,609,550
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	104,177,749	103,455,913
Accumulated depreciation	(55,434,941)	(52,295,448)
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	(42,670,000)	(39,385,000)
Unamortized premium/discount	(2,126,802)	(1,511,446)
Capital leases	(3,847,595)	(4,515,393)
Net pension liability	(137,431,938)	(39,240,822)
Net OPEB liability	(14,547,725)	718,508
Compensated absences	(467,349)	(364,852)
Severance benefits	(2,285,095)	(2,232,807)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(674,081)	(822,551)
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.	3,868,569	2,697,047
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 – pension plan deferments	84,701,332	7,206,257
Deferred outflows – OPEB plan deferments	103,118	–
Deferred outflows – deferred charge on refunding	656,366	–
Deferred inflows – pension plan deferments	(1,726,498)	(4,150,465)
Deferred inflows – unavailable revenue – delinquent property taxes	184,331	183,845
Total net position – governmental activities	<u><u>\$(52,738,408)</u></u>	<u><u>\$(23,647,664)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2017

(With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>
Revenue			
Local sources			
Property taxes	\$ 13,422,904	\$ 4,953,065	\$ 418,699
Investment earnings (charges)	(3,423)	7,657	-
Other	1,595,888	-	871,972
State sources	45,677,476	36,232	895,489
Federal sources	2,083,704	-	2,239,580
Total revenue	<u>62,776,549</u>	<u>4,996,954</u>	<u>4,425,740</u>
Expenditures			
Current			
Administration	2,472,656	-	-
District support services	1,890,917	-	-
Elementary and secondary regular instruction	28,685,536	-	-
Vocational education instruction	295,009	-	-
Special education instruction	11,519,037	-	-
Instructional support services	2,935,556	-	-
Pupil support services	6,107,461	-	-
Sites and buildings	6,221,688	-	-
Fiscal and other fixed cost programs	248,327	-	-
Food service	-	-	2,685,838
Community service	-	-	1,598,002
Capital outlay	-	-	82,736
Debt service			
Principal	1,210,244	3,295,000	-
Interest and fiscal charges	96,758	2,005,703	-
Total expenditures	<u>61,683,189</u>	<u>5,300,703</u>	<u>4,366,576</u>
Excess (deficiency) of revenue over expenditures	1,093,360	(303,749)	59,164
Other financing sources (uses)			
Refunding bonds issued	-	20,420,000	-
Premiums on bonds issued	-	775,261	-
Bond refunding payments	-	(14,468,614)	-
Capital leases	542,446	-	-
Sale of capital assets	53,463	-	1,270
Total other financing sources (uses)	<u>595,909</u>	<u>6,726,647</u>	<u>1,270</u>
Net change in fund balances	1,689,269	6,422,898	60,434
Fund balances			
Beginning of year	<u>5,864,846</u>	<u>380,121</u>	<u>364,583</u>
End of year	<u>\$ 7,554,115</u>	<u>\$ 6,803,019</u>	<u>\$ 425,017</u>

Total Governmental Funds	
2017	2016
\$ 18,794,668	\$ 18,210,828
4,234	30,175
2,467,860	2,794,152
46,609,197	45,872,457
4,323,284	4,221,122
<u>72,199,243</u>	<u>71,128,734</u>
2,472,656	2,531,424
1,890,917	1,868,531
28,685,536	27,838,034
295,009	484,356
11,519,037	12,232,161
2,935,556	5,628,717
6,107,461	5,650,890
6,221,688	6,396,910
248,327	268,482
2,685,838	2,558,522
1,598,002	1,493,656
82,736	67,934
4,505,244	4,505,819
2,102,461	2,032,290
<u>71,350,468</u>	<u>73,557,726</u>
848,775	(2,428,992)
20,420,000	4,880,000
775,261	471,341
(14,468,614)	(5,300,000)
542,446	3,572,937
54,733	—
<u>7,323,826</u>	<u>3,624,278</u>
8,172,601	1,195,286
<u>6,609,550</u>	<u>5,414,264</u>
<u>\$ 14,782,151</u>	<u>\$ 6,609,550</u>

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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, 2017

(With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Total net change in fund balances – governmental funds	\$ 8,172,601	\$ 1,195,286
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,107,513	711,132
Depreciation expense	(3,490,836)	(3,445,890)
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.		
	(34,334)	(999)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
	(20,962,446)	(8,452,937)
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	17,135,000	8,580,000
Unamortized premium/discount	(615,356)	(365,439)
Capital leases	1,210,244	1,225,819
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	(96,989,880)	(7,354,586)
Net OPEB liability	(1,223,817)	(1,734,794)
Compensated absences	(102,497)	105,372
Severance benefits	(52,288)	247,824
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.		
	148,470	23,329
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.		
	1,171,522	579,693
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 – pension plan deferments	77,495,075	1,786,272
Deferred outflows – OPEB plan deferments	103,118	–
Deferred outflows – deferred charges on refunding	656,366	–
Deferred inflows – pension plan deferments	2,423,967	5,506,473
Deferred inflows – delinquent property taxes	486	20,823
Change in net position – governmental activities	<u>\$ (13,847,092)</u>	<u>\$ (1,372,622)</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, 2017

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 12,950,709	\$ 13,063,758	\$ 13,422,904	\$ 359,146
Investment earnings (charges)	10,000	10,000	(3,423)	(13,423)
Other	2,021,993	1,236,892	1,595,888	358,996
State sources	43,000,905	44,721,803	45,677,476	955,673
Federal sources	2,238,680	2,445,647	2,083,704	(361,943)
Total revenue	<u>60,222,287</u>	<u>61,478,100</u>	<u>62,776,549</u>	<u>1,298,449</u>
Expenditures				
Current				
Administration	2,513,071	2,453,780	2,472,656	18,876
District support services	1,687,274	1,687,163	1,890,917	203,754
Elementary and secondary regular instruction	27,327,496	28,110,555	28,685,536	574,981
Vocational education instruction	463,300	463,300	295,009	(168,291)
Special education instruction	11,997,771	12,271,706	11,519,037	(752,669)
Instructional support services	3,118,973	3,174,536	2,935,556	(238,980)
Pupil support services	5,097,417	5,149,222	6,107,461	958,239
Sites and buildings	6,507,219	6,443,493	6,221,688	(221,805)
Fiscal and other fixed cost programs	310,453	310,453	248,327	(62,126)
Debt service				
Principal	1,234,714	1,234,714	1,210,244	(24,470)
Interest and fiscal charges	143,631	143,631	96,758	(46,873)
Total expenditures	<u>60,401,319</u>	<u>61,442,553</u>	<u>61,683,189</u>	<u>240,636</u>
Excess (deficiency) of revenue over expenditures	(179,032)	35,547	1,093,360	1,057,813
Other financing sources				
Capital leases	–	–	542,446	542,446
Sale of capital assets	–	–	53,463	53,463
Total other financing sources	<u>–</u>	<u>–</u>	<u>595,909</u>	<u>595,909</u>
Net change in fund balances	<u>\$ (179,032)</u>	<u>\$ 35,547</u>	<u>1,689,269</u>	<u>\$ 1,653,722</u>
Fund balances				
Beginning of year			<u>5,864,846</u>	
End of year			<u>\$ 7,554,115</u>	

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Position
 Proprietary Fund
 Internal Service Fund
 as of June 30, 2017

(With Partial Comparative Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and temporary investments	\$ 5,543,686	\$ 4,421,375
Receivables		
Accounts	<u>4,347</u>	<u>5,675</u>
Total current assets	<u>5,548,033</u>	<u>4,427,050</u>
Liabilities		
Current liabilities		
Claims payable	787,940	768,636
Unearned revenue	<u>891,524</u>	<u>961,367</u>
Total current liabilities	<u>1,679,464</u>	<u>1,730,003</u>
Net position		
Unrestricted	<u>\$ 3,868,569</u>	<u>\$ 2,697,047</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Fund
 Internal Service Fund
 Year Ended June 30, 2017
 (With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating revenue		
Contributions from governmental funds	\$ 7,466,661	\$ 6,924,967
Operating expenses		
Medical benefit claims	5,798,417	6,350,193
Dental benefit claims	496,722	-
Total operating expenses	<u>6,295,139</u>	<u>6,350,193</u>
Operating income	1,171,522	574,774
Nonoperating revenue		
Investment earnings	<u>-</u>	<u>4,919</u>
Change in net position	1,171,522	579,693
Net position		
Beginning of year	<u>2,697,047</u>	<u>2,117,354</u>
End of year	<u><u>\$ 3,868,569</u></u>	<u><u>\$ 2,697,047</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Cash Flows
 Proprietary Fund
 Internal Service Fund
 Year Ended June 30, 2017

(With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 7,398,146	\$ 6,937,271
Payments for medical claims	(5,743,117)	(6,321,076)
Payments for dental claims	(532,718)	-
Net cash flows from operating activities	<u>1,122,311</u>	<u>616,195</u>
Cash flows from investing activities		
Investment income received	<u>-</u>	<u>4,919</u>
Net change in cash and cash equivalents	1,122,311	621,114
Cash and cash equivalents		
Beginning of year	<u>4,421,375</u>	<u>3,800,261</u>
End of year	<u><u>\$ 5,543,686</u></u>	<u><u>\$ 4,421,375</u></u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 1,171,522	\$ 574,774
Adjustments to reconcile operating income to cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	1,328	4,802
Claims payable	19,304	29,117
Unearned revenue	(69,843)	7,502
Net cash flows from operating activities	<u><u>\$ 1,122,311</u></u>	<u><u>\$ 616,195</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2017

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u> </u>	<u> </u>
Assets		
Deposits	\$ 436,504	\$ 6,158,800
Investments held by trustee, at fair value		
State and local obligations	-	3,198,201
Negotiable certificates of deposit	-	1,345,362
MNTrust Investment Shares Portfolio	-	51,601
Accounts and interest receivable	1,986	111,900
Total assets	<u>438,490</u>	<u>10,865,864</u>
Liabilities		
Due to district	<u>-</u>	<u>313,310</u>
Net position		
Held in trust for employee benefits and other purposes	<u>\$ 438,490</u>	<u>\$ 10,552,554</u>

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u> </u>	<u> </u>
Additions		
Contributions		
Private donations	\$ 39,535	\$ -
Investment earnings (charges)	<u>(2,366)</u>	<u>128,792</u>
Total additions	37,169	128,792
Deductions		
Benefits	-	313,310
Scholarships	<u>42,172</u>	<u>-</u>
Total deductions	<u>42,172</u>	<u>313,310</u>
Change in net position	(5,003)	(184,518)
Net position		
Beginning of year	<u>443,493</u>	<u>10,737,072</u>
End of year	<u>\$ 438,490</u>	<u>\$ 10,552,554</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Basic Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Reporting Entity

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

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

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the 2017 fiscal year, the District paid \$281,445 to TIES for goods and services provided.

