INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2018

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INDEPENDENT SCHOOL DISTRICT NO. 280

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2018

SCHOOL BOARD

	Position
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 Administrative Officer
Jim Gilligan	Director of Finance

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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
Jaclyn M. Huegel, CPA

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 280 (the District) as of and for the year ended June 30, 2018, 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)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

The supplemental information, Schedule of Expenditures of Federal Awards, and UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2017 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 28, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 5, 2018

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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, 2018. 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, 2018 by $64,188,683 (deficit net position). Government-wide revenues totaled $73,344,894, and expenses were $84,795,169. As a result, the District's total net position decreased by $11,450,275 during the fiscal year ended June 30, 2018.

- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of $9,152,879, an increase of $1,598,764 from the prior year. The unrestricted portion of the year-end fund balance (assigned and unassigned) was $6,134,833, which represents 9.9 percent of annual General Fund expenditures based on fiscal 2018 expenditure levels. The unassigned fund balance (excluding restricted fund balance account deficits) was $3,392,874, which represents 5.5 percent of General Fund expenditures and falls within the target range identified in Board Policy 701 of 4.0–8.0 percent unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;

- Management's discussion and analysis;

- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;

- Required supplementary information; and

- Supplemental information consisting of combining and individual fund statements and schedules.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary of Net Position
as of June 30, 2018 and 2017

	2018	2017
Assets		
Current and other assets	$ 162,387,987	$ 40,624,623
Capital assets, net of depreciation	48,119,129	48,742,808
Total assets	$ 210,507,116	$ 89,367,431
Deferred outflows of resources		
Pension plan deferments	$ 62,497,426	$ 84,701,332
OPEB plan deferments	187,457	103,118
Deferred charges on refunding	588,172	656,366
Total deferred outflows of resources	$ 63,273,055	$ 85,460,816
Liabilities		
Current and other liabilities	$ 6,432,210	$ 5,127,554
Long-term liabilities, including due within one year	278,216,368	203,376,504
Total liabilities	$ 284,648,578	$ 208,504,058
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 24,975,435	$ 17,336,099
Pension plan deferments	23,054,238	1,726,498
OPEB plan deferments	5,290,603	–
Total deferred inflows of resources	$ 53,320,276	$ 19,062,597
Net position		
Net investment in capital assets	$ 22,157,711	$ 21,335,810
Restricted	2,844,486	2,123,728
Unrestricted	(89,190,880)	(76,197,946)
Total net position	$ (64,188,683)	$ (52,738,408)

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

Total net position decreased by $11,450,275 in 2018. Changes in the District's proportionate share of two state-wide pension plans contributed to the decrease in unrestricted net position, the changes in deferred inflows and outflows of resources, and the change in long-term liabilities.

The increases in current assets and long-term liabilities were also impacted by the District issuing $116.2 million of bonds during the year to finance various improvement projects.

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

Table 2
Change in Net Position
for the Years Ended June 30, 2018 and 2017

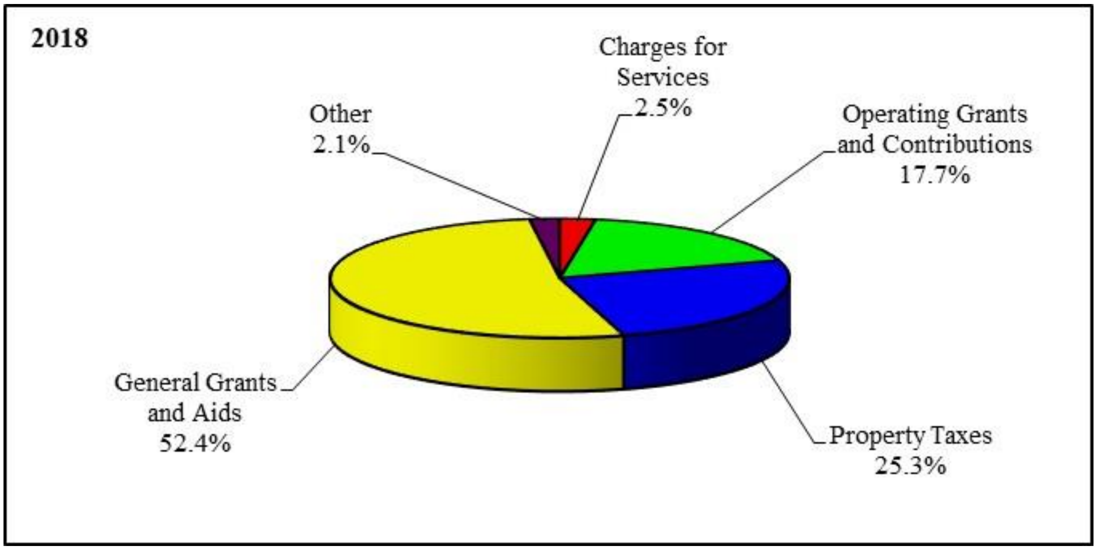
	2018	2017
Revenues		
Program revenues		
Charges for services	$ 1,833,335	$ 1,560,266
Operating grants and contributions	12,985,765	12,880,552
General revenues		
Property taxes	18,537,869	18,795,154
General grants and aids	38,449,108	39,625,932
Other	1,538,817	932,227
Total revenues	73,344,894	73,794,131
Expenses		
Administration	3,226,510	3,205,654
District support services	2,209,014	1,941,718
Elementary and secondary regular instruction	35,798,892	40,383,383
Vocational education instruction	537,777	453,790
Special education instruction	15,041,531	15,977,707
Instructional support services	3,927,678	3,615,236
Pupil support services	6,395,379	6,640,241
Sites and buildings	7,243,559	5,733,901
Fiscal and other fixed cost programs	233,841	248,327
Food service	2,645,759	2,771,245
Community service	1,703,165	1,668,349
Unallocated depreciation	3,253,593	3,235,338
Interest and fiscal charges	2,578,471	1,766,334
Total expenses	84,795,169	87,641,223
Change in net position	(11,450,275)	(13,847,092)
Net position – beginning	(52,738,408)	(38,891,316)
Net position – ending	$ (64,188,683)	$ (52,738,408)

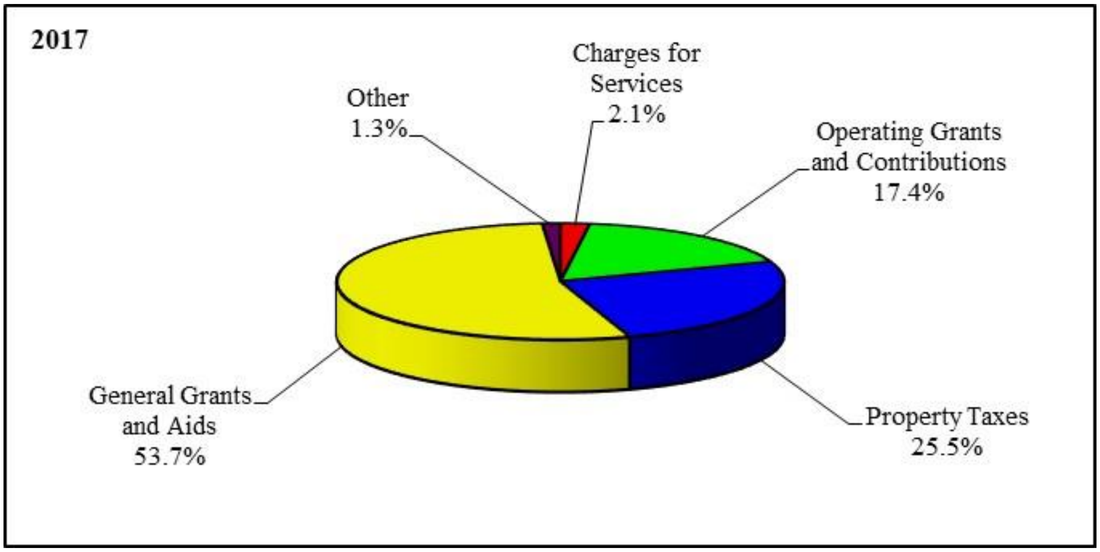
This table is presented on an accrual basis of accounting, and includes all governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenues for fiscal year 2018 were $449,237 lower than last year, mainly due to a decrease in revenue for state pass-through contributions to the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans. Expenses decreased $2,846,054 compared to fiscal year 2017 levels, which primarily reflects lower current year costs for pensions and OPEB.