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

C. Government-Wide Financial Statement Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Fund Financial Statement Presentation

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

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

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

Internal service funds are presented in 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds are charges to customers (other district funds) for 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 Scholarship Private-Purpose Trust Fund and Post-Employment Benefits Trust Fund, are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Description of Funds

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

Major Governmental Funds

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

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. Self-insured dental benefits were reported in the General Fund in previous years.

Fiduciary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for fiscal 2017 by \$240,636 in the General Fund and \$170,861 in the Food Service Special Revenue Fund. These variances were financed with revenues and other financing sources in excess of budget.

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.

Cash and investments held by trustee include balances held in segregated accounts established for specific purposes. In the Debt Service Fund, these assets represent amounts held in an escrow account for future debt refunding. These investments and the interest accrued thereon are reported as restricted assets in the government-wide financial statements. 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 or escrow account investments are allocated directly to the respective funds.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less, and investments in certain external investment pools, are reported at amortized cost. Other investments are reported at fair value.

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.

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.

G. Receivables

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

H. Inventories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,605,911 of the property tax levy collectible in 2017 as revenue to the District in fiscal year 2016–2017. The remaining portion of the taxes collectible in 2017 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 is 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, 2017, the General Fund had a receivable of \$313,310 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.

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 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. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits 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.

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

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. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in fiscal year 2017.
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
2016	\$ 683,523	\$ 6,350,193	\$ 6,321,076	\$ 712,640
2017	\$ 712,640	\$ 5,798,417	\$ 5,743,117	\$ 767,940

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
2016	\$ 55,996	\$ 399,412	\$ 399,412	\$ 55,996
2017	\$ 55,996	\$ 496,722	\$ 532,718	\$ 20,000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Deferred Outflows/Inflows of Resources

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

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

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

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

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

T. Net Position

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance Classifications

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

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

V. Use of Estimates

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

W. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, 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 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Change in Accounting Principle

During the year ended June 30, 2017, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. These statements included major changes in how plans and employers account for certain pension and OPEB benefit obligations. These statements establish standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Certain amounts necessary to fully restate fiscal year 2016 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of new GASB statements in the current year resulted in the restatement of net position as of June 30, 2016. The details of the restatement are as follows:

	<u>Governmental Activities</u>
Net position – beginning, as previously reported	\$ (23,647,664)
Change in accounting principle	
Net pension obligation, under previous reporting standards	874,469
Net pension liability, under current reporting standards	(2,075,705)
Net OPEB asset, under previous reporting standards	(718,508)
Net OPEB liability, under current reporting standards	<u>(13,323,908)</u>
Total change in accounting principle	<u>(15,243,652)</u>
Net position – beginning, as restated	<u>\$ (38,891,316)</u>

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 9,509,224
Investments	26,168,639
Cash on hand	<u>2,992</u>
Total	<u>\$ 35,680,855</u>

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

Governmentwide Statement of Net Position	
Cash and temporary investments	\$ 18,082,437
Cash and temporary investments – temporarily restricted	6,407,950
Statement of Fiduciary Net Position	
Scholarship Private-Purpose Trust Fund – deposits	436,504
Post-Employment Benefits Trust Fund – investments	<u>10,753,964</u>
Total	<u>\$ 35,680,855</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 \$9,509,224, while the balance on the bank records was \$9,512,216. At June 30, 2017, all deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Investment Risk – Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
State and local obligations	AA	S&P	Level 2	\$ 1,520,145	\$ 1,678,056	\$ 3,198,201
Negotiable certificates of deposit		Not rated	Level 2	\$ 992,625	\$ 813,013	1,805,638
U.S. Treasuries	AAA	Moody’s	Level 1	\$ 6,228,207	\$ –	6,228,207
State and local time deposits		Not rated	Level 1	\$ 178,889	\$ –	178,889
Investment pools/mutual funds						
Federated Government Obligations	AAA	S&P	Net Asset Value		No maturity date	169,669
MSDLAF – liquid class	AAA	S&P	Not applicable		No maturity date	14,502
MNTrust – Investment Shares Portfolio	AAA	S&P	Not applicable		No maturity date	14,573,533
Total investments						<u>\$ 26,168,639</u>

The Minnesota School District Liquid Asset Fund (MSDLAF) and Minnesota Trust (MNTrust) Investment Shares Portfolio are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. 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 and the Federated Government Obligations mutual fund, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policy limits the percentage of its total portfolio invested in certain instruments as follows: bankers’ acceptances (25.0 percent), commercial paper (85.0 percent), repurchase agreements (25.0 percent), certificates of deposit (50.0 percent from commercial banks and 50.0 percent from savings and loan associations), and local government investment pools (75.0 percent). At June 30, 2017, the District’s investment portfolio includes the following percentage of a specific issuer: Independent School District No. 181, Brainerd, Minnesota (5.8 percent).

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 349,265	\$ –	\$ –	\$ 349,265
Construction in process	–	100,000	–	100,000
Total capital assets, not depreciated	<u>349,265</u>	<u>100,000</u>	<u>–</u>	<u>449,265</u>
Capital assets, depreciated				
Land improvements	6,573,702	–	–	6,573,702
Buildings	88,959,235	18,674	–	88,977,909
Equipment	7,573,711	988,839	(385,677)	8,176,873
Total capital assets, depreciated	<u>103,106,648</u>	<u>1,007,513</u>	<u>(385,677)</u>	<u>103,728,484</u>
Less accumulated depreciation for				
Land improvements	(3,358,857)	(340,677)	–	(3,699,534)
Buildings	(43,321,874)	(2,704,703)	–	(46,026,577)
Equipment	(5,614,717)	(445,456)	351,343	(5,708,830)
Total accumulated depreciation	<u>(52,295,448)</u>	<u>(3,490,836)</u>	<u>351,343</u>	<u>(55,434,941)</u>
Net capital assets, depreciated	<u>50,811,200</u>	<u>(2,483,323)</u>	<u>(34,334)</u>	<u>48,293,543</u>
Total capital assets, net	<u>\$ 51,160,465</u>	<u>\$ (2,383,323)</u>	<u>\$ (34,334)</u>	<u>\$ 48,742,808</u>

Depreciation expense was charged to the following governmental functions:

District support services	\$ 2,348
Elementary and secondary regular instruction	19,034
Special education instruction	8,050
Instructional support services	3,338
Pupil support services	195,152
Sites and buildings	3,167
Food service	24,409
Unallocated depreciation	<u>3,235,338</u>
Total depreciation expense	<u>\$ 3,490,836</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
2008B Alternative Facilities Bonds	07/16/2008	3.95–4.13%	\$ 6,340,000	02/01/2018	\$ 6,340,000
2009A Taxable OPEB Bonds	03/24/2009	5.00–5.75%	\$ 15,885,000	02/01/2018	255,000
2013A Refunding Bonds	11/14/2013	3.00–4.00%	\$ 16,765,000	02/01/2025	10,775,000
2016A Refunding Bonds	01/13/2016	2.00–5.00%	\$ 4,880,000	02/01/2025	4,880,000
2017A Taxable OPEB Refunding Bonds	02/09/2017	3.00%	\$ 14,290,000	02/01/2027	14,290,000
2017B Alternative Facilities Refunding Bonds	02/09/2017	3.00%	\$ 6,130,000	02/01/2025	6,130,000
Total general obligation bonds					<u>\$ 42,670,000</u>

These bonds were issued to finance the acquisition or construction of capital facilities, to finance the retirement (refunding) of prior general obligation bond issues, to finance OPEB, or to finance the retirement (refunding) of prior OPEB 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 equipment. At the end of each agreement, the District owns the assets or has the right to purchase them for \$1. 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	\$ 311,696
Buses	\$ 182,282	3.97%	08/16/2010	08/10/2017	14,748
Buses	\$ 179,072	3.09%	07/01/2011	07/01/2018	55,301
Buses	\$ 268,062	2.18%	07/01/2012	07/01/2019	119,893
Computers (1)	\$ –	2.14%	07/01/2012	07/01/2017	35,835
Baseball field lights	\$ 212,345	2.14%	07/31/2012	09/15/2017	37,461
Solar panels – Middle School	\$ 33,490	4.00%	09/01/2012	09/01/2022	19,317
Solar panels – High School	\$ 33,600	4.00%	11/01/2012	11/01/2022	19,927
Solar panels – STEM School	\$ 34,220	4.00%	08/01/2013	08/01/2023	20,549
Buses	\$ 266,862	1.91%	07/01/2013	07/01/2020	156,435
Computers (1)	\$ –	1.91%	07/01/2013	07/01/2020	95,022
Bus	\$ 48,607	2.58%	07/01/2014	07/01/2017	16,199
Buses	\$ 197,094	2.11%	07/01/2014	07/01/2021	143,684
Computers (1)	\$ –	1.80%	07/01/2014	07/01/2019	135,167
Buses	\$ 197,022	2.19%	07/15/2015	07/15/2022	170,672
Computers (1)	\$ –	1.64%	07/01/2015	07/01/2019	2,025,193
Cleaning equipment	\$ 134,578	N/A	07/11/2016	07/11/2018	143,600
Buses	\$ 314,901	2.29%	07/12/2016	07/12/2023	326,896
Total capital leases					<u>\$ 3,847,595</u>

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

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Other Long-Term Liabilities

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

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multi-employer plans administered by the PERA and the TRA, and one single employer plan administered by the District. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2017:

<u>Pension Plans</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
PERA	\$ 10,855,777	\$ 4,198,821	\$ 1,570,733	\$ 1,148,364
TRA	124,437,898	80,502,511	155,765	20,282,799
Single employer – district	<u>2,138,263</u>	<u>–</u>	<u>–</u>	<u>204,814</u>
Total	<u>\$ 137,431,938</u>	<u>\$ 84,701,332</u>	<u>\$ 1,726,498</u>	<u>\$ 21,635,977</u>

D. Bond Refundings

In February 2017, the District issued \$14,290,000 of General Obligation Taxable OPEB Refunding Bonds, Series 2017A. The proceeds of this issue and interest earned thereon will be used to redeem, in advance of their stated maturities, the 2019 through 2027 maturities of the District's 2009A General Obligation Taxable OPEB Bonds. The proceeds of the 2017A issue have been placed in an escrow account pending the February 1, 2018 call date of the refunded issue. On February 1, 2018, the escrow account will be used to call the remaining principal of the 2009A issue. This advance refunding has met the requirements of an in-substance defeasance and therefore the escrow assets and related debt to be paid by the escrow have been removed from these financial statements. At June 30, 2017, the District has \$13,840,000 of defeased bonds outstanding related to the 2009A Taxable OPEB Bond issue. The advance refunding will reduce the District's total future debt service payments by \$1,800,230 and will result in present value savings of \$1,805,390.

In February 2017, the District sold \$6,130,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2017B. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2020 through 2025 maturities of its General Obligation Alternative Facilities Bonds, Series 2008B. The proceeds of the 2017B issue have been placed in an escrow account pending the February 1, 2018 call date of the refunded issue. Until the call date, the District will continue to make all debt service payments on the 2008B issue. And the debt service on the 2017B issue will be paid from the escrow. On February 1, 2018, the escrow account will be used to call the remaining principal of the 2008B issue, from which point the District will make all future principal and interest payments on the 2017B issue. This "crossover" refunding reduced the District's future debt service payments by \$506,788 and produced a net present value savings of \$507,707.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2018	\$ 10,105,000	\$ 1,373,069	\$ 1,200,157	\$ 79,450
2019	3,670,000	1,056,750	1,116,267	56,113
2020	2,480,000	913,650	987,285	35,294
2021	4,075,000	820,350	221,007	15,861
2022	4,235,000	675,650	186,779	9,158
2023–2027	18,105,000	1,403,650	136,100	4,204
	<u>\$ 42,670,000</u>	<u>\$ 6,243,119</u>	<u>\$ 3,847,595</u>	<u>\$ 200,080</u>

F. Changes in Long-Term Liabilities

	June 30, 2016 Restated *	Additions	Retirements	June 30, 2017	Due Within One Year
General obligation bonds	\$ 39,385,000	\$ 20,420,000	\$ 17,135,000	\$ 42,670,000	\$ 10,105,000
Premiums	1,615,336	775,261	225,440	2,165,157	–
Discounts	(103,890)	–	(65,535)	(38,355)	–
Capital leases	4,515,393	542,446	1,210,244	3,847,595	1,200,157
Net pension liability	40,442,058	101,261,977	4,272,097	137,431,938	–
Net OPEB liability	13,323,908	1,595,780	371,963	14,547,725	–
Compensated absences	364,852	467,349	364,852	467,349	467,349
Severance benefits	2,232,807	265,438	213,150	2,285,095	174,389
	<u>\$ 101,775,464</u>	<u>\$ 125,328,251</u>	<u>\$ 23,727,211</u>	<u>\$ 203,376,504</u>	<u>\$ 11,946,895</u>

* The beginning net pension liability and net OPEB liability have been restated to reflect the impact of the changes in accounting principles described in Note 1 to the basic financial statements.

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.

NOTE 5 – FUND BALANCES (CONTINUED)

A. Classifications

At June 30, 2017, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	\$ 38,225	\$ –	\$ 20,726	\$ 58,951
Prepays	–	–	2,539	2,539
Total nonspendable	<u>38,225</u>	<u>–</u>	<u>23,265</u>	<u>61,490</u>
Restricted				
Capital projects levy	995,042	–	–	995,042
Operating capital	514,989	–	–	514,989
Medical Assistance	183,945	–	–	183,945
Bond refundings	–	6,462,609	–	6,462,609
Debt service	–	340,410	–	340,410
Food service	–	–	334,189	334,189
Community education programs	–	–	113,426	113,426
Community service	–	–	11,180	11,180
Total restricted	<u>1,693,976</u>	<u>6,803,019</u>	<u>458,795</u>	<u>8,955,790</u>
Assigned				
Wellness Expo	1,938	–	–	1,938
Ship Grant	25,209	–	–	25,209
Kern Grant	1,805	–	–	1,805
Third party special education	335,054	–	–	335,054
Synthetic turf	300,137	–	–	300,137
Carryover spending	368,137	–	–	368,137
RCLS playground	1,931	–	–	1,931
Subsequent year’s budget	261,140	–	–	261,140
Program initiative	905,027	–	–	905,027
Enrollment	400,000	–	–	400,000
Future retirement	313,310	–	–	313,310
Student activities	132,769	–	–	132,769
Total assigned	<u>3,046,457</u>	<u>–</u>	<u>–</u>	<u>3,046,457</u>
Unassigned				
LTFM restricted deficit	(68,471)	–	–	(68,471)
ECFE restricted deficit	–	–	(2,127)	(2,127)
School readiness restricted deficit	–	–	(54,916)	(54,916)
Unassigned	2,843,928	–	–	2,843,928
Total unassigned	<u>2,775,457</u>	<u>–</u>	<u>(57,043)</u>	<u>2,718,414</u>
Total	<u>\$ 7,554,115</u>	<u>\$ 6,803,019</u>	<u>\$ 425,017</u>	<u>\$ 14,782,151</u>

B. Minimum Unassigned Fund Balance Policy

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually.

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

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

1. GERF Benefits

Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA’s Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2017; 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, 2017 were \$622,899. 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,			
	2016		2017	
	Employee	Employer	Employee	Employer
Basic Plan	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated Plan	7.5 %	7.5 %	7.5 %	7.5 %

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2017, were \$2,010,864. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

Employer contributions reported in the TRA’s CAFR Statement of Changes in Fiduciary Net Position	\$ 354,961,140
Add employer contributions not related to future contribution efforts	26,356
Deduct the TRA’s contributions not included in allocation	<u>(442,978)</u>
Total employer contributions	354,544,518
Total nonemployer contributions	<u>35,587,410</u>
Total contributions reported in Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 390,131,928</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, 2017, the District reported a liability of \$10,855,777 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.1337 percent at the end of the measurement period and 0.1454 percent for the beginning of the period.

The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of net pension liability	\$ 10,855,777
State’s proportionate share of the net pension liability associated with the District	\$ 141,837

For the year ended June 30, 2017, the District recognized pension expense of \$1,106,103 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$42,261 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$6 million to the GERF.

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

At June 30, 2017, the District reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 34,941	\$ 902,251
Changes in actuarial assumptions	2,360,210	–
Difference between projected and actual investment earnings	1,180,771	–
Changes in proportion	–	668,482
District’s contributions to the GERF subsequent to the measurement date	<u>622,899</u>	<u>–</u>
Total	<u>\$ 4,198,821</u>	<u>\$ 1,570,733</u>

A total of \$622,899 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ 485,782
2019	\$ 216,203
2020	\$ 911,074
2021	\$ 392,130

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of \$124,437,898 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2016, 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 0.5217 percent at the end of the measurement period and 0.4984 percent for the beginning of the period.

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

District’s proportionate share of net pension liability	\$ 124,437,898
State’s proportionate share of the net pension liability associated with the District	\$ 12,491,078

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

For the year ended June 30, 2017, the District recognized pension expense of \$18,538,626. It also recognized \$1,744,173 as an increase to pension expense for the support provided by direct aid.