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

Figure A – Sources of Revenue for Fiscal Years 2018 and 2017

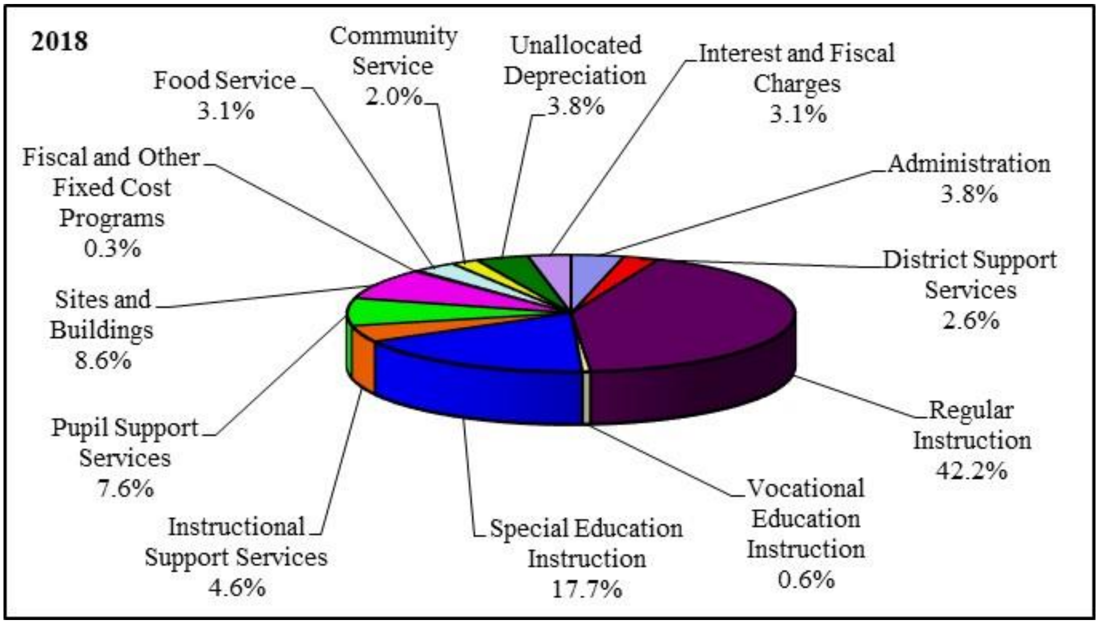


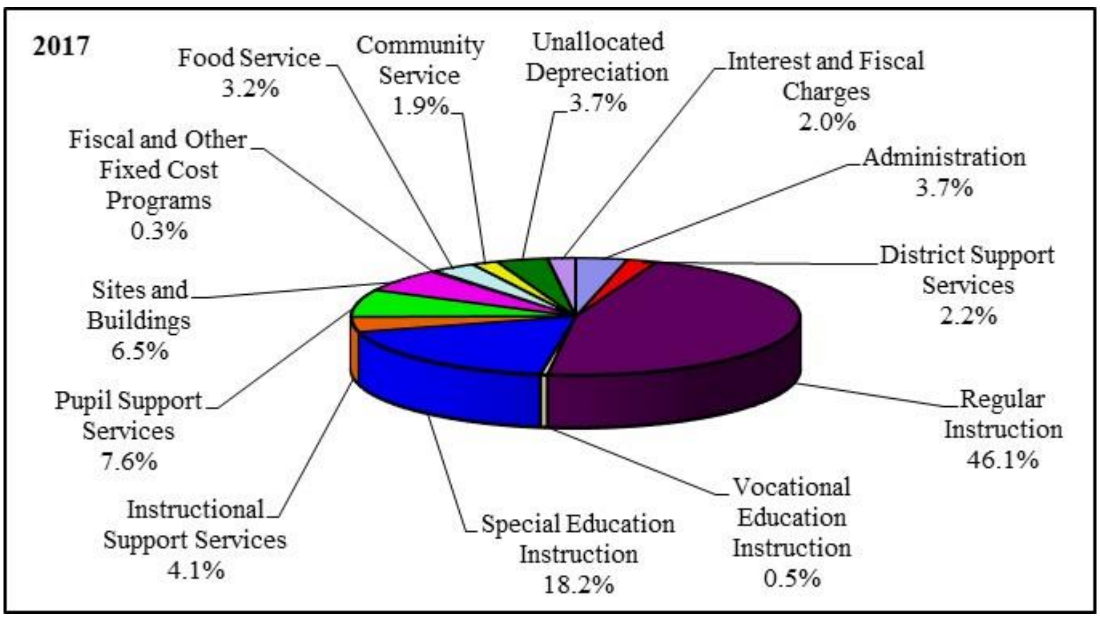


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts as a result of limited funding increases in recent years.

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 2018 and 2017





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:

Table 3
Governmental Fund Balances
as of June 30, 2018 and 2017

	2018	2017	Increase (Decrease)
Major funds			
General	$ 9,152,879	$ 7,554,115	$ 1,598,764
Capital Projects – Building Construction	117,418,610	–	117,418,610
Debt Service	379,815	6,803,019	(6,423,204)
Nonmajor funds			
Food Service Special Revenue	431,368	357,454	73,914
Community Service Special Revenue	531,089	67,563	463,526
Total governmental funds	$ 127,913,761	$ 14,782,151	$ 113,131,610

In 2018, the General Fund balance increased $1,598,764, mainly due to conservative budgeting and cost containment measures, as well as the increase in students served and the state aid formula.

The Capital Projects – Building Construction Fund increased $117,418,610, due to the issuance of school building bonds and facilities maintenance bonds during fiscal 2018.

The Debt Service Fund decreased $6,423,204, which was due to the issuance of Alternative Facilities Refunding Bonds, Series 2017B, the proceeds of which have been paid from an escrow account for debt refunding.

The increase in the Food Service Special Revenue Fund of $73,914 was mainly due to additional participation in the program.

The increase in the Community Service Special Revenue Fund was mainly due to the District bringing community education programs in-house for fiscal 2018. The programs were previously offered through a cooperative agreement with another district.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 60,325,865	$ 63,285,509	$ 2,959,644	4.9%
Expenditures	$ 60,587,005	$ 62,758,321	$ 2,171,316	3.6%
Other financing sources	$ –	$ 503,592	$ 503,592	100.0%

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

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

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2018 Actual	Amount	Percent	Amount	Percent
Revenue	$ 63,027,611	$ (257,898)	(0.4%)	$ 251,062	0.4%
Expenditures	61,992,766	$ (765,555)	(1.2%)	$ 309,577	0.5%
Other financing sources	563,919	$ 60,327	12.0%	$ (31,990)	(5.4%)
Net change in fund balances	$ 1,598,764				

The increase in 2018 actual revenue is largely due to increases in state general education and special education aids. The expenditure increase was mainly in purchased service, which were about $756,000 higher than last year, mainly due to the contract increase for transportation. Budget to actual variances in revenue were due to an unusually high level of tax cancellations and abatement.

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, 2018 and 2017:

Table 6
Capital Assets

	2018	2017	Change
Land	$ 349,265	$ 349,265	$ –
Construction in process	1,873,014	100,000	1,773,014
Land improvements	6,573,702	6,573,702	–
Buildings	89,243,749	88,977,909	265,840
Equipment	8,841,792	8,176,873	664,919
Less accumulated depreciation	(58,762,393)	(55,434,941)	(3,327,452)
Total	$ 48,119,129	$ 48,742,808	$ (623,679)
Depreciation expense	$ 3,575,837	$ 3,490,836	$ 85,001

The increase in equipment is due to a number of bus purchases. The increase in construction in progress is due to capital spending for various improvement projects at district sites.

Long-Term Liabilities

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

Table 7
Outstanding Long-Term Liabilities

	2018	2017	Change
General obligation bonds	$ 148,725,000	$ 42,670,000	$ 106,055,000
Premiums	5,512,644	2,165,157	3,347,487
Discounts	–	(38,355)	38,355
Capital leases	3,151,030	3,847,595	(696,565)
Net pension liability	109,108,759	137,431,938	(28,323,179)
Net OPEB liability	9,113,416	14,547,725	(5,434,309)
Compensated absences	428,502	467,349	(38,847)
Severance benefits	2,177,017	2,285,095	(108,078)
Total	$ 278,216,368	$ 203,376,504	$ 74,839,864

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

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

Table 8
Limitations on Debt

District's market value	$ 4,565,373,703
Limit rate	15.0%
Legal debt limit	$ 684,806,055

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. For the 2019 fiscal year, the Legislature added $124, or 2 percent, per pupil to the basic general education funding formula.

In November 2017, voters approved authorization to increase the excess operating referendum by $450, revoking the previous authority of $964.60, plus inflationary increases and replacing it with a level $1,414.60. With the additional funding, the District targeted reducing class sizes, improving course offerings and stabilizing educational programming beginning in the 2018–2019 school year. In addition, voters approved a bond issue for $86,800,000 to provide facility improvements focused on deferred maintenance, safety and improved instructional facilities. This is being combined with $32,430,000 in School Board-authorized bond projects for indoor air quality improvements as part of a multi-year improvement project with construction scheduled to begin in the spring of 2019.

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 program has continued to grow, currently serving 183 students in 2018–2019. Based on state legislation, in the fall of 2019 this funding is anticipated to return to the original level received in 2016, reducing programming in Richfield, unless the Minnesota Legislature takes further action.

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. In the fall of 2018, the District provided increased access by students to technology devices through a program that provides devices at a 1:1 ratio for secondary students and a 2:1 ratio for elementary students. 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 implemented a new seven-period day schedule at Richfield High School, as well as new literacy and math programming in the District.

The District continues to expand its enrichment opportunities for all students and is enhancing its gifted and talented programs, as well as dual-credit programs, which provide opportunities for students to receive college credits while attending Richfield High School. In total, 231 students participated in College in the Schools programming, earning 1,934 credits from the University of Minnesota worth $952,157 in 2017–2018. 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 Grade 12, which was partially offset in average daily membership for the District by the addition of a fiscal host agreement with Intermediate School District No. 287 for the South Education Center Academy Program. 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. Enrollment remained relatively constant in fiscal year 2018. 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, 2018
(With Partial Comparative Information as of June 30, 2017)

	Governmental Activities	
	2018	2017
Assets		
Cash and temporary investments	$ 139,838,923	$ 18,082,437
Receivables		
Current taxes	13,128,069	9,077,355
Delinquent taxes	147,827	198,763
Accounts and interest	528,084	52,521
Due from fiduciary fund	917,335	313,310
Due from other governmental units	6,702,692	6,376,138
Inventory	55,299	58,951
Prepaid items	1,069,758	2,539
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	2,222,279	449,265
Depreciated, net of accumulated depreciation	45,896,850	48,293,543
Total capital assets, net of accumulated depreciation	48,119,129	48,742,808
Total assets	210,507,116	89,367,431
Deferred outflows of resources		
Pension plan deferments	62,497,426	84,701,332
Other post-employment benefits plan deferments	187,457	103,118
Deferred charges on refunding	588,172	656,366
Total deferred outflows of resources	63,273,055	85,460,816
Total assets and deferred outflows of resources	$ 273,780,171	$ 174,828,247
Liabilities		
Salaries payable	$ 517,609	$ 421,884
Accounts and contracts payable	1,548,775	587,302
Accrued interest payable	1,962,668	674,081
Due to other governmental units	1,075,907	1,764,823
Unearned revenue	895,389	891,524
Claims incurred, but not reported	431,862	787,940
Long-term liabilities		
Due within one year	5,380,529	11,946,895
Due in more than one year	272,835,839	191,429,609
Total long-term liabilities	278,216,368	203,376,504
Total liabilities	284,648,578	208,504,058
Deferred inflows of resources		
Property taxes levied for subsequent year	24,975,435	17,336,099
Pension plan deferments	23,054,238	1,726,498
Other post-employment benefits plan deferments	5,290,603	–
Total deferred inflows of resources	53,320,276	19,062,597
Net position		
Net investment in capital assets	22,157,711	21,335,810
Restricted for		
Capital asset acquisition	981,810	1,510,031
Food service	431,368	357,454
Community service	533,858	72,298
Other state funding restrictions	897,450	183,945
Unrestricted	(89,190,880)	(76,197,946)
Total net position	(64,188,683)	(52,738,408)
Total liabilities, deferred inflows of resources, and net position	$ 273,780,171	$ 174,828,247

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Activities
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

		2018			2017
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 3,226,510	$ 305,258	$ 61,149	$ (2,860,103)	$ (2,886,288)
District support services	2,209,014	–	–	(2,209,014)	(1,941,718)
Elementary and secondary regular instruction	35,798,892	207,629	2,891,416	(32,699,847)	(37,201,695)
Vocational education instruction	537,777	–	–	(537,777)	(453,790)
Special education instruction	15,041,531	344,305	6,984,750	(7,712,476)	(9,207,459)
Instructional support services	3,927,678	–	–	(3,927,678)	(3,615,236)
Pupil support services	6,395,379	12,239	–	(6,383,140)	(6,370,473)
Sites and buildings	7,243,559	–	–	(7,243,559)	(5,733,901)
Fiscal and other fixed cost programs	233,841	–	–	(233,841)	(248,327)
Food service	2,645,759	480,739	2,248,705	83,685	91,667
Community service	1,703,165	483,165	799,745	(420,255)	(631,513)
Unallocated depreciation	3,253,593	–	–	(3,253,593)	(3,235,338)
Interest and fiscal charges	2,578,471	–	–	(2,578,471)	(1,766,334)
Total governmental activities	$ 84,795,169	$ 1,833,335	$ 12,985,765	(69,976,069)	(73,200,405)
General revenues					
Taxes					
Property taxes, levied for general purposes				13,055,584	13,421,110
Property taxes, levied for community service				441,819	418,963
Property taxes, levied for debt service				5,040,466	4,955,081
General grants and aids				38,449,108	39,625,932
Other general revenues				977,546	907,594
Gain on sale of capital assets				59,627	20,399
Investment earnings				501,644	4,234
Total general revenues				58,525,794	59,353,313
Change in net position				(11,450,275)	(13,847,092)
Net position – beginning				(52,738,408)	(38,891,316)
Net position – ending				$ (64,188,683)	$ (52,738,408)

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
Governmental Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 8,533,126	$ 118,733,139	$ 5,198,062
Cash and investments held by trustee	–	–	–
Receivables			
Current taxes	8,168,832	–	4,729,125
Delinquent taxes	103,065	–	41,242
Accounts and interest	66,647	450,824	–
Due from other governmental units	6,599,203	–	505
Due from other funds	1,073,415	–	–
Due from Fiduciary Fund	917,335	–	–
Inventory	33,339	–	–
Prepaid items	1,069,758	–	–
Total assets	$ 26,564,720	$ 119,183,963	$ 9,968,934
Liabilities			
Salaries payable	$ 464,728	$ –	$ –
Accounts and contracts payable	842,960	691,938	–
Due to other governmental units	1,070,716	–	–
Due to other funds	–	1,073,415	–
Unearned revenue	296	–	–
Total liabilities	2,378,700	1,765,353	–
Deferred inflows of resources			
Property taxes levied for subsequent year	14,953,561	–	9,556,851
Unavailable revenue – delinquent taxes	79,580	–	32,268
Total deferred inflows of resources	15,033,141	–	9,589,119
Fund balances			
Nonspendable	1,103,097	–	–
Restricted	1,914,949	117,418,610	379,815
Assigned	3,039,788	–	–
Unassigned	3,095,045	–	–
Total fund balances	9,152,879	117,418,610	379,815
Total liabilities, deferred inflows of resources, and fund balances	$ 26,564,720	$ 119,183,963	$ 9,968,934

Nonmajor Funds		Total Governmental Funds 2018		2017
$	1,155,226	$ 133,619,553	$	12,538,751
	–	–		6,407,950
	230,112	13,128,069		9,077,355
	3,520	147,827		198,763
	100	517,571		102,833
	102,984	6,702,692		6,376,138
	–	1,073,415		–
	–	917,335		313,310
	21,960	55,299		58,951
	–	1,069,758		2,539
$	1,513,902	$ 157,231,519	$	35,076,590
$	52,881	$ 517,609	$	421,884
	13,877	1,548,775		587,302
	5,191	1,075,907		1,764,823
	–	1,073,415		–
	11,704	12,000		–
	83,653	4,227,706		2,774,009
	465,023	24,975,435		17,336,099
	2,769	114,617		184,331
	467,792	25,090,052		17,520,430
	21,960	1,125,057		61,490
	940,497	120,653,871		8,955,790
	–	3,039,788		3,046,457
	–	3,095,045		2,718,414
	962,457	127,913,761		14,782,151
$	1,513,902	$ 157,231,519	$	35,076,590

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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, 2018
(With Partial Comparative Information as of June 30, 2017)

	2018	2017
Total fund balances – governmental funds	$ 127,913,761	$ 14,782,151
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	106,881,522	104,177,749
Accumulated depreciation	(58,762,393)	(55,434,941)
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	(148,725,000)	(42,670,000)
Unamortized premium/discount	(5,512,644)	(2,126,802)
Capital leases	(3,151,030)	(3,847,595)
Net pension liability	(109,108,759)	(137,431,938)
Net OPEB liability	(9,113,416)	(14,547,725)
Compensated absences	(428,502)	(467,349)
Severance benefits	(2,177,017)	(2,285,095)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(1,962,668)	(674,081)
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.	4,914,632	3,868,569
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	62,497,426	84,701,332
Deferred outflows – OPEB plan deferments	187,457	103,118
Deferred outflows – deferred charges on refunding	588,172	656,366
Deferred inflows – pension plan deferments	(23,054,238)	(1,726,498)
Deferred inflows – OPEB plan deferments	(5,290,603)	–
Deferred inflows – unavailable revenue – delinquent taxes	114,617	184,331
Total net position – governmental activities	$ (64,188,683)	$ (52,738,408)

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 13,100,376	$ –	$ 5,063,422
Investment earnings	141,787	265,178	67,095
Other	1,391,846	–	–
State sources	46,142,115	–	2,234
Federal sources	2,251,487	–	–
Total revenue	63,027,611	265,178	5,132,751
Expenditures			
Current			
Administration	2,690,786	–	–
District support services	2,282,534	–	–
Elementary and secondary regular instruction	26,702,012	–	–
Vocational education instruction	439,099	–	–
Special education instruction	11,823,370	–	–
Instructional support services	3,349,715	–	–
Pupil support services	6,333,655	–	–
Sites and buildings	6,872,773	–	–
Fiscal and other fixed cost programs	233,841	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	2,686,499	–
Debt service			
Principal	1,200,157	–	3,765,000
Interest and fiscal charges	64,824	–	1,453,993
Total expenditures	61,992,766	2,686,499	5,218,993
Excess (deficiency) of revenue over expenditures	1,034,845	(2,421,321)	(86,242)
Other financing sources (uses)			
Bonds issued	–	116,160,000	–
Refunding bonds issued	–	–	–
Premiums on bonds issued	–	3,682,969	–
Bond refunding payments	–	–	(6,340,000)
Capital leases	503,592	–	–
Sale of capital assets	60,327	–	–
Transfers in	–	–	3,038
Transfers (out)	–	(3,038)	–
Total other financing sources (uses)	563,919	119,839,931	(6,336,962)
Net change in fund balances	1,598,764	117,418,610	(6,423,204)
Fund balances			
Beginning of year	7,554,115	–	6,803,019
End of year	$ 9,152,879	$ 117,418,610	$ 379,815

See notes to basic financial statements

	Nonmajor Funds	Total Governmental Funds 2018	Total Governmental Funds 2017
	$ 443,785	$ 18,607,583	$ 18,794,668
	7,616	481,676	4,234
	1,419,035	2,810,881	2,467,860
	979,016	47,123,365	46,609,197
	2,074,923	4,326,410	4,323,284
	4,924,375	73,349,915	72,199,243
	–	2,690,786	2,472,656
	–	2,282,534	1,890,917
	–	26,702,012	28,685,536
	–	439,099	295,009
	–	11,823,370	11,519,037
	–	3,349,715	2,935,556
	–	6,333,655	6,107,461
	–	6,872,773	6,221,688
	–	233,841	248,327
	2,609,816	2,609,816	2,685,838
	1,690,708	1,690,708	1,598,002
	86,411	2,772,910	82,736
	–	4,965,157	4,505,244
	–	1,518,817	2,102,461
	4,386,935	74,285,193	71,350,468
	537,440	(935,278)	848,775
	–	116,160,000	–
	–	–	20,420,000
	–	3,682,969	775,261
	–	(6,340,000)	(14,468,614)
	–	503,592	542,446
	–	60,327	54,733
	–	3,038	–
	–	(3,038)	–
	–	114,066,888	7,323,826
	537,440	113,131,610	8,172,601
	425,017	14,782,151	6,609,550
	$ 962,457	$ 127,913,761	$ 14,782,151

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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, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Total net change in fund balances – governmental funds	$ 113,131,610	$ 8,172,601
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	2,952,858	1,107,513
Depreciation expense	(3,575,837)	(3,490,836)
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.	(700)	(34,334)
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.	(116,663,592)	(20,962,446)
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	10,105,000	17,135,000
Unamortized premium/discount	(3,385,842)	(615,356)
Capital leases	1,200,157	1,210,244
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	28,323,179	(96,989,880)
Net OPEB liability	5,434,309	(1,223,817)
Compensated absences	38,847	(102,497)
Severance benefits	108,078	(52,288)
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.	(1,288,587)	148,470
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.	1,046,063	1,171,522
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	(22,203,906)	77,495,075
Deferred outflows – OPEB plan deferments	84,339	103,118
Deferred outflows – deferred charges on refunding	(68,194)	656,366
Deferred inflows – pension plan deferments	(21,327,740)	2,423,967
Deferred inflows – OPEB plan deferments	(5,290,603)	–
Deferred inflows – unavailable revenue – delinquent taxes	(69,714)	486
Change in net position – governmental activities	$ (11,450,275)	$ (13,847,092)

See notes to basic financial statements

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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, 2018

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 13,409,404	$ 13,416,329	$ 13,100,376	$ (315,953)
Investment earnings	10,000	10,000	141,787	131,787
Other	1,191,043	1,248,141	1,391,846	143,705
State sources	43,671,367	46,291,577	46,142,115	(149,462)
Federal sources	2,044,051	2,319,462	2,251,487	(67,975)
Total revenue	60,325,865	63,285,509	63,027,611	(257,898)
Expenditures				
Current				
Administration	2,740,532	2,622,000	2,690,786	68,786
District support services	1,944,882	2,134,942	2,282,534	147,592
Elementary and secondary regular instruction	27,844,284	28,193,977	26,702,012	(1,491,965)
Vocational education instruction	470,992	431,065	439,099	8,034
Special education instruction	11,467,932	12,338,208	11,823,370	(514,838)
Instructional support services	2,976,107	2,992,737	3,349,715	356,978
Pupil support services	5,012,826	5,537,466	6,333,655	796,189
Sites and buildings	6,558,482	6,908,726	6,872,773	(35,953)
Fiscal and other fixed cost programs	336,199	336,199	233,841	(102,358)
Debt service				
Principal	1,157,883	1,183,965	1,200,157	16,192
Interest and fiscal charges	76,886	79,036	64,824	(14,212)
Total expenditures	60,587,005	62,758,321	61,992,766	(765,555)
Excess (deficiency) of revenue over expenditures	(261,140)	527,188	1,034,845	507,657
Other financing sources				
Capital leases	–	503,592	503,592	–
Sale of capital assets	–	–	60,327	60,327
Total other financing sources	–	503,592	563,919	60,327
Net change in fund balances	$ (261,140)	$ 1,030,780	1,598,764	$ 567,984
Fund balances				
Beginning of year			7,554,115	
End of year			$ 9,152,879	

Statement of Net Position
Proprietary Fund
Internal Service Fund
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	2018	2017
Assets		
Current assets		
Cash and temporary investments	$ 6,219,370	$ 5,543,686
Receivables		
Accounts	10,513	4,347
Total current assets	6,229,883	5,548,033
Liabilities		
Current liabilities		
Claims payable	431,862	787,940
Unearned revenue	883,389	891,524
Total current liabilities	1,315,251	1,679,464
Net position		
Unrestricted	$ 4,914,632	$ 3,868,569

See notes to basic financial statements

Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Operating revenue		
Contributions from governmental funds	$ 7,283,909	$ 7,466,661
Operating expenses		
Medical benefit claims	5,739,074	5,798,417
Dental benefit claims	518,740	496,722
Total operating expenses	6,257,814	6,295,139
Operating income	1,026,095	1,171,522
Nonoperating revenue		
Investment earnings	19,968	–
Change in net position	1,046,063	1,171,522
Net position		
Beginning of year	3,868,569	2,697,047
End of year	$ 4,914,632	$ 3,868,569