At June 30, 2017, the District reported its proportionate share of the TRA’s deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,208,698	\$ 3,469
Changes in actuarial assumptions	70,780,405	–
Difference between projected and actual investment earnings	5,301,431	–
Changes in proportion	1,201,113	152,296
District’s contributions to the TRA subsequent to the measurement date	2,010,864	–
Total	<u>\$ 80,502,511</u>	<u>\$ 155,765</u>

A total of \$2,010,864 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ 15,589,589
2019	\$ 15,589,589
2020	\$ 17,385,984
2021	\$ 15,730,622
2022	\$ 14,040,098

E. Actuarial Assumptions

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

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.75%
Wage growth rate		3.50%
Active member payroll	3.25% per year	3.50–9.50% based on years of service
Investment rate of return	7.50%	4.66%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1 percent per year for all future years for the GERP and 2 percent per year for all future years for the TRA.

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

Actuarial assumptions used in the June 30, 2016 valuation for the GERF were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

The following changes in actuarial assumptions for the GERF occurred in 2016:

- 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 future 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.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.00 percent annually, while in the previous measurement the cost of living adjustment increased to 2.50 percent in 2034.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 4.66 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2016 was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2017 contribution rates. 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.

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

2. TRA

The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 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 projected to be depleted in 2052 and, as a result, the municipal bond index rate was used in the determination of the single equivalent interest rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the municipal bond index rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent. Based on fiduciary net position at prior year measurement date, the discount rate of 8.00 percent was used and it was not necessary to calculate the SEIR.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 15,418,420	\$ 10,855,777	\$ 7,097,400
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	\$ 160,307,115	\$ 124,437,898	\$ 95,223,590

H. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

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

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

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

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits.

C. Membership

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

Active plan members	<u><u>625</u></u>
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D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2015 and a measurement date as of June 30, 2017, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

E. Discount Rate

The discount rate used to measure the total pension liability was 3.40 percent. The District discount rate used in the prior measurement date was 3.50 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.

F. Changes in the Net Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2016	\$ 2,075,705
Changes for the year	
Service cost	132,145
Interest	72,669
Benefit payments – employer financed	<u>(142,256)</u>
Total net changes	<u>62,558</u>
Ending balance – June 30, 2017	<u>\$ 2,138,263</u>

Assumption changes since the prior measurement date include the following:

- 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.

G. Net Pension Liability Sensitivity to Discount Rate Changes

The following presents the net pension liability of the District, as well as what the District's net 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	2.40%	3.40%	4.40%
Net pension liability (asset)	\$ 2,265,198	\$ 2,138,263	\$ 2,014,815

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

For the current year ended, the District recognized pension expense of \$204,814. As of year-end, the District reported no deferred outflows of resources or deferred inflows of resources related to this pension plan.

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 pre-fund benefits as determined periodically by the District.

D. Membership

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

Retirees and beneficiaries receiving benefits	105
Active plan members	<u>626</u>
Total members	<u><u>731</u></u>

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

E. Net OPEB Liability of the District

The District’s net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2015. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 25,100,279
Plan fiduciary net position	<u>(10,552,554)</u>
District’s net OPEB liability	<u>\$ 14,547,725</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>42.0%</u>

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.20%
Expected long-term investment return	2.40% (net of investment expenses)
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	7.00% grading to 5.00% over 8 years
Dental trend rate	4.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

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

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

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

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 1.20 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 3.20 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. The District discount rate used in the prior measurement date was 3.50 percent.

I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance – July 1, 2016	\$ 24,060,980	\$ 10,737,072	\$ 13,323,908
Changes for the year			
Service cost	1,037,067	–	1,037,067
Interest	790,623	–	790,623
Contributions – paid through governmental funds	–	475,081	(475,081)
Net investment income	–	128,792	(128,792)
Benefit payments – paid through trust	(313,310)	(313,310)	–
Benefit payments – paid through governmental funds	(475,081)	(475,081)	–
Total net changes	<u>1,039,299</u>	<u>(184,518)</u>	<u>1,223,817</u>
Ending balance – June 30, 2017	<u>\$ 25,100,279</u>	<u>\$ 10,552,554</u>	<u>\$ 14,547,725</u>

Assumption changes since the prior measurement date include the following:

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

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

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.20%	3.20%	4.20%
Net OPEB liability	\$ 17,165,869	\$ 14,547,725	\$ 12,281,054

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

	<u>1% Decrease in Medical Trend Rate</u>	<u>Medical Trend Rate</u>	<u>1% Increase in Medical Trend Rate</u>
OPEB medical trend rate	6.00% decreasing to 4.00% over 8 years	7.00% decreasing to 5.00% over 8 years	8.00% decreasing to 6.00% over 8 years
OPEB medical trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 11,200,493	\$ 14,547,725	\$ 18,671,073

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

For the current year ended, the District recognized OPEB expense of \$1,595,780. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual investment earnings	<u>\$ 103,118</u>	<u>\$ –</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2018	\$ 25,780
2019	\$ 25,780
2020	\$ 25,780
2021	\$ 25,778

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 pre-tax 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 contact 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.

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, 2017

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 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%

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2017

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%

Note 1: **Changes of Benefit Terms** – On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GERF, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Note 2: **Changes in Actuarial Assumptions** – (1) 2015 Changes – 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. (2) 2016 Changes – 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 future 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.

Note 3: 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, 2017

District Fiscal Year-End	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%

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2017

District Fiscal Year-End	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%

Note 1: **Changes of Benefit Terms** – The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions** – (1) 2015 Changes – The annual cost of living adjustment for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. (2) 2016 Changes – The discount rate used to measure the total pension liability was 4.66 percent. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This 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 Net
 Pension Liability and Related Ratios
 Year Ended June 30, 2017

	<u>2017</u>
Total pension liability	
Service cost	\$ 132,145
Interest	72,669
Benefit payments	<u>(142,256)</u>
Net change in total pension liability	62,558
Total pension liability – beginning of year	<u>2,075,705</u>
Total pension liability – end of year	<u>\$ 2,138,263</u>
Covered-employee payroll	<u>\$ 32,571,794</u>
Total pension liability as a percentage of covered-employee payroll	<u>6.56%</u>

Note 1: **Change of 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.

Note 2: The District has not established a trust fund to finance GASB Statement No. 73 related benefits.

Note 3: 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 presented 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, 2017

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 1,037,067
Interest	790,623
Benefit payments	<u>(788,391)</u>
Net change in total OPEB liability	1,039,299
Total OPEB liability – beginning of year	<u>24,060,980</u>
Total OPEB liability – end of year	25,100,279
Plan fiduciary net position	
Contributions	475,081
Investment earnings	128,792
Benefit payments	<u>(788,391)</u>
Net change in plan fiduciary net position	(184,518)
Plan fiduciary net position – beginning of year	<u>10,737,072</u>
Plan fiduciary net position – end of year	<u>10,552,554</u>
Net OPEB liability	<u>\$ 14,547,725</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>42.04%</u>
Covered-employee payroll	<u>\$ 32,754,693</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>44.41%</u>

Note 1: **Change of Assumptions** – The discount rate was changed from 3.50 percent to 3.20 percent.

Note 2: 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, 2017

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

Note: The District implemented GASB Statement Nos. 74 and No. 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2017

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 353,479	\$ 847,545	\$ 1,201,024
Receivables			
Current taxes	–	217,965	217,965
Delinquent taxes	–	5,235	5,235
Accounts and interest	286	707	993
Due from other governmental units	–	76,119	76,119
Inventory	20,726	–	20,726
Prepaid items	2,539	–	2,539
Total assets	\$ 377,030	\$ 1,147,571	\$ 1,524,601
Liabilities			
Salaries payable	\$ 10,091	\$ 17,372	\$ 27,463
Accounts and contracts payable	9,135	8,783	17,918
Due to other governmental units	350	594,249	594,599
Total liabilities	19,576	620,404	639,980
Deferred inflows of resources			
Property taxes levied for subsequent year	–	454,869	454,869
Unavailable revenue – delinquent taxes	–	4,735	4,735
Total deferred inflows of resources	–	459,604	459,604
Fund balances (deficits)			
Nonspendable	23,265	–	23,265
Restricted	334,189	124,606	458,795
Unassigned	–	(57,043)	(57,043)
Total fund balances	357,454	67,563	425,017
Total liabilities, deferred inflows of resources, and fund balances	\$ 377,030	\$ 1,147,571	\$ 1,524,601