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Statement of Cash Flows
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities		
Contributions from governmental funds	$ 7,269,608	$ 7,398,146
Payments for medical claims	(6,104,814)	(5,743,117)
Payments for dental claims	(509,078)	(532,718)
Net cash flows from operating activities	655,716	1,122,311
Cash flows from investing activities		
Investment income received	19,968	–
Net change in cash and cash equivalents	675,684	1,122,311
Cash and cash equivalents		
Beginning of year	5,543,686	4,421,375
End of year	$ 6,219,370	$ 5,543,686
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 1,026,095	$ 1,171,522
Adjustments to reconcile operating income to cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	(6,166)	1,328
Claims payable	(356,078)	19,304
Unearned revenue	(8,135)	(69,843)
Net cash flows from operating activities	$ 655,716	$ 1,122,311

See notes to basic financial statements

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2018

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Deposits	$ 446,916	$ 6,718,100
Investments held by trustee, at fair value		
State and local obligations	–	3,147,610
Negotiable certificates of deposit	–	598,432
MNTrust Investment Shares Portfolio	–	47,392
Accounts and interest receivable	3,229	156,632
Total assets	450,145	10,668,166
Liabilities		
Due to district	–	917,335
Net position		
Held in trust for employee benefits and other purposes	$ 450,145	$ 9,750,831

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	$ 57,213	$ –
Investment earnings	3,155	115,612
Total additions	60,368	115,612
Deductions		
Benefits	–	917,335
Scholarships	48,713	–
Total deductions	48,713	917,335
Change in net position	11,655	(801,723)
Net position		
Beginning of year	438,490	10,552,554
End of year	$ 450,145	$ 9,750,831

See notes to basic financial statements

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 2018 fiscal year, the District paid $402,535 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 the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

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.

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

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

F. Cash and Temporary Investments

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

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

Short-term, highly liquid debt instruments (including commercial paper 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 $1,552,634 of the property tax levy collectible in 2018 as revenue to the District in fiscal year 2017–2018. The remaining portion of the taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

K. Capital Assets

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

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

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

L. Interfund Balances and Transfers

At June 30, 2018, the General Fund had receivables of $1,073,415 due from the Capital Projects – Building Construction Fund and $917,335 due from the Post-Employment Benefits Trust Fund, to reimburse construction project costs and OPEB costs, respectively, paid from the General Fund.

During the year ended June 30, 2018, the Capital Projects – Building Construction Fund transferred $3,038 to the Debt Service Fund to allocate bond proceeds to the appropriate fund.

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

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

N. Compensated Absences

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

O. Severance Benefits

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

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

P. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2018.

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 liabilites 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
2017	$ 712,640	$ 5,798,417	$ 5,743,117	$ 767,940
2018	$ 767,940	$ 5,739,074	$ 6,104,814	$ 402,200

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2017	$ 55,996	$ 496,722	$ 532,718	$ 20,000
2018	$ 20,000	$ 518,740	$ 509,078	$ 29,662

S. Deferred Outflows/Inflows of Resources

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

U. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's superintendent or director of finance is authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Use of Estimates

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

W. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 75,319,840
Investments	75,475,083
Cash on hand	2,450
Total	$ 150,797,373

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

Government-Wide Statement of Net Position	
Cash and temporary investments	$ 139,838,923
Statement of Fiduciary Net Position	
Private Purpose Trust Fund	446,916
Employee Benefit Trust Fund	10,511,534
Total	$ 150,797,373

B. Deposits

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

At year-end, the carrying amount of the District's deposits was $75,319,840, while the balance on the bank records was $75,325,768 At June 30, 2018, 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 Rating	Credit Risk Agency	Fair Value Measurements Using	Investment Risk – Maturity Duration in Years: Less Than 1	1 to 5	Greater Than 5	Total
General obligation bonds							
State and local bonds	AAA	S&P	Level 2	$ –	$ 11,319,601	$ –	$ 11,319,601
State and local bonds	AA	S&P	Level 2	$ 3,351,628	$ 9,932,488	$ 785,738	14,069,854
State and local bonds	Aaa	Moody's	Level 2	$ –	$ 246,355	$ –	246,355
State and local bonds	Aa	Moody's	Level 2	$ 993,472	$ 2,581,249	$ –	3,574,721
State and local bonds	AA	Fitch	Level 2	$ –	$ 351,309	$ –	351,309
Negotiable certificates of deposit	Not rated		Level 2	$ 598,432	$ 364,983	$ –	963,415
U.S. agency securities	AA	S&P	Level 2	$ 1,192,593	$ 11,843,198	$ –	13,035,791
U.S. treasuries	AA	S&P	Level 2	$ 6,907,470	$ 7,157,112	$ –	14,064,582
Investment pools/mutual funds							
Federated Government Obligations	AAA	S&P	Net asset value		No maturity date		16,111
MSDLAF Liquid Class	AAA	S&P	Not applicable		No maturity date		17,598
MNTrust Investment Shares Portfolio	AAA	S&P	Not applicable		No maturity date		10,215,746
MNTrust Term Series	Not rated		Not applicable	$ 7,600,000	$ –	$ –	7,600,000
Total investments							$ 75,475,083

The Minnesota School District Liquid Asset Fund (MSDLAF), Minnesota Trust (MNTrust) Investment Shares Portfolio, and MNTrust Term Series are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. 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 with the exception of the MNTrust Term Series, which has a 7-day redemption notice requirement.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policy limits the percentage of its total portfolio invested in certain instruments as follows: bankers' acceptances (25.0 percent), commercial paper (85.0 percent), repurchase agreements (25.0 percent), certificates of deposit (50.0 percent from commercial banks and 50.0 percent from savings and loan associations), and local government investment pools (75.0 percent). At June 30, 2018, the District's investment portfolio includes the following percentage of a specific issuers:

State of California	9.7%
Federal National Mortgage Association	7.8%

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 349,265	$ –	$ –	$ –	$ 349,265
Construction in progress	100,000	1,873,014	–	(100,000)	1,873,014
Total capital assets, not depreciated	449,265	1,873,014	–	(100,000)	2,222,279
Capital assets, depreciated					
Land improvements	6,573,702	–	–	–	6,573,702
Buildings	88,977,909	165,840	–	100,000	89,243,749
Equipment	8,176,873	914,004	(249,085)	–	8,841,792
Total capital assets, depreciated	103,728,484	1,079,844	(249,085)	100,000	104,659,243
Less accumulated depreciation for					
Land improvements	(3,699,534)	(340,677)	–	–	(4,040,211)
Buildings	(46,026,577)	(2,721,003)	–	–	(48,747,580)
Equipment	(5,708,830)	(514,157)	248,385	–	(5,974,602)
Total accumulated depreciation	(55,434,941)	(3,575,837)	248,385	–	(58,762,393)
Net capital assets, depreciated	48,293,543	(2,495,993)	(700)	100,000	45,896,850
Total capital assets, net	$ 48,742,808	$ (622,979)	$ (700)	$ –	$ 48,119,129

Depreciation expense was charged to the following governmental functions:

District support services	$ 2,348
Elementary and secondary regular instruction	14,686
Special education instruction	8,050
Instructional support services	8,755
Pupil support services	253,551
Sites and buildings	2,472
Food service	32,382
Unallocated depreciation	3,253,593
Total depreciation expense	$ 3,575,837

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2013A Refunding Bonds	11/14/2013	3.00–4.00%	$ 16,765,000	02/01/2025	$ 7,600,000
2016A Refunding Bonds	01/13/2016	2.00–5.00%	$ 4,880,000	02/01/2025	4,880,000
2017A Taxable OPEB Refunding Bonds	02/09/2017	3.00%	$ 14,290,000	02/01/2027	13,955,000
2017B Alternative Facilities Refunding Bonds	02/09/2017	3.00%	$ 6,130,000	02/01/2025	6,130,000
2018A School Building Bonds	03/01/2018	3.50–5.00%	$ 84,615,000	02/01/2043	84,615,000
2018B Facilities Maintenance Bonds	03/01/2018	2.00–5.00%	$ 31,545,000	02/01/2036	31,545,000
Total general obligation bonds					$ 148,725,000

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

B. Capital Leases

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

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Buses, computers, and energy improvements	$ 1,234,000	4.86%	07/16/2007	07/16/2021	$ 255,129
Buses	$ 179,072	3.09%	07/01/2011	07/01/2018	28,091
Buses	$ 268,062	2.18%	07/01/2012	07/01/2019	80,794
Solar panels – Middle School	$ 33,490	4.00%	09/01/2012	09/01/2022	15,970
Solar panels – High School	$ 33,600	4.00%	11/01/2012	11/01/2022	16,591
Solar panels – STEM School	$ 34,220	4.00%	08/01/2013	08/01/2023	17,573
Buses	$ 266,862	1.91%	07/01/2013	07/01/2020	118,335
Computers (1)	$ –	1.91%	07/01/2013	07/01/2020	47,995
Buses	$ 197,094	2.11%	07/01/2014	07/01/2021	116,132
Computers (1)	$ –	1.80%	07/01/2014	07/01/2019	90,912
Buses	$ 197,022	2.19%	07/15/2015	07/15/2022	143,745
Computers (1)	$ –	1.64%	07/01/2015	07/01/2019	1,361,063
Cleaning equipment	$ 134,578	N/A	07/11/2016	07/11/2018	71,800
Buses	$ 314,901	2.29%	07/12/2016	07/12/2023	283,308
Buses	$ 503,592	1.65%	11/01/2017	07/01/2025	503,592
Total capital leases					$ 3,151,030

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

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Other Long-Term Liabilities

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

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District. The following is a summary of the pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2018:

Pension Plans	Net/Total Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	$ 8,228,891	$ 2,358,461	$ 2,412,092	$ 728,868
State-wide, multiple-employer – TRA	99,449,757	60,138,965	20,022,117	17,437,378
Single-employer – District	1,430,111	–	620,029	145,445
Total	$ 109,108,759	$ 62,497,426	$ 23,054,238	$ 18,311,691

D. Bond Refundings

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 were 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 were placed in an escrow account pending the February 1, 2018 call date of the refunded issue. Until the call date, the District continued to make all debt service payments on the 2008B issue. On February 1, 2018, the escrow account was used to call the remaining principal of the 2008B issue. This “crossover” refunding reduced the District’s future debt service payments by $551,664 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	General Obligation Bonds		Capital Leases	
June 30,	Principal	Interest	Principal	Interest
2019	$ 3,670,000	$ 5,079,943	$ 1,187,041	$ 61,699
2020	3,580,000	5,302,588	1,056,503	42,436
2021	4,075,000	5,187,288	291,367	21,860
2022	4,235,000	5,042,588	258,300	13,997
2023	4,385,000	4,892,038	158,122	6,715
2024–2028	24,450,000	22,286,488	199,697	4,846
2029–2033	30,175,000	16,982,713	–	–
2034–2038	34,620,000	11,166,550	–	–
2039–2043	39,535,000	4,365,775	–	–
	$ 148,725,000	$ 80,305,971	$ 3,151,030	$ 151,553