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2017

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 418,699	\$ 418,699
Other	525,120	346,852	871,972
State sources	167,139	728,350	895,489
Federal sources	2,239,580	-	2,239,580
Total revenue	<u>2,931,839</u>	<u>1,493,901</u>	<u>4,425,740</u>
Expenditures			
Current			
Food service	2,685,838	-	2,685,838
Community service	-	1,598,002	1,598,002
Capital outlay	82,736	-	82,736
Total expenditures	<u>2,768,574</u>	<u>1,598,002</u>	<u>4,366,576</u>
Excess (deficiency) of revenue over expenditures	163,265	(104,101)	59,164
Other financing sources			
Sale of capital assets	<u>1,270</u>	<u>-</u>	<u>1,270</u>
Net change in fund balances	164,535	(104,101)	60,434
Fund balances			
Beginning of year	<u>192,919</u>	<u>171,664</u>	<u>364,583</u>
End of year	<u>\$ 357,454</u>	<u>\$ 67,563</u>	<u>\$ 425,017</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 8,307,561	\$ 6,866,531
Receivables		
Current taxes	6,371,493	6,791,094
Delinquent taxes	137,637	126,166
Accounts and interest	37,143	599,608
Due from other governmental units	6,296,397	5,598,973
Due from OPEB trust	313,310	664,373
Inventory	38,225	26,119
Prepaid items	–	76,999
	<u>–</u>	<u>76,999</u>
Total assets	<u>\$ 21,501,766</u>	<u>\$ 20,749,863</u>
Liabilities		
Salaries payable	\$ 394,421	\$ 348,202
Accounts and contracts payable	569,384	992,785
Due to other governmental units	1,170,224	1,302,531
Total liabilities	<u>2,134,029</u>	<u>2,643,518</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	11,689,250	12,115,333
Unavailable revenue – delinquent taxes	124,372	126,166
Total deferred inflows of resources	<u>11,813,622</u>	<u>12,241,499</u>
Fund balances (deficits)		
Nonspendable for inventory	38,225	26,119
Nonspendable for prepaids	–	76,999
Restricted for capital projects levy	995,042	990,303
Restricted for operating capital	514,989	226,841
Restricted for achievement and integration	–	104,718
Restricted for Medical Assistance	183,945	–
Assigned for Wellness Expo	1,938	2,880
Assigned for Ship Grant	25,209	25,209
Assigned for Kern Grant	1,805	1,805
Assigned for third party special education	335,054	335,399
Assigned for synthetic turf	300,137	244,560
Assigned for carryover spending	368,137	328,764
Assigned for RLDS playground	1,931	1,431
Assigned for subsequent year's budget	261,140	179,032
Assigned for program initiative	905,027	805,027
Assigned for enrollment	400,000	–
Assigned for future retirement	313,310	–
Assigned for student activities	132,769	105,775
Unassigned – health and safety restricted account deficit	–	(382,204)
Unassigned – long-term facilities maintenance restricted account deficit	(68,471)	–
Unassigned	2,843,928	2,792,188
Total fund balances	<u>7,554,115</u>	<u>5,864,846</u>
	<u>–</u>	<u>–</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,501,766</u>	<u>\$ 20,749,863</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 13,063,758	\$ 13,422,904	\$ 359,146	\$ 12,969,947
Investment earnings (charges)	10,000	(3,423)	(13,423)	26,700
Other	1,236,892	1,595,888	358,996	2,021,508
State sources	44,721,803	45,677,476	955,673	45,073,735
Federal sources	2,445,647	2,083,704	(361,943)	2,051,552
Total revenue	61,478,100	62,776,549	1,298,449	62,143,442
Expenditures				
Current				
Administration				
Salaries	1,629,390	1,669,977	40,587	1,623,685
Employee benefits	581,761	578,521	(3,240)	605,909
Purchased services	70,635	65,212	(5,423)	109,716
Supplies and materials	93,115	107,002	13,887	143,476
Capital expenditures	1,000	-	(1,000)	2,555
Other expenditures	77,879	51,944	(25,935)	46,083
Total administration	2,453,780	2,472,656	18,876	2,531,424
District support services				
Salaries	761,907	718,039	(43,868)	811,831
Employee benefits	263,698	341,770	78,072	267,124
Purchased services	309,288	416,087	106,799	398,296
Supplies and materials	343,770	366,903	23,133	374,448
Capital expenditures	-	-	-	1,418
Other expenditures	8,500	48,118	39,618	15,414
Total district support services	1,687,163	1,890,917	203,754	1,868,531
Elementary and secondary regular instruction				
Salaries	18,691,491	18,441,111	(250,380)	18,465,222
Employee benefits	6,773,947	6,921,963	148,016	7,076,237
Purchased services	1,656,288	2,210,712	554,424	1,464,610
Supplies and materials	719,524	906,181	186,657	722,609
Capital expenditures	59,249	18,050	(41,199)	99,092
Other expenditures	210,056	187,519	(22,537)	10,264
Total elementary and secondary regular instruction	28,110,555	28,685,536	574,981	27,838,034

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	265,858	185,466	(80,392)	238,289
Employee benefits	96,626	60,451	(36,175)	105,857
Purchased services	85,166	25,573	(59,593)	119,546
Supplies and materials	15,650	21,721	6,071	20,664
Other expenditures	—	1,798	1,798	—
Total vocational education instruction	463,300	295,009	(168,291)	484,356
Special education instruction				
Salaries	8,282,117	7,881,416	(400,701)	8,240,225
Employee benefits	3,108,312	2,842,380	(265,932)	3,203,902
Purchased services	811,457	670,503	(140,954)	693,291
Supplies and materials	63,320	70,547	7,227	90,282
Capital expenditures	6,500	—	(6,500)	—
Other expenditures	—	54,191	54,191	4,461
Total special education instruction	12,271,706	11,519,037	(752,669)	12,232,161
Instructional support services				
Salaries	1,914,641	1,771,420	(143,221)	1,471,784
Employee benefits	618,133	594,752	(23,381)	521,993
Purchased services	166,881	171,364	4,483	149,446
Supplies and materials	85,381	193,766	108,385	57,758
Capital expenditures	370,500	186,931	(183,569)	3,424,716
Other expenditures	19,000	17,323	(1,677)	3,020
Total instructional support services	3,174,536	2,935,556	(238,980)	5,628,717
Pupil support services				
Salaries	2,212,421	2,347,836	135,415	2,394,886
Employee benefits	953,676	931,017	(22,659)	996,127
Purchased services	1,663,195	2,069,027	405,832	1,868,035
Supplies and materials	317,565	194,282	(123,283)	188,098
Capital expenditures	1,600	544,031	542,431	203,279
Other expenditures	765	21,268	20,503	465
Total pupil support services	5,149,222	6,107,461	958,239	5,650,890

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,723,479	1,820,230	96,751	1,774,873
Employee benefits	741,798	761,389	19,591	762,548
Purchased services	2,641,512	2,429,507	(212,005)	2,726,904
Supplies and materials	783,954	604,533	(179,421)	589,624
Capital expenditures	552,750	603,531	50,781	542,961
Other expenditures	—	2,498	2,498	—
Total sites and buildings	6,443,493	6,221,688	(221,805)	6,396,910
Fiscal and other fixed cost programs				
Purchased services	297,453	232,614	(64,839)	252,735
Other expenditures	13,000	15,713	2,713	15,747
Total fiscal and other fixed cost programs	310,453	248,327	(62,126)	268,482
Debt service				
Principal	1,234,714	1,210,244	(24,470)	1,225,819
Interest and fiscal charges	143,631	96,758	(46,873)	62,884
Total debt service	1,378,345	1,307,002	(71,343)	1,288,703
Total expenditures	61,442,553	61,683,189	240,636	64,188,208
Excess (deficiency) of revenue over expenditures	35,547	1,093,360	1,057,813	(2,044,766)
Other financing sources				
Capital leases	—	542,446	542,446	3,572,937
Sale of capital assets	—	53,463	53,463	—
Total other financing sources	—	595,909	595,909	3,572,937
Net change in fund balances	\$ 35,547	1,689,269	\$ 1,653,722	1,528,171
Fund balances				
Beginning of year		5,864,846		4,336,675
End of year		\$ 7,554,115		\$ 5,864,846

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 353,479	\$ 260,794
Receivables		
Accounts and interest	286	-
Inventory	20,726	13,766
Prepaid items	2,539	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 377,030</u>	<u>\$ 274,560</u>
Liabilities		
Salaries payable	\$ 10,091	\$ 32,254
Accounts and contracts payable	9,135	32,912
Due to other governmental units	350	285
Unearned revenue	-	16,190
	<u> </u>	<u> </u>
Total liabilities	19,576	81,641
Fund balances		
Nonspendable for inventory	20,726	13,766
Nonspendable for prepaids	2,539	-
Restricted for food service	334,189	179,153
	<u> </u>	<u> </u>
Total fund balances	357,454	192,919
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 377,030</u>	<u>\$ 274,560</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, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ -	\$ -	\$ -	\$ 99
Other – primarily meal sales	419,000	525,120	106,120	447,250
State sources	160,000	167,139	7,139	146,327
Federal sources	2,007,764	2,239,580	231,816	2,093,088
Total revenue	<u>2,586,764</u>	<u>2,931,839</u>	<u>345,075</u>	<u>2,686,764</u>
Expenditures				
Current				
Salaries	704,693	791,836	87,143	792,329
Employee benefits	382,082	374,422	(7,660)	375,481
Purchased services	97,940	116,686	18,746	84,676
Supplies and materials	1,333,698	1,398,048	64,350	1,305,044
Other expenditures	3,000	4,846	1,846	992
Capital outlay	76,300	82,736	6,436	67,934
Total expenditures	<u>2,597,713</u>	<u>2,768,574</u>	<u>170,861</u>	<u>2,626,456</u>
Excess (deficiency) of revenue over expenditures	(10,949)	163,265	174,214	60,308
Other financing sources				
Sale of capital assets	-	1,270	1,270	-
Net change in fund balances	<u>\$ (10,949)</u>	<u>164,535</u>	<u>\$ 175,484</u>	<u>60,308</u>
Fund balances				
Beginning of year		<u>192,919</u>		<u>132,611</u>
End of year		<u>\$ 357,454</u>		<u>\$ 192,919</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 847,545	\$ 319,720
Receivables		
Current taxes	217,965	216,788
Delinquent taxes	5,235	4,471
Accounts and interest	707	293
Due from other governmental units	<u>76,119</u>	<u>98,251</u>
Total assets	<u>\$ 1,147,571</u>	<u>\$ 639,523</u>
Liabilities		
Salaries payable	\$ 17,372	\$ 16,191
Accounts and contracts payable	8,783	9,980
Due to other governmental units	<u>594,249</u>	<u>3,292</u>
Total liabilities	620,404	29,463
Deferred inflows of resources		
Property taxes levied for subsequent year	454,869	433,925
Deferred revenue – delinquent taxes	<u>4,735</u>	<u>4,471</u>
Total deferred inflows of resources	459,604	438,396
Fund balances (deficits)		
Restricted for community education programs	113,426	159,096
Restricted for early childhood family education programs	–	3,905
Restricted for school readiness	–	8,663
Restricted for community service	11,180	–
Unassigned – early childhood family education programs restricted account deficit	(2,127)	–
Unassigned – school readiness restricted account deficit	<u>(54,916)</u>	–
Total fund balances	<u>67,563</u>	<u>171,664</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,147,571</u>	<u>\$ 639,523</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, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Over (Under) Budget	2016
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 610,141	\$ 418,699	\$ (191,442)	\$ 421,326
Investment earnings	–	–	–	903
Other – primarily tuition and fees	643,380	346,852	(296,528)	325,394
State sources	559,062	728,350	169,288	652,220
Federal sources	–	–	–	76,482
Total revenue	<u>1,812,583</u>	<u>1,493,901</u>	<u>(318,682)</u>	<u>1,476,325</u>
Expenditures				
Current				
Salaries	585,069	426,508	(158,561)	407,291
Employee benefits	132,191	170,465	38,274	183,066
Purchased services	1,000,120	898,125	(101,995)	802,367
Supplies and materials	84,103	101,716	17,613	96,467
Other expenditures	10,100	1,188	(8,912)	4,465
Capital outlay	1,000	–	(1,000)	–
Total expenditures	<u>1,812,583</u>	<u>1,598,002</u>	<u>(214,581)</u>	<u>1,493,656</u>
Net change in fund balances	<u>\$ –</u>	<u>(104,101)</u>	<u>\$ (104,101)</u>	<u>(17,331)</u>
Fund balances				
Beginning of year		<u>171,664</u>		<u>188,995</u>
End of year		<u>\$ 67,563</u>		<u>\$ 171,664</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
 Comparative Balance Sheet
 as of June 30, 2017
 (With Comparative Totals as of June 30, 2016)

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2017	2016
Assets				
Cash and temporary investments	\$ 2,287,110	\$ 743,056	\$ 3,030,166	\$ 2,945,101
Cash and investments held by trustee	6,407,950	–	6,407,950	–
Receivables				
Current taxes	2,001,035	486,862	2,487,897	2,560,867
Delinquent taxes	43,644	12,247	55,891	53,208
Accounts and Interest	64,697	–	64,697	–
Due from other governmental units	3,622	–	3,622	19
Total assets	\$ 10,808,058	\$ 1,242,165	\$ 12,050,223	\$ 5,559,195
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 4,175,949	\$ 1,016,031	\$ 5,191,980	\$ 5,125,866
Deferred revenue – delinquent taxes	43,064	12,160	55,224	53,208
Total deferred inflows of resources	4,219,013	1,028,191	5,247,204	5,179,074
Fund balances				
Restricted for debt service	126,436	213,974	340,410	380,121
Restricted for bond refundings	6,462,609	–	6,462,609	–
Total fund balances	6,589,045	213,974	6,803,019	380,121
Total deferred inflows of resources and fund balances	\$ 10,808,058	\$ 1,242,165	\$ 12,050,223	\$ 5,559,195

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2017
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016	
	Budget	Actual		Total	Over (Under) Budget	Actual
		Regular Debt Service Account	OPEB Debt Service Account			
Revenue						
Local sources						
Property taxes	\$ 5,125,285	\$ 3,941,980	\$ 1,011,085	\$ 4,953,065	\$ (172,220)	\$ 4,819,555
Investment earnings	1,700	7,657	–	7,657	5,957	2,473
State sources	–	36,231	1	36,232	36,232	175
Total revenue	<u>5,126,985</u>	<u>3,985,868</u>	<u>1,011,086</u>	<u>4,996,954</u>	<u>(130,031)</u>	<u>4,822,203</u>
Expenditures						
Debt service						
Principal	3,828,306	3,050,000	245,000	3,295,000	(533,306)	3,280,000
Interest	1,211,780	966,718	778,306	1,745,024	533,244	1,914,716
Fiscal charges and other	260,679	77,873	182,806	260,679	–	54,690
Total expenditures	<u>5,300,765</u>	<u>4,094,591</u>	<u>1,206,112</u>	<u>5,300,703</u>	<u>(62)</u>	<u>5,249,406</u>
Excess (deficiency) of revenue over expenditures	(173,780)	(108,723)	(195,026)	(303,749)	(129,969)	(427,203)
Other financing sources (uses)						
Refunding bonds issued	20,420,000	6,130,000	14,290,000	20,420,000	–	4,880,000
Premiums on bonds issued	775,262	409,132	366,129	775,261	(1)	471,341
Bond refunding payments	–	–	(14,468,614)	(14,468,614)	(14,468,614)	(5,300,000)
Total other financing sources (uses)	<u>21,195,262</u>	<u>6,539,132</u>	<u>187,515</u>	<u>6,726,647</u>	<u>(14,468,615)</u>	<u>51,341</u>
Net change in fund balances	<u>\$ 21,021,482</u>	<u>6,430,409</u>	<u>(7,511)</u>	<u>6,422,898</u>	<u>\$(14,598,584)</u>	<u>(375,862)</u>
Fund balances						
Beginning of year		<u>158,636</u>	<u>221,485</u>	<u>380,121</u>		<u>755,983</u>
End of year		<u>\$ 6,589,045</u>	<u>\$ 213,974</u>	<u>\$ 6,803,019</u>		<u>\$ 380,121</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2017
 (With Partial Comparative Information as of June 30, 2016)

	Medical Benefits	Dental Benefits	Totals	
	Self-Insurance	Self-Insurance	2017	2016
Assets				
Current assets				
Cash and temporary investments	\$ 5,412,690	\$ 130,996	\$ 5,543,686	\$ 4,421,375
Receivables				
Accounts	4,347	—	4,347	5,675
Total current assets	<u>5,417,037</u>	<u>130,996</u>	<u>5,548,033</u>	<u>4,427,050</u>
Liabilities				
Current liabilities				
Claims incurred, but not reported	767,940	20,000	787,940	768,636
Unearned revenue	833,024	58,500	891,524	961,367
Total current liabilities	<u>1,600,964</u>	<u>78,500</u>	<u>1,679,464</u>	<u>1,730,003</u>
Net position				
Unrestricted	<u>\$ 3,816,073</u>	<u>\$ 52,496</u>	<u>\$ 3,868,569</u>	<u>\$ 2,697,047</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2017
 (With Partial Comparative Information for the Year Ended June 30, 2016)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2017	2016
Operating revenue				
Contributions from governmental funds	\$ 6,917,443	\$ 549,218	\$ 7,466,661	\$ 6,924,967
Operating expenses				
Medical benefit claims	5,798,417	–	5,798,417	6,350,193
Dental benefit claims	–	496,722	496,722	–
Total operating expenses	<u>5,798,417</u>	<u>496,722</u>	<u>6,295,139</u>	<u>6,350,193</u>
Operating income	1,119,026	52,496	1,171,522	574,774
Nonoperating revenue				
Investment earnings	–	–	–	4,919
Change in net position	1,119,026	52,496	1,171,522	579,693
Net position				
Beginning of year	<u>2,697,047</u>	–	<u>2,697,047</u>	<u>2,117,354</u>
End of year	<u>\$ 3,816,073</u>	<u>\$ 52,496</u>	<u>\$ 3,868,569</u>	<u>\$ 2,697,047</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2017

(With Partial Comparative Information for the Year Ended June 30, 2016)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2017	2016
Cash flows from operating activities				
Contributions from governmental funds	\$ 6,865,428	\$ 532,718	\$ 7,398,146	\$ 6,937,271
Payments for medical claims	(5,743,117)	–	(5,743,117)	(6,321,076)
Payments for dental claims	–	(532,718)	(532,718)	–
Net cash flows from operating activities	1,122,311	–	1,122,311	616,195
Cash flows from investing activities				
Investment income received	–	–	–	4,919
Net change in cash and cash equivalents	1,122,311	–	1,122,311	621,114
Cash and cash equivalents				
Beginning of year	4,290,379	130,996	4,421,375	3,800,261
End of year	\$ 5,412,690	\$ 130,996	\$ 5,543,686	\$ 4,421,375
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 1,119,026	\$ 52,496	1,171,522	\$ 574,774
Adjustments to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts receivable	1,328	–	1,328	4,802
Claims payable	55,300	(35,996)	19,304	29,117
Unearned revenue	(53,343)	(16,500)	(69,843)	7,502
Net cash flows from operating activities	\$ 1,122,311	\$ –	\$ 1,122,311	\$ 616,195