F. Changes in Long-Term Liabilities

	June 30, 2017	Additions	Retirements	June 30, 2018	Due Within One Year
General obligation bonds	42,670,000	$ 116,160,000	$ 10,105,000	$ 148,725,000	$ 3,670,000
Premiums	2,165,157	3,682,969	335,482	5,512,644	–
Discounts	(38,355)	–	(38,355)	–	–
Capital leases	3,847,595	503,592	1,200,157	3,151,030	1,187,041
Net pension liability	137,431,938	1,378,460	29,701,639	109,108,759	–
Net OPEB liability	14,547,725	261,187	5,695,496	9,113,416	–
Compensated absences	467,349	428,502	467,349	428,502	428,502
Severance benefits	2,285,095	115,106	223,184	2,177,017	94,986
	$ 203,376,504	$ 122,529,816	$ 47,689,952	$ 278,216,368	$ 5,380,529

NOTE 5 – FUND BALANCES

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

A. Classifications

At June 30, 2018, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 33,339	$ –	$ –	$ 21,960	$ 55,299
Prepaids	1,069,758	–	–	–	1,069,758
Total nonspendable	1,103,097	–	–	21,960	1,125,057
Restricted					
Staff development	310,519	–	–	–	310,519
Capital projects levy	203,885	–	–	–	203,885
Operating capital	813,614	–	–	–	813,614
Basic skills extended time	105,811	–	–	–	105,811
Medical Assistance	481,120	–	–	–	481,120
Food service	–	–	–	409,408	409,408
Community education	–	–	–	36,869	36,869
Early childhood family education	–	–	–	155,727	155,727
School readiness	–	–	–	276,580	276,580
Community service	–	–	–	61,913	61,913
Long-term facilities maintenance	–	32,455,846	–	–	32,455,846
Capital projects	–	84,962,764	–	–	84,962,764
Debt service	–	–	379,815	–	379,815
Total restricted	1,914,949	117,418,610	379,815	940,497	120,653,871
Assigned					
Third party special education	335,054	–	–	–	335,054
Synthetic turf	318,216	–	–	–	318,216
Carryover spending	258,424	–	–	–	258,424
School specific carryover	185,000	–	–	–	185,000
Program initiative	905,027	–	–	–	905,027
Enrollment	600,000	–	–	–	600,000
Future retirement	313,310	–	–	–	313,310
Student activities	124,757	–	–	–	124,757
Total assigned	3,039,788	–	–	–	3,039,788
Unassigned					
Long-term facilities maintenance – restricted deficit	(297,829)	–	–	–	(297,829)
General Fund	3,392,874	–	–	–	3,392,874
Total unassigned	3,095,045	–	–	–	3,095,045
Total	$ 9,152,879	$ 117,418,610	$ 379,815	$ 962,457	$ 127,913,761

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 through 2018, and 1.0 percent thereafter.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. 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 of average salary 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).

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 2018; 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, 2018, were $670,214. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2017		2018	
	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, 2018, were $2,014,735. The District's contributions were equal to the required contributions for each year as set by state statutes.

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:

		in thousands
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$	367,791
Add employer contributions not related to future contribution efforts		810
Deduct the TRA's contributions not included in allocation		(456)
Total employer contributions		368,145
Total nonemployer contributions		35,588
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	$	403,733

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, 2018, the District reported a liability of $8,228,891 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1289 percent at the end of the measurement period and 0.1337 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. 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 the net pension liability	$	8,228,891
State's proportionate share of the net pension liability associated with the District	$	103,489

For the year ended June 30, 2018, the District recognized pension expense of $725,880 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $2,988 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $6 million to the GERF.

At June 30, 2018, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 271,199	$ 559,289
Changes in actuarial assumptions	1,417,048	824,946
Difference between projected and actual investment earnings	–	325,519
Changes in proportion	–	702,338
District's contributions to the GERF subsequent to the measurement date	670,214	–
Total	$ 2,358,461	$ 2,412,092

A total of $670,214 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, 2019. 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
2019	$ (415,115)
2020	$ 279,756
2021	$ (239,188)
2022	$ (349,298)

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of $99,449,757 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2017, 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 0.4982 percent at the end of the measurement period and 0.5217 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 99,449,757
State's proportionate share of the net pension liability associated with the District	$ 9,614,203

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

For the year ended June 30, 2018, the District recognized pension expense of $17,252,985. It also recognized $184,393 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 776,024	$ 698,476
Changes in actuarial assumptions	56,387,316	13,931,341
Difference between projected and actual investment earnings	–	622,659
Changes in proportion	960,890	4,769,641
District's contributions to the TRA subsequent to the measurement date	2,014,735	–
Total	$ 60,138,965	$ 20,022,117

A total of $2,014,735 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, 2019. 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
2019	$ 10,393,451
2020	$ 12,189,845
2021	$ 10,534,484
2022	$ 8,843,959
2023	$ (3,859,626)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25% per year	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	5.12%

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 1.0 percent per year for the GERF through 2044, and then 2.5 percent thereafter, and 2.0 percent per year for all future years for the TRA.

Actuarial assumptions used in the June 30, 2017 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 occurred in 2017:

1. **GERF**

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2. **TRA**

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.

- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.

- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.

- The investment return assumption was changed from 8.00 percent to 7.50 percent.

- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.

- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

- The single discount rate changed from 4.66 percent to 5.12 percent.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 5.12 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30 %
Bonds	20	0.75 %
Alternative assets	20	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2017 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 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 2053 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 (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 12,763,621	$ 8,228,891	$ 4,516,390
TRA discount rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	$ 131,254,517	$ 99,449,757	$ 72,634,476

H. Pension Plan Fiduciary Net Position

Pension Benefit Reforms – The 2018 pension bill included a number of reforms to the various defined benefit pension plans across the state, including the plans administered by the PERA and the TRA. The reforms include several changes, including modifications in future COLA and contribution rates.

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, with eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are as follows:

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

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

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District 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	578

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2017 and a measurement date as of June 30, 2018, 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-2016 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

E. Discount Rate

The discount rate used to measure the pension liability was 3.40 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.

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

F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance – July 1, 2017	$ 2,138,263
Changes for the year	
Service cost	88,783
Interest	71,782
Assumption changes	(2,494)
Plan changes	36,550
Difference – expected and actual	(669,205)
Benefit payments – employer-financed	(233,568)
Total net changes	(708,152)
Ending balance – June 30, 2018	$ 1,430,111

Assumption and plan changes since the prior measurement date include the following:

- The mortality tables were updated to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- One management retiree with a special agreement was paid a specified amount under this plan in the current year.

G. Total Pension Liability Sensitivity to Discount Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Pension discount rate	2.40%	3.40%	4.40%
Total pension liability	$ 1,520,636	$ 1,430,111	$ 1,342,031

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

For the current year ended, the District recognized pension expense of $145,445, and at year-end reported the following deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ –	$ 617,727
Changes in actuarial assumptions	–	2,302
Total	$ –	$ 620,029

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

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

Year Ending June 30,	Pension Expense Amount
2019	$ (51,670)
2020	$ (51,670)
2021	$ (51,670)
2022	$ (51,670)
2023	$ (51,670)
Thereafter	$ (361,679)

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

A. Plan Description

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

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

B. Benefits Provided

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

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

D. Membership

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

Retirees and beneficiaries receiving benefits	75
Active plan members	579
Total members	654

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 18,864,247
Plan fiduciary net position	(9,750,831)
District's net OPEB liability	$ 9,113,416
Plan fiduciary net position as a percentage of the total OPEB liability	51.7%

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2017 and measurement date as of July 1, 2018, 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	6.50%, grading to 5.00% over 6 years
Dental trend rate	4.00%

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

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

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

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

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 1.10 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 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.

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, 2017	$ 25,100,279	$ 10,552,554	$ 14,547,725
Changes for the year			
Service cost	715,483	–	715,483
Interest	803,777	–	803,777
Assumption changes	(502,988)	–	(502,988)
Contributions – paid through governmental funds	–	489,232	(489,232)
Net investment income	–	253,261	(253,261)
Difference expected and actual	(5,845,737)	(137,649)	(5,708,088)
Benefit payments – paid through trust	(917,335)	(917,335)	–
Benefit payments – paid through governmental funds	(489,232)	(489,232)	–
Total net changes	(6,236,032)	(801,723)	(5,434,309)
Ending balance – June 30, 2018	$ 18,864,247	$ 9,750,831	$ 9,113,416

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

Assumption changes since the prior measurement date include the following:

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

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.20%	3.20%	4.20%
Net OPEB liability	$ 10,888,018	$ 9,113,416	$ 7,542,549

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

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB medical trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Net OPEB liability	$ 6,887,040	$ 9,113,416	$ 11,801,238

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 $261,187. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	$ –	$ 4,871,447
Changes in actuarial assumptions	–	419,156
Difference between projected and actual investment earnings	187,457	–
Total	$ 187,457	$ 5,290,603

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

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

Year Ending June 30,	OPEB Expense Amount
2019	$ (1,004,812)
2020	$ (1,004,812)
2021	$ (1,004,814)
2022	$ (1,030,593)
2023	$ (1,058,115)

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

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

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

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

B. Federal and State Receivables

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

C. Construction Contracts

At June 30, 2018, the District had commitments totaling $410,000 under construction contracts for which the work was not yet completed.

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, 2018

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

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2018

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

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

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2018

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

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2018

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

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Pension Benefits Plan
Schedule of Changes in the District's Total
Pension Liability and Related Ratios
Year Ended June 30, 2018

	2018	2017
Total pension liability		
Service cost	$ 88,783	$ 132,145
Interest	71,782	72,669
Assumption changes	(2,494)	–
Plan changes	36,550	–
Difference between expected and actual	(669,205)	–
Benefit payments	(233,568)	(142,256)
Net change in total pension liability	(708,152)	62,558
Total pension liability – beginning of year	2,138,263	2,075,705
Total pension liability – end of year	$ 1,430,111	$ 2,138,263
Covered-employee payroll	$ 30,214,468	$ 32,571,794
Total pension liability as a percentage of covered-employee payroll	4.73%	6.56%

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

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2018

	2018	2017
Total OPEB liability		
Service cost	$ 715,483	$ 1,037,067
Interest	803,777	790,623
Assumption changes	(502,988)	–
Difference between expected and actual	(5,845,737)	–
Benefit payments	(1,406,567)	(788,391)
Net change in total OPEB liability	(6,236,032)	1,039,299
Total OPEB liability – beginning of year	25,100,279	24,060,980
Total OPEB liability – end of year	18,864,247	25,100,279
Plan fiduciary net position		
Contributions	489,232	475,081
Investment earnings	115,612	128,792
Benefit payments	(1,406,567)	(788,391)
Net change in plan fiduciary net position	(801,723)	(184,518)
Plan fiduciary net position – beginning of year	10,552,554	10,737,072
Plan fiduciary net position – end of year	9,750,831	10,552,554
Net OPEB liability	$ 9,113,416	$ 14,547,725
Plan fiduciary net position as a percentage of the total OPEB liability	51.69%	42.04%
Covered-employee payroll	$ 30,401,080	$ 32,754,693
Net OPEB liability as a percentage of covered-employee payroll	29.98%	44.41%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2018

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	1.20 %
2018	1.10 %

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.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS:

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

TRA

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2015 CHANGES IN PLAN PROVISIONS:

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

PENSION BENEFITS PLAN

2018 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The discount rate was changed from 3.50 percent to 3.40 percent.