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	
2008	\$ 1,477,447 2.6%	\$ 8,581,588 15.2%	\$ 13,856,102 24.6%	\$ 30,186,960 53.6%	\$ 2,249,216 4.0%	\$ 56,351,313 100.0%
2009	1,336,533 2.3%	8,756,114 15.2%	14,821,178 25.8%	31,124,669 54.1%	1,484,407 2.6%	57,522,901 100.0%
2010	1,317,261 2.3%	9,590,517 16.7%	15,565,797 27.2%	29,656,010 51.8%	1,148,554 2.0%	57,278,139 100.0%
2011	1,351,240 2.3%	10,298,601 17.2%	20,230,069 33.7%	27,076,258 45.1%	1,021,567 1.7%	59,977,735 100.0%
2012	1,323,815 2.2%	9,293,298 15.5%	15,535,989 25.9%	32,608,548 54.4%	1,140,976 2.0%	59,902,626 100.0%
2013	1,424,268 2.3%	9,746,687 15.6%	16,830,692 26.9%	33,166,877 53.1%	1,332,852 2.1%	62,501,376 100.0%
2014	1,583,759 2.4%	10,968,097 16.6%	13,361,381 20.2%	39,261,648 59.3%	1,060,054 1.5%	66,234,939 100.0%
2015	1,381,895 2.0%	10,858,507 15.8%	18,478,774 26.9%	36,866,254 53.8%	987,311 1.5%	68,572,741 100.0%
2016	1,584,189 2.2%	12,316,562 17.3%	18,231,651 25.6%	37,777,017 53.1%	1,245,057 1.8%	71,154,476 100.0%
2017	1,560,266 2.1%	12,880,552 17.4%	18,795,154 25.5%	39,625,932 53.7%	932,227 1.3%	73,794,131 100.0%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Expenses by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2008	\$ 2,168,712 3.9%	\$ 1,677,360 3.0%	\$ 23,719,658 42.7%	\$ 713,696 1.3%	\$ 8,359,431 15.1%	\$ 1,365,116 2.5%	\$ 4,466,203 8.0%
2009	2,325,051 4.0%	1,352,282 2.3%	24,404,170 41.8%	811,352 1.4%	8,683,632 14.9%	1,476,300 2.5%	4,725,255 8.1%
2010	2,408,132 4.0%	1,387,693 2.3%	24,525,779 40.8%	804,192 1.3%	9,356,398 15.6%	1,729,489 2.9%	4,423,174 7.4%
2011	2,364,391 3.9%	1,365,550 2.2%	25,498,288 41.8%	752,047 1.2%	9,275,816 15.2%	1,439,697 2.4%	4,514,682 7.4%
2012	2,469,933 3.9%	1,427,634 2.3%	26,191,779 41.5%	725,344 1.1%	9,935,410 15.7%	1,442,920 2.3%	4,942,630 7.8%
2013	2,463,144 3.9%	1,344,273 2.1%	26,204,800 41.5%	552,076 0.9%	10,325,009 16.3%	1,315,674 2.1%	5,014,798 7.9%
2014	2,704,943 4.2%	1,367,285 2.1%	26,209,555 40.5%	523,544 0.8%	10,709,470 16.5%	2,665,280 4.1%	5,612,101 8.7%
2015	2,780,256 4.2%	1,350,886 2.0%	27,446,721 41.0%	439,443 0.7%	11,177,578 16.7%	2,855,239 4.3%	5,511,201 8.2%
2016	2,441,557 3.4%	1,879,857 2.6%	28,500,351 39.3%	499,839 0.7%	12,410,065 17.1%	5,673,182 7.8%	5,619,303 7.7%
2017	3,205,654 3.7%	1,941,718 2.2%	40,383,383 46.1%	453,790 0.5%	15,977,707 18.2%	3,615,236 4.1%	6,640,241 7.6%

<u>Sites and Buildings</u>	<u>Fiscal and Other Fixed Cost Programs</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Unallocated Depreciation</u>	<u>Interest and Fiscal Charges</u>	<u>Total</u>
\$ 5,917,173 10.7%	\$ 221,147 0.4%	\$ 1,471,722 2.7%	\$ 1,271,519 2.3%	\$ 2,356,446 4.2%	\$ 1,825,296 3.2%	\$ 55,533,479 100.0%
6,399,723 11.0%	315,921 0.5%	1,501,484 2.6%	1,291,549 2.2%	2,690,491 4.6%	2,360,774 4.1%	58,337,984 100.0%
6,803,508 11.3%	216,135 0.4%	1,570,841 2.6%	1,289,240 2.1%	3,014,043 5.0%	2,606,195 4.3%	60,134,819 100.0%
6,732,002 11.0%	220,807 0.4%	1,809,824 3.0%	1,320,500 2.2%	3,066,722 5.0%	2,675,391 4.3%	61,035,717 100.0%
6,635,565 10.5%	233,039 0.4%	1,985,798 3.1%	1,307,059 2.1%	3,216,881 5.1%	2,613,772 4.2%	63,127,764 100.0%
6,654,356 10.5%	251,815 0.4%	2,086,777 3.3%	1,245,474 2.0%	3,219,889 5.1%	2,483,173 4.0%	63,161,258 100.0%
5,136,435 7.9%	279,042 0.4%	2,372,816 3.7%	1,335,512 2.1%	3,296,138 5.1%	2,577,800 3.9%	64,789,921 100.0%
6,124,862 9.1%	318,428 0.5%	2,390,570 3.6%	1,344,766 2.0%	3,246,459 4.8%	1,957,346 2.9%	66,943,755 100.0%
5,901,471 8.1%	268,482 0.4%	2,675,729 3.7%	1,519,388 2.1%	3,234,815 4.5%	1,903,059 2.6%	72,527,098 100.0%
5,733,901 6.5%	248,327 0.3%	2,771,245 3.2%	1,668,349 1.9%	3,235,338 3.7%	1,766,334 2.0%	87,641,223 100.0%

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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
2008	\$ 9,524,201 19.3%	\$ 34,942,045 70.7%	\$ 2,260,546 4.6%	\$ 2,707,289 5.4%	\$ 49,434,081 100.0%
2009	10,545,970 20.8%	35,683,368 70.5%	2,361,394 4.7%	2,036,664 4.0%	50,627,396 100.0%
2010	11,237,159 22.4%	31,609,959 62.9%	5,584,065 11.1%	1,806,853 3.6%	50,238,036 100.0%
2011	14,917,502 28.6%	31,958,208 61.4%	3,358,156 6.4%	1,845,918 3.6%	52,079,784 100.0%
2012	10,587,151 20.4%	37,026,885 71.3%	2,497,377 4.8%	1,819,060 3.5%	51,930,473 100.0%
2013	11,353,435 21.0%	38,123,440 70.7%	2,391,684 4.4%	2,088,697 3.9%	53,957,256 100.0%
2014	7,594,508 13.3%	44,992,848 78.8%	2,671,161 4.7%	1,837,042 3.2%	57,095,559 100.0%
2015	12,429,665 21.0%	42,796,472 72.3%	2,268,868 3.8%	1,667,896 2.9%	59,162,901 100.0%
2016	12,969,947 20.9%	45,073,735 72.5%	2,051,552 3.3%	2,048,208 3.3%	62,143,442 100.0%
2017	13,422,904 21.4%	45,677,476 72.8%	2,083,704 3.3%	1,592,465 2.5%	62,776,549 100.0%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2008	\$ 2,164,045 4.0%	\$ 1,625,689 3.0%	\$ 23,842,763 44.0%	\$ 699,572 1.3%	\$ 8,109,396 15.0%
2009	2,991,419 4.6%	1,637,303 2.5%	31,655,973 49.0%	997,170 1.5%	11,003,461 17.0%
2010	2,236,456 4.3%	1,344,757 2.6%	23,715,332 46.1%	783,680 1.5%	9,090,519 17.7%
2011	2,371,106 4.4%	1,339,401 2.5%	25,134,023 47.0%	731,005 1.4%	9,100,333 17.0%
2012	2,353,857 4.3%	1,365,761 2.5%	25,066,366 46.1%	695,800 1.3%	9,548,848 17.5%
2013	2,352,202 4.3%	1,333,360 2.4%	25,418,747 46.3%	531,952 1.0%	10,195,144 18.6%
2014	2,485,240 4.4%	1,322,189 2.4%	25,989,323 46.3%	506,708 0.9%	10,657,828 19.0%
2015	2,562,193 4.4%	1,307,061 2.3%	27,005,565 46.6%	417,657 0.7%	11,046,981 19.1%
2016	2,531,424 3.9%	1,868,531 2.9%	27,838,034 43.4%	484,356 0.8%	12,232,161 19.1%
2017	2,472,656 4.0%	1,890,917 3.1%	28,685,536 46.5%	295,009 0.5%	11,519,037 18.7%

Note: In 2009, General Fund expenditures were increased due to the District issuing \$15.9 million of general obligation OPEB bonds and contributing the proceeds to an irrevocable trust.

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
\$ 1,494,843 2.8%	\$ 4,404,722 8.1%	\$ 11,085,772 20.5%	\$ 748,213 1.3%	\$ 54,175,015 100.0%
1,811,565 2.8%	5,270,777 8.2%	8,358,322 12.9%	820,050 1.5%	64,546,040 100.0%
1,615,364 3.1%	4,525,761 8.8%	7,349,636 14.3%	816,402 1.6%	51,477,907 100.0%
1,324,449 2.5%	4,565,045 8.5%	7,979,702 14.9%	907,385 1.8%	53,452,449 100.0%
1,312,859 2.4%	4,880,377 9.0%	8,306,378 15.3%	894,205 1.6%	54,424,451 100.0%
1,255,126 2.3%	5,096,974 9.3%	7,905,507 14.4%	847,840 1.4%	54,936,852 100.0%
2,633,320 4.7%	5,470,787 9.7%	6,160,962 11.0%	935,255 1.6%	56,161,612 100.0%
2,816,864 4.9%	5,537,272 9.5%	6,402,196 11.0%	886,727 1.5%	57,982,516 100.0%
5,628,717 8.8%	5,650,890 8.8%	6,396,910 10.0%	1,557,185 2.3%	64,188,208 100.0%
2,935,556 4.8%	6,107,461 9.9%	6,221,688 10.1%	1,555,329 2.4%	61,683,189 100.0%