- Retirement rates were changed to all start at age 55 regardless of whether the participant is eligible for a benefit.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2018 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2018

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 441,654	$ 713,572	$ 1,155,226
Receivables			
Current taxes	–	230,112	230,112
Delinquent taxes	–	3,520	3,520
Accounts and interest	100	–	100
Due from other governmental units	–	102,984	102,984
Inventory	21,960	–	21,960
Total assets	$ 463,714	$ 1,050,188	$ 1,513,902
Liabilities			
Salaries payable	$ 12,247	$ 40,634	$ 52,881
Accounts and contracts payable	7,025	6,852	13,877
Due to other governmental units	1,370	3,821	5,191
Unearned revenue	11,704	–	11,704
Total liabilities	32,346	51,307	83,653
Deferred inflows of resources			
Property taxes levied for subsequent year	–	465,023	465,023
Unavailable revenue – delinquent taxes	–	2,769	2,769
Total deferred inflows of resources	–	467,792	467,792
Fund balances			
Nonspendable	21,960	–	21,960
Restricted	409,408	531,089	940,497
Total fund balances	431,368	531,089	962,457
Total liabilities, deferred inflows of resources, and fund balances	$ 463,714	$ 1,050,188	$ 1,513,902

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2018

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 443,785	$ 443,785
Investment earnings	2,558	5,058	7,616
Other	516,894	902,141	1,419,035
State sources	174,516	804,500	979,016
Federal sources	2,074,923	–	2,074,923
Total revenue	2,768,891	2,155,484	4,924,375
Expenditures			
Current			
Food service	2,609,816	–	2,609,816
Community service	–	1,690,708	1,690,708
Capital outlay	85,161	1,250	86,411
Total expenditures	2,694,977	1,691,958	4,386,935
Net change in fund balances	73,914	463,526	537,440
Fund balances			
Beginning of year	357,454	67,563	425,017
End of year	$ 431,368	$ 531,089	$ 962,457

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	$ 8,533,126	$ 8,307,561
Receivables		
Current taxes	8,168,832	6,371,493
Delinquent taxes	103,065	137,637
Accounts and interest	66,647	37,143
Due from other governmental units	6,599,203	6,296,397
Due from other funds	1,073,415	–
Due from OPEB trust	917,335	313,310
Inventory	33,339	38,225
Prepaid items	1,069,758	–
Total assets	$ 26,564,720	$ 21,501,766
Liabilities		
Salaries payable	$ 464,728	$ 394,421
Accounts and contracts payable	842,960	569,384
Due to other governmental units	1,070,716	1,170,224
Unearned Revenue	296	–
Total liabilities	2,378,700	2,134,029
Deferred inflows of resources		
Property taxes levied for subsequent year	14,953,561	11,689,250
Unavailable revenue – delinquent taxes	79,580	124,372
Total deferred inflows of resources	15,033,141	11,813,622
Fund balances (deficits)		
Nonspendable for inventory	33,339	38,225
Nonspendable for prepaids	1,069,758	–
Restricted for staff development	310,519	–
Restricted for capital projects levy	203,885	995,042
Restricted for operating capital	813,614	514,989
Restricted for basic skills extended time	105,811	–
Restricted for Medical Assistance	481,120	183,945
Assigned for third party special education	335,054	335,054
Assigned for synthetic turf	318,216	300,137
Assigned for carryover spending	258,424	368,137
Assigned for school specific carryover	185,000	–
Assigned for program initiative	905,027	905,027
Assigned for enrollment	600,000	400,000
Assigned for future retirement	313,310	313,310
Assigned for student activities	124,757	132,769
Assigned for Wellness Expo	–	1,938
Assigned for Ship Grant	–	25,209
Assigned for Kern Grant	–	1,805
Assigned for RLDS playground	–	1,931
Assigned for subsequent year’s budget	–	261,140
Unassigned – long-term facilities maintenance restricted account deficit	(297,829)	(68,471)
Unassigned	3,392,874	2,843,928
Total fund balances	9,152,879	7,554,115
Total liabilities, deferred inflows of resources, and fund balances	$ 26,564,720	$ 21,501,766

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 13,416,329	$ 13,100,376	$ (315,953)	$ 13,422,904
Investment earnings (charges)	10,000	141,787	131,787	(3,423)
Other	1,248,141	1,391,846	143,705	1,595,888
State sources	46,291,577	46,142,115	(149,462)	45,677,476
Federal sources	2,319,462	2,251,487	(67,975)	2,083,704
Total revenue	63,285,509	63,027,611	(257,898)	62,776,549
Expenditures				
Current				
Administration				
Salaries	1,802,416	1,837,588	35,172	1,669,977
Employee benefits	612,489	595,757	(16,732)	578,521
Purchased services	52,784	97,466	44,682	65,212
Supplies and materials	76,731	97,170	20,439	107,002
Capital expenditures	500	–	(500)	–
Other expenditures	77,080	62,805	(14,275)	51,944
Total administration	2,622,000	2,690,786	68,786	2,472,656
District support services				
Salaries	850,705	857,858	7,153	718,039
Employee benefits	415,687	367,257	(48,430)	341,770
Purchased services	422,142	563,233	141,091	416,087
Supplies and materials	429,908	401,172	(28,736)	366,903
Other expenditures	16,500	93,014	76,514	48,118
Total district support services	2,134,942	2,282,534	147,592	1,890,917
Elementary and secondary regular instruction				
Salaries	18,456,091	18,090,666	(365,425)	18,441,111
Employee benefits	6,774,470	6,113,691	(660,779)	6,921,963
Purchased services	1,729,251	1,624,937	(104,314)	2,210,712
Supplies and materials	1,157,145	668,988	(488,157)	906,181
Capital expenditures	52,904	39,277	(13,627)	18,050
Other expenditures	24,116	164,453	140,337	187,519
Total elementary and secondary regular instruction	28,193,977	26,702,012	(1,491,965)	28,685,536

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	233,587	296,545	62,958	185,466
Employee benefits	72,928	90,799	17,871	60,451
Purchased services	108,500	35,144	(73,356)	25,573
Supplies and materials	16,050	15,269	(781)	21,721
Other expenditures	–	1,342	1,342	1,798
Total vocational education instruction	431,065	439,099	8,034	295,009
Special education instruction				
Salaries	7,887,548	8,047,967	160,419	7,881,416
Employee benefits	2,992,211	2,849,765	(142,446)	2,842,380
Purchased services	1,352,482	779,963	(572,519)	670,503
Supplies and materials	105,667	82,339	(23,328)	70,547
Capital expenditures	–	16,278	16,278	–
Other expenditures	300	47,058	46,758	54,191
Total special education instruction	12,338,208	11,823,370	(514,838)	11,519,037
Instructional support services				
Salaries	1,698,737	1,949,426	250,689	1,771,420
Employee benefits	569,530	596,629	27,099	594,752
Purchased services	151,152	299,539	148,387	171,364
Supplies and materials	81,818	75,764	(6,054)	193,766
Capital expenditures	470,500	405,787	(64,713)	186,931
Other expenditures	21,000	22,570	1,570	17,323
Total instructional support services	2,992,737	3,349,715	356,978	2,935,556
Pupil support services				
Salaries	2,292,287	2,322,510	30,223	2,347,836
Employee benefits	967,291	945,079	(22,212)	931,017
Purchased services	1,406,441	2,297,627	891,186	2,069,027
Supplies and materials	337,116	226,569	(110,547)	194,282
Capital expenditures	533,651	534,093	442	544,031
Other expenditures	680	7,777	7,097	21,268
Total pupil support services	5,537,466	6,333,655	796,189	6,107,461

(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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,826,227	1,757,539	(68,688)	1,820,230
Employee benefits	815,827	765,004	(50,823)	761,389
Purchased services	2,580,359	3,115,020	534,661	2,429,507
Supplies and materials	858,313	670,944	(187,369)	604,533
Capital expenditures	825,000	562,435	(262,565)	603,531
Other expenditures	3,000	1,831	(1,169)	2,498
Total sites and buildings	6,908,726	6,872,773	(35,953)	6,221,688
Fiscal and other fixed cost programs				
Purchased services	336,199	233,398	(102,801)	232,614
Other expenditures	–	443	443	15,713
Total fiscal and other fixed cost programs	336,199	233,841	(102,358)	248,327
Debt service				
Principal	1,183,965	1,200,157	16,192	1,210,244
Interest and fiscal charges	79,036	64,824	(14,212)	96,758
Total debt service	1,263,001	1,264,981	1,980	1,307,002
Total expenditures	62,758,321	61,992,766	(765,555)	61,683,189
Excess of revenue over expenditures	527,188	1,034,845	507,657	1,093,360
Other financing sources				
Capital leases	503,592	503,592	–	542,446
Sale of capital assets	–	60,327	60,327	53,463
Total other financing sources	503,592	563,919	60,327	595,909
Net change in fund balances	$ 1,030,780	1,598,764	$ 567,984	1,689,269
Fund balances				
Beginning of year		7,554,115		5,864,846
End of year		$ 9,152,879		$ 7,554,115

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	$ 441,654	$ 353,479
Receivables		
Accounts and interest	100	286
Inventory	21,960	20,726
Prepaid items	–	2,539
Total assets	$ 463,714	$ 377,030
Liabilities		
Salaries payable	$ 12,247	$ 10,091
Accounts and contracts payable	7,025	9,135
Due to other governmental units	1,370	350
Unearned revenue	11,704	–
Total liabilities	32,346	19,576
Fund balances		
Nonspendable for inventory	21,960	20,726
Nonspendable for prepaids	–	2,539
Restricted for food service	409,408	334,189
Total fund balances	431,368	357,454
Total liabilities and fund balances	$ 463,714	$ 377,030

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 2,558	$ 2,558	$ –
Other – primarily meal sales	463,000	516,894	53,894	525,120
State sources	150,000	174,516	24,516	167,139
Federal sources	2,114,000	2,074,923	(39,077)	2,239,580
Total revenue	2,727,000	2,768,891	41,891	2,931,839
Expenditures				
Current				
Salaries	777,500	853,532	76,032	791,836
Employee benefits	364,990	406,243	41,253	374,422
Purchased services	101,500	78,273	(23,227)	116,686
Supplies and materials	1,378,337	1,267,996	(110,341)	1,398,048
Other expenditures	6,500	3,772	(2,728)	4,846
Capital outlay	75,000	85,161	10,161	82,736
Total expenditures	2,703,827	2,694,977	(8,850)	2,768,574
Excess of revenue over expenditures	23,173	73,914	50,741	163,265
Other financing sources				
Sale of capital assets	–	–	–	1,270
Net change in fund balances	$ 23,173	73,914	$ 50,741	164,535
Fund balances				
Beginning of year		357,454		192,919
End of year		$ 431,368		$ 357,454