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				
2008	\$ 10,660,102	\$ 378,705	\$ 4,050,896	\$ 15,089,703
2009	11,023,528	441,038	4,111,718	15,576,284
2010	11,061,218	426,230	4,911,509	16,398,957
2011	10,915,132	437,571	5,016,610	16,369,313
2012	10,894,520	443,325	5,195,929	16,533,774
2013	11,681,439	448,603	5,517,081	17,647,123
2014	12,413,561	440,121	5,510,138	18,363,820
2015	12,781,122	423,798	4,848,050	18,052,970
2016	13,591,717	433,925	5,125,866	19,151,508
2017	13,295,212	454,869	5,191,980	18,942,061
Tax capacity rates				
2008	10.912	0.937	10.022	21.871
2009	11.605	1.112	10.366	23.083
2010	10.511	1.045	12.041	23.597
2011	12.251	1.164	13.344	26.759
2012	12.690	1.274	14.930	28.894
2013	13.710	1.301	16.000	31.011
2014	16.834	1.280	16.024	34.138
2015	14.207	1.001	11.451	26.659
2016	15.664	1.023	12.084	28.771
2017	14.988	0.972	11.094	27.054

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Tax Capacities
Last Ten Fiscal Years

For Taxes Collectible	Non-Agricultural	Fiscal Disparities		Tax Increment	Total Tax Capacity
		Contribution	Distribution		
2008	\$ 55,347,795	\$ (6,993,569)	\$ 4,541,436	\$ (12,350,950)	\$ 40,544,712
2009	55,428,070	(7,867,269)	5,172,026	(12,812,496)	39,920,331
2010	51,590,968	(8,248,701)	5,840,702	(8,257,111)	40,925,858
2011	47,080,701	(7,864,995)	5,837,868	(7,011,033)	38,042,541
2012	43,229,608	(6,938,495)	6,030,051	(7,016,169)	35,304,995
2013	41,734,658	(5,994,792)	5,395,576	(6,266,994)	34,868,448
2014	42,259,288	(6,684,990)	5,690,941	(6,640,874)	34,624,365
2015	46,463,214	(6,982,700)	5,553,498	(4,097,780)	40,936,232
2016	49,828,563	(7,775,655)	5,480,389	(4,809,613)	42,723,684
2017	53,877,113	(8,342,402)	6,063,378	(5,498,277)	46,099,812

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2008	\$ 13,059,904	\$ 1,648,768	\$ 381,031	\$ 15,089,703
2009	13,256,011	1,930,717	389,556	15,576,284
2010	13,654,333	2,293,410	451,214	16,398,957
2011	13,543,572	2,346,823	478,918	16,369,313
2012	13,908,410	2,625,364	–	16,533,774
2013	15,083,955	2,563,168	–	17,647,123
2014	15,451,538	2,912,282	–	18,363,820
2015	15,087,402	2,965,568	–	18,052,970
2016	16,814,889	2,336,619	–	19,151,508
2017	16,204,749	2,737,312	–	18,942,061

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

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

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2017

Delinquent		Current	
Amount	Percent	Amount	Percent
\$ -	- %	\$ -	- %
-	-	-	-
-	-	-	-
-	-	-	-
3,216	0.02	-	-
20,317	0.12	-	-
31,414	0.17	-	-
52,597	0.29	-	-
91,219	0.48	-	-
-	-	<u>9,077,355</u>	47.92
<u>\$ 198,763</u>		<u>\$ 9,077,355</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	
2008	56.82	294.75	1,678.48	2,052.78	4,082.83	4,743.93
2009	86.06	297.94	1,671.79	2,002.86	4,058.65	4,705.49
2010	89.40	299.62	1,711.45	1,914.15	4,014.62	4,638.40
2011	81.61	354.20	1,861.51	1,858.49	4,155.81	4,753.31
2012	82.28	403.87	1,978.34	1,844.21	4,308.70	4,893.13
2013	97.00	407.88	2,063.44	1,853.72	4,422.04	5,017.11
2014	78.03	373.05	2,094.56	1,838.06	4,383.70	4,991.76
2015	90.27	369.00	2,151.30	1,761.09	4,371.66	4,723.88
2016	84.62	329.47	2,136.43	1,813.32	4,363.84	4,726.49
2017	142.39	290.93	2,111.49	1,806.31	4,351.12	4,712.41

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 2008 through 2014	Various	0.612	1.115	1.060	1.300
Fiscal 2015 through 2017	1.000	0.550/1.000	1.000	1.000	1.200

OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	Noncash Assistance
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	\$ 516,047	
National School Lunch Program	10.555	1,499,370	\$ 162,915
Summer Food Service Program for Children	10.559	<u>89,630</u>	
Total child nutrition cluster		\$ 2,105,047	
Fresh Fruit and Vegetable Program	10.582	134,533	
U.S. Department of Education			
Passed through Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010	1,039,756	
Special education cluster			
Special Education – Grants to States	84.027	586,731	
Special Education – Preschool Grants	84.173	<u>24,334</u>	
Total special education cluster		611,065	
Special Education – Grants for Infants and Families	84.181	9,958	
English Language Acquisition State Grants	84.365	250,063	
Supporting Effective Instruction State Grant	84.367	157,549	
Passed through Southwest Metro Educational Cooperative			
Career and Technical Education – Basic Grants to States	84.048	11,313	
U.S. Department of Health and Human Services			
Passed through Minnesota Department of Education			
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance			
	93.079	<u>4,000</u>	
Total expenditures of federal awards		<u>\$ 4,323,284</u>	

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

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 28, 2017

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 (OMB) *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, 2017. 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, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
Minneapolis, Minnesota
November 28, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2017.

MINNESOTA LEGAL COMPLIANCE

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 28, 2017

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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? Unmodified
 Qualified
 Adverse
 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?
 Unmodified
 Qualified
 Adverse
 Disclaimer

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	CFDA No.
The U.S. Department of Agriculture child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Summer Food Service Program for Children	10.559

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, 2017

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S DEPARTMENT OF AGRICULTURE PASSED THROUGH THE MINNESOTA DEPARTMENT OF EDUCATION – CHILD NUTRITION CLUSTER – CFDA NOS. 10.553, 10.555, AND 10.559

2017-001 Internal Control Deficiency – Special Tests and Provisions – Paid Lunch Equity

Criteria – 7 CFR § 210.14(e) – child nutrition cluster federal reimbursement equity calculation compliance requirements.

Condition – Independent School District No. 280 (the District) did not have adequate internal controls in place to ensure the required paid lunch equity calculation was completed accurately to ensure compliance with the paid lunch equity pricing requirements.

Questioned Costs – None. Our testing did not indicate any instance of noncompliance.

Context – This condition applies to special tests and provisions requirements as noted above. This was not a statistically valid sample.

Repeat Finding – This is a current year finding only.

Cause – The District representative responsible for completing the calculation did not have a full understanding of it, which resulted in the calculation being done inaccurately.

Effect – This District could have been out of compliance with this requirement and not known it.

Recommendation – We recommend that the Director of Food and Nutrition review the paid lunch equity calculation to become more familiar with it to ensure compliance with the paid lunch equity requirement in the future.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District's Chief Human Resources and Administrative Officer will oversee the periodic completion of the paid lunch equity calculation and ensure compliance with this requirement in the future. The District has separately issued a Corrective Action Plan related to this finding.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2017

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 62,776,549	\$ 62,776,548	\$ 1
Total expenditures		\$ 61,683,189	\$ 61,683,188	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ 38,225	\$ 38,225	\$ –
Restricted				
403	Staff development	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ 995,042	\$ 995,042	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Project funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ 514,989	\$ 514,989	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ (68,471)	\$ (68,471)	\$ –
472	Medical Assistance	\$ 183,945	\$ 183,945	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 3,046,457	\$ 3,046,457	\$ –
Unassigned				
422	Unassigned fund balance	\$ 2,843,928	\$ 2,843,928	\$ –
Food Service				
Total revenue		\$ 2,931,839	\$ 2,931,837	\$ 2
Total expenditures		\$ 2,768,574	\$ 2,768,572	\$ 2
Nonspendable				
460	Nonspendable fund balance	\$ 23,265	\$ 23,265	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 334,189	\$ 334,189	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ 1,493,901	\$ 1,493,901	\$ –
Total expenditures		\$ 1,598,002	\$ 1,598,002	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 113,426	\$ 113,426	\$ –
432	ECFE	\$ (2,127)	\$ (2,127)	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ (54,916)	\$ (54,916)	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 11,180	\$ 11,180	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2017

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Project funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ 3,985,868	\$ 3,985,867	\$ 1
Total expenditures		\$ 4,094,591	\$ 4,094,590	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ 6,462,609	\$ 6,462,609	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 126,436	\$ 126,436	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ 37,169	\$ 37,169	\$ –
Total expenditures		\$ 42,172	\$ 42,172	\$ –
422	Net position	\$ 438,490	\$ 438,490	\$ –
Internal Service				
Total revenue		\$ 7,466,661	\$ 7,466,661	\$ –
Total expenditures		\$ 6,295,139	\$ 6,295,139	\$ –
422	Net position	\$ 3,868,569	\$ 3,868,569	\$ –
OPEB Revocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund				
Total revenue		\$ 128,792	\$ 128,792	\$ –
Total expenditures		\$ 313,310	\$ 313,310	\$ –
422	Net position	\$ 10,552,554	\$ 10,552,554	\$ –
OPEB Debt Service Fund				
Total revenue		\$ 1,011,086	\$ 1,011,086	\$ –
Total expenditures		\$ 1,206,112	\$ 1,206,112	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 213,974	\$ 213,974	\$ –
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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