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	$ 713,572	$ 847,545
Receivables		
Current taxes	230,112	217,965
Delinquent taxes	3,520	5,235
Accounts and interest	–	707
Due from other governmental units	102,984	76,119
Total assets	$ 1,050,188	$ 1,147,571
Liabilities		
Salaries payable	$ 40,634	$ 17,372
Accounts and contracts payable	6,852	8,783
Due to other governmental units	3,821	594,249
Total liabilities	51,307	620,404
Deferred inflows of resources		
Property taxes levied for subsequent year	465,023	454,869
Deferred revenue – delinquent taxes	2,769	4,735
Total deferred inflows of resources	467,792	459,604
Fund balances (deficits)		
Restricted for community education	36,869	113,426
Restricted for early childhood family education	155,727	–
Restricted for school readiness	276,580	–
Restricted for community service	61,913	11,180
Unassigned – early childhood family education restricted account deficit	–	(2,127)
Unassigned – school readiness restricted account deficit	–	(54,916)
Total fund balances	531,089	67,563
Total liabilities, deferred inflows of resources, and fund balances	$ 1,050,188	$ 1,147,571

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 454,680	$ 443,785	$ (10,895)	$ 418,699
Investment earnings	200	5,058	4,858	–
Other – primarily tuition and fees	753,382	902,141	148,759	346,852
State sources	819,399	804,500	(14,899)	728,350
Total revenue	2,027,661	2,155,484	127,823	1,493,901
Expenditures				
Current				
Salaries	921,407	857,803	(63,604)	426,508
Employee benefits	437,458	310,957	(126,501)	170,465
Purchased services	275,125	339,647	64,522	898,125
Supplies and materials	146,154	179,043	32,889	101,716
Other expenditures	–	3,258	3,258	1,188
Capital outlay	3,800	1,250	(2,550)	–
Total expenditures	1,783,944	1,691,958	(91,986)	1,598,002
Net change in fund balances	$ 243,717	463,526	$ 219,809	(104,101)
Fund balances				
Beginning of year		67,563		171,664
End of year		$ 531,089		$ 67,563

INDEPENDENT SCHOOL DISTRICT NO. 280

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

		2018
Assets		
Cash and temporary investments	$	118,733,139
Receivables		
Accounts and interest		450,824
Total assets	$	119,183,963
Liabilities		
Accounts and contracts payable	$	691,938
Due to other funds		1,073,415
Total liabilities		1,765,353
Fund balances		
Restricted – long-term facilities maintenance		32,455,846
Restricted for capital projects		84,962,764
Total fund balances		117,418,610
Total liabilities and fund balances	$	119,183,963

INDEPENDENT SCHOOL DISTRICT NO. 280

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018

	2018		
	Budget	Actual	Over (Under) Budget
Revenue			
Local sources			
Investment earnings	$ 425,000	$ 265,178	$ (159,822)
Expenditures			
Capital outlay			
Purchased services	2,556,000	2,550,803	(5,197)
Capital expenditures	161,215	135,696	(25,519)
Total expenditures	2,717,215	2,686,499	(30,716)
Excess (deficiency) of revenue over expenditures	(2,292,215)	(2,421,321)	(129,106)
Other financing sources (uses)			
Bonds issued	116,160,000	116,160,000	–
Premiums on bonds issued	3,073,038	3,682,969	609,931
Transfers (out)	(3,038)	(3,038)	–
Total other financing sources (uses)	119,230,000	119,839,931	609,931
Net change in fund balances	$ 116,937,785	117,418,610	$ 480,825
Fund balances			
Beginning of year		–	
End of year		$ 117,418,610	

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2018
(With Comparative Totals as of June 30, 2017)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2018	Totals 2017
Assets				
Cash and temporary investments	$ 4,617,105	$ 580,957	$ 5,198,062	$ 3,030,166
Cash and investments held by trustee	–	–	–	6,407,950
Receivables				
Current taxes	4,334,903	394,222	4,729,125	2,487,897
Delinquent taxes	32,521	8,721	41,242	55,891
Accounts and Interest	–	–	–	64,697
Due from other governmental units	463	42	505	3,622
Total assets	$ 8,984,992	$ 983,942	$ 9,968,934	$ 12,050,223
Deferred inflows of resources				
Property taxes levied for subsequent year	$ 8,760,188	$ 796,663	$ 9,556,851	$ 5,191,980
Deferred revenue – delinquent taxes	25,522	6,746	32,268	55,224
Total deferred inflows of resources	8,785,710	803,409	9,589,119	5,247,204
Fund balances				
Restricted for debt service	199,282	180,533	379,815	340,410
Restricted for bond refundings	–	–	–	6,462,609
Total fund balances	199,282	180,533	379,815	6,803,019
Total deferred inflows of resources and fund balances	$ 8,984,992	$ 983,942	$ 9,968,934	$ 12,050,223

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018					2017
		Actual				
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total	Over (Under) Budget	Actual
Revenue						
Local sources						
Property taxes	$ 5,838,530	$ 4,073,721	$ 989,701	$ 5,063,422	$ (775,108)	$ 4,953,065
Investment earnings	111,863	67,095	–	67,095	(44,768)	7,657
State sources	–	2,234	–	2,234	2,234	36,232
Total revenue	5,950,393	4,143,050	989,701	5,132,751	(817,642)	4,996,954
Expenditures						
Debt service						
Principal	3,765,000	3,175,000	590,000	3,765,000	–	3,295,000
Interest	1,448,443	1,016,201	432,242	1,448,443	–	1,745,024
Fiscal charges and other	5,550	4,650	900	5,550	–	260,679
Total expenditures	5,218,993	4,195,851	1,023,142	5,218,993	–	5,300,703
Excess (deficiency) of revenue over expenditures	731,400	(52,801)	(33,441)	(86,242)	(817,642)	(303,749)
Other financing sources (uses)						
Refunding bonds issued	–	–	–	–	–	20,420,000
Premiums on bonds issued	–	–	–	–	–	775,261
Bond refunding payments	(6,340,000)	(6,340,000)	–	(6,340,000)	–	(14,468,614)
Transfers in	3,038	3,038	–	3,038	–	–
Total other financing sources (uses)	(6,336,962)	(6,336,962)	–	(6,336,962)	–	6,726,647
Net change in fund balances	$ (5,605,562)	(6,389,763)	(33,441)	(6,423,204)	$ (817,642)	6,422,898
Fund balances						
Beginning of year		6,589,045	213,974	6,803,019		380,121
End of year		$ 199,282	$ 180,533	$ 379,815		$ 6,803,019

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2018
(With Comparative Totals as of June 30, 2017)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2018	Totals 2017
Assets				
Current assets				
Cash and temporary investments	$ 6,098,733	$ 120,637	$ 6,219,370	$ 5,543,686
Receivables				
Accounts	5,113	5,400	10,513	4,347
Total current assets	6,103,846	126,037	6,229,883	5,548,033
Liabilities				
Current liabilities				
Claims incurred, but not reported	402,200	29,662	431,862	787,940
Unearned revenue	826,732	56,657	883,389	891,524
Total current liabilities	1,228,932	86,319	1,315,251	1,679,464
Net position				
Unrestricted	$ 4,874,914	$ 39,718	$ 4,914,632	$ 3,868,569

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2018	Totals 2017
Operating revenue				
Contributions from governmental funds	$ 6,777,947	$ 505,962	$ 7,283,909	$ 7,466,661
Operating expenses				
Medical benefit claims	5,739,074	–	5,739,074	5,798,417
Dental benefit claims	–	518,740	518,740	496,722
Total operating expenses	5,739,074	518,740	6,257,814	6,295,139
Operating income (loss)	1,038,873	(12,778)	1,026,095	1,171,522
Nonoperating revenue				
Investment earnings	19,968	–	19,968	–
Change in net position	1,058,841	(12,778)	1,046,063	1,171,522
Net position				
Beginning of year	3,816,073	52,496	3,868,569	2,697,047
End of year	$ 4,874,914	$ 39,718	$ 4,914,632	$ 3,868,569

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2018	Totals 2017
Cash flows from operating activities				
Contributions from governmental funds	$ 6,770,889	$ 498,719	$ 7,269,608	$ 7,398,146
Payments for medical claims	(6,104,814)	–	(6,104,814)	(5,743,117)
Payments for dental claims	–	(509,078)	(509,078)	(532,718)
Net cash flows from operating activities	666,075	(10,359)	655,716	1,122,311
Cash flows from investing activities				
Investment income received	19,968	–	19,968	–
Net change in cash and cash equivalents	686,043	(10,359)	675,684	1,122,311
Cash and cash equivalents				
Beginning of year	5,412,690	130,996	5,543,686	4,421,375
End of year	$ 6,098,733	$ 120,637	$ 6,219,370	$ 5,543,686
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ 1,038,873	$ (12,778)	$ 1,026,095	$ 1,171,522
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts receivable	(766)	(5,400)	(6,166)	1,328
Claims payable	(365,740)	9,662	(356,078)	19,304
Unearned revenue	(6,292)	(1,843)	(8,135)	(69,843)
Net cash flows from operating activities	$ 666,075	$ (10,359)	$ 655,716	$ 1,122,311

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues		General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	Total
2009	$ 1,336,533	$ 8,756,114	$ 14,821,178	$ 31,124,669	$ 1,484,407	$ 57,522,901
	2.3%	15.2%	25.8%	54.1%	2.6%	100.0%
2010	1,317,261	9,590,517	15,565,797	29,656,010	1,148,554	57,278,139
	2.3%	16.7%	27.2%	51.8%	2.0%	100.0%
2011	1,351,240	10,298,601	20,230,069	27,076,258	1,021,567	59,977,735
	2.3%	17.2%	33.7%	45.1%	1.7%	100.0%
2012	1,323,815	9,293,298	15,535,989	32,608,548	1,140,976	59,902,626
	2.2%	15.5%	25.9%	54.4%	2.0%	100.0%
2013	1,424,268	9,746,687	16,830,692	33,166,877	1,332,852	62,501,376
	2.3%	15.6%	26.9%	53.1%	2.1%	100.0%
2014	1,583,759	10,968,097	13,361,381	39,261,648	1,060,054	66,234,939
	2.4%	16.6%	20.2%	59.3%	1.5%	100.0%
2015	1,381,895	10,858,507	18,478,774	36,866,254	987,311	68,572,741
	2.0%	15.8%	26.9%	53.8%	1.5%	100.0%
2016	1,584,189	12,316,562	18,231,651	37,777,017	1,245,057	71,154,476
	2.2%	17.3%	25.6%	53.1%	1.8%	100.0%
2017	1,560,266	12,880,552	18,795,154	39,625,932	932,227	73,794,131
	2.1%	17.4%	25.5%	53.7%	1.3%	100.0%
2018	1,833,335	12,985,765	18,537,869	38,449,108	1,538,817	73,344,894
	2.5%	17.7%	25.3%	52.4%	2.1%	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
2009	$ 2,325,051	$ 1,352,282	$ 24,404,170	$ 811,352	$ 8,683,632	$ 1,476,300	$ 4,725,255
	4.0%	2.3%	41.8%	1.4%	14.9%	2.5%	8.1%
2010	2,408,132	1,387,693	24,525,779	804,192	9,356,398	1,729,489	4,423,174
	4.0%	2.3%	40.8%	1.3%	15.6%	2.9%	7.4%
2011	2,364,391	1,365,550	25,498,288	752,047	9,275,816	1,439,697	4,514,682
	3.9%	2.2%	41.8%	1.2%	15.2%	2.4%	7.4%
2012	2,469,933	1,427,634	26,191,779	725,344	9,935,410	1,442,920	4,942,630
	3.9%	2.3%	41.5%	1.1%	15.7%	2.3%	7.8%
2013	2,463,144	1,344,273	26,204,800	552,076	10,325,009	1,315,674	5,014,798
	3.9%	2.1%	41.5%	0.9%	16.3%	2.1%	7.9%
2014	2,704,943	1,367,285	26,209,555	523,544	10,709,470	2,665,280	5,612,101
	4.2%	2.1%	40.5%	0.8%	16.5%	4.1%	8.7%
2015	2,780,256	1,350,886	27,446,721	439,443	11,177,578	2,855,239	5,511,201
	4.2%	2.0%	41.0%	0.7%	16.7%	4.3%	8.2%
2016	2,441,557	1,879,857	28,500,351	499,839	12,410,065	5,673,182	5,619,303
	3.4%	2.6%	39.3%	0.7%	17.1%	7.8%	7.7%
2017	3,205,654	1,941,718	40,383,383	453,790	15,977,707	3,615,236	6,640,241
	3.7%	2.2%	46.1%	0.5%	18.2%	4.1%	7.6%
2018	3,226,510	2,209,014	35,798,892	537,777	15,041,531	3,927,678	6,395,379
	3.8%	2.6%	42.2%	0.6%	17.7%	4.6%	7.6%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
$ 6,399,723	$ 315,921	$ 1,501,484	$ 1,291,549	$ 2,690,491	$ 2,360,774	$ 58,337,984
11.0%	0.5%	2.6%	2.2%	4.6%	4.1%	100.0%
6,803,508	216,135	1,570,841	1,289,240	3,014,043	2,606,195	60,134,819
11.3%	0.4%	2.6%	2.1%	5.0%	4.3%	100.0%
6,732,002	220,807	1,809,824	1,320,500	3,066,722	2,675,391	61,035,717
11.0%	0.4%	3.0%	2.2%	5.0%	4.3%	100.0%
6,635,565	233,039	1,985,798	1,307,059	3,216,881	2,613,772	63,127,764
10.5%	0.4%	3.1%	2.1%	5.1%	4.2%	100.0%
6,654,356	251,815	2,086,777	1,245,474	3,219,889	2,483,173	63,161,258
10.5%	0.4%	3.3%	2.0%	5.1%	4.0%	100.0%
5,136,435	279,042	2,372,816	1,335,512	3,296,138	2,577,800	64,789,921
7.9%	0.4%	3.7%	2.1%	5.1%	3.9%	100.0%
6,124,862	318,428	2,390,570	1,344,766	3,246,459	1,957,346	66,943,755
9.1%	0.5%	3.6%	2.0%	4.8%	2.9%	100.0%
5,901,471	268,482	2,675,729	1,519,388	3,234,815	1,903,059	72,527,098
8.1%	0.4%	3.7%	2.1%	4.5%	2.6%	100.0%
5,733,901	248,327	2,771,245	1,668,349	3,235,338	1,766,334	87,641,223
6.5%	0.3%	3.2%	1.9%	3.7%	2.0%	100.0%
7,243,559	233,841	2,645,759	1,703,165	3,253,593	2,578,471	84,795,169
8.6%	0.3%	3.1%	2.0%	3.8%	3.1%	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
2009	$ 10,545,970	$ 35,683,368	$ 2,361,394	$ 2,036,664	$ 50,627,396
	20.8%	70.5%	4.7%	4.0%	100.0%
2010	11,237,159	31,609,959	5,584,065	1,806,853	50,238,036
	22.4%	62.9%	11.1%	3.6%	100.0%
2011	14,917,502	31,958,208	3,358,156	1,845,918	52,079,784
	28.6%	61.4%	6.4%	3.6%	100.0%
2012	10,587,151	37,026,885	2,497,377	1,819,060	51,930,473
	20.4%	71.3%	4.8%	3.5%	100.0%
2013	11,353,435	38,123,440	2,391,684	2,088,697	53,957,256
	21.0%	70.7%	4.4%	3.9%	100.0%
2014	7,594,508	44,992,848	2,671,161	1,837,042	57,095,559
	13.3%	78.8%	4.7%	3.2%	100.0%
2015	12,429,665	42,796,472	2,268,868	1,667,896	59,162,901
	21.0%	72.3%	3.8%	2.9%	100.0%
2016	12,969,947	45,073,735	2,051,552	2,048,208	62,143,442
	20.9%	72.5%	3.3%	3.3%	100.0%
2017	13,422,904	45,677,476	2,083,704	1,592,465	62,776,549
	21.4%	72.8%	3.3%	2.5%	100.0%
2018	13,100,376	46,142,115	2,251,487	1,533,633	63,027,611
	20.8%	73.2%	3.6%	2.4%	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
2009	$ 2,991,419	$ 1,637,303	$ 31,655,973	$ 997,170	$ 11,003,461
	4.6%	2.5%	49.0%	1.5%	17.0%
2010	2,236,456	1,344,757	23,715,332	783,680	9,090,519
	4.3%	2.6%	46.1%	1.5%	17.7%
2011	2,371,106	1,339,401	25,134,023	731,005	9,100,333
	4.4%	2.5%	47.0%	1.4%	17.0%
2012	2,353,857	1,365,761	25,066,366	695,800	9,548,848
	4.3%	2.5%	46.1%	1.3%	17.5%
2013	2,352,202	1,333,360	25,418,747	531,952	10,195,144
	4.3%	2.4%	46.3%	1.0%	18.6%
2014	2,485,240	1,322,189	25,989,323	506,708	10,657,828
	4.4%	2.4%	46.3%	0.9%	19.0%
2015	2,562,193	1,307,061	27,005,565	417,657	11,046,981
	4.4%	2.3%	46.6%	0.7%	19.1%
2016	2,531,424	1,868,531	27,838,034	484,356	12,232,161
	3.9%	2.9%	43.4%	0.8%	19.1%
2017	2,472,656	1,890,917	28,685,536	295,009	11,519,037
	4.0%	3.1%	46.5%	0.5%	18.7%
2018	2,690,786	2,282,534	26,702,012	439,099	11,823,370
	4.3%	3.7%	43.1%	0.7%	19.1%

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
$ 1,811,565	$ 5,270,777	$ 8,358,322	$ 820,050	$ 64,546,040
2.8%	8.2%	12.9%	1.5%	100.0%
1,615,364	4,525,761	7,349,636	816,402	51,477,907
3.1%	8.8%	14.3%	1.6%	100.0%
1,324,449	4,565,045	7,979,702	907,385	53,452,449
2.5%	8.5%	14.9%	1.8%	100.0%
1,312,859	4,880,377	8,306,378	894,205	54,424,451
2.4%	9.0%	15.3%	1.6%	100.0%
1,255,126	5,096,974	7,905,507	847,840	54,936,852
2.3%	9.3%	14.4%	1.4%	100.0%
2,633,320	5,470,787	6,160,962	935,255	56,161,612
4.7%	9.7%	11.0%	1.6%	100.0%
2,816,864	5,537,272	6,402,196	886,727	57,982,516
4.9%	9.5%	11.0%	1.5%	100.0%
5,628,717	5,650,890	6,396,910	1,557,185	64,188,208
8.8%	8.8%	10.0%	2.3%	100.0%
2,935,556	6,107,461	6,221,688	1,555,329	61,683,189
4.8%	9.9%	10.1%	2.4%	100.0%
3,349,715	6,333,655	6,872,773	1,498,822	61,992,766
5.4%	10.2%	11.1%	2.4%	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					
	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
	2018	16,506,195	465,023	9,556,851	26,528,069
Tax capacity rates					
	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
	2018	16.168	0.969	19.913	37.050

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Tax Capacities
Last Ten Fiscal Years

For Taxes Collectible	Nonagricultural	Fiscal Disparities Contribution	Fiscal Disparities Distribution	Tax Increment	Total Tax Capacity
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
2018	57,728,286	(8,277,082)	6,000,883	(5,852,405)	49,599,682

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
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
2018	24,099,392	2,428,677	–	26,528,069

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, 2018			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
–	–	–	–
15,244	0.09	–	–
17,840	0.10	–	–
20,385	0.11	–	–
35,236	0.18	–	–
59,122	0.31	–	–
–	–	13,128,069	49.49
$ 147,827		$ 13,128,069	

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	
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	153.83	292.39	2,110.31	1,822.44	4,378.97	4,743.47
2018	195.61	300.31	2,006.61	1,866.58	4,369.11	4,742.39

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 2009 through 2014	Various	0.612	1.115	1.060	1.300
Fiscal 2015 through 2018	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, 2018

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	$ 529,693		
National School Lunch Program	10.555	1,438,487		$ 121,989
Summer Food Service Program for Children	10.559	76,755		
Total child nutrition cluster			$ 2,044,935	
Fresh Fruit and Vegetable Program	10.582		29,989	
U.S. Department of Education				
Direct				
Indian Education Grants to Local Educational Agencies	84.060		3,597	
Passed through Minnesota Department of Education				
Title I Grants to Local Educational Agencies	84.010		1,017,761	
Special education cluster				
Special Education Grants to States	84.027	870,296		
Special Education Preschool Grants	84.173	31,691		
Total special education cluster			901,987	
Special Education – Grants for Infants and Families	84.181		33,131	
English Language Acquisition State Grants	84.365		151,497	
Supporting Effective Instruction State Grant	84.367		126,568	
Passed through Southwest Metro Educational Cooperative				
Career and Technical Education – Basic Grants to States	84.048		12,945	
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		4,000	
Total expenditures of federal awards			$ 4,326,410	

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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CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon date December 5, 2018.

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. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a significant deficiency.

(continued)

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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*.

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 5, 2018

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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
Jaclyn M. Huegel, CPA

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

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 280's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. 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)

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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, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 5, 2018

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2018.

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
December 5, 2018

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INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

What type of auditor's report is issued?	X Unmodified ___ Qualified ___ Adverse ___ Disclaimer	
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	X Yes	___ None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs?	X Unmodified ___ Qualified ___ Adverse ___ Disclaimer	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	X No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Agriculture – child nutrition cluster consisting of:	
– Special Education Grants to States	84.027
– Special Education Preschool Grants	84.173

Threshold for distinguishing type A and B programs.	$ 750,000	
Does the auditee qualify as a low-risk auditee?	X Yes	___ No

B. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2018-001 Timeliness and Accuracy of Cash Reconciliations

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

Condition – During our audit, we noted that the monthly cash reconciliations prepared by Independent School District No. 280, Richfield, Minnesota's (the District) staff were not being performed in a timely manner and contained discrepancies when compared to the District's general ledger and underlying records. In previous audits of the District, we have generally found the District's internal controls in this area to be well designed, implemented, and functioning properly. In the current year, although the internal controls were still considered to be well designed, the effectiveness of some control procedures was diminished, due to a lack of timeliness and accuracy.

Questioned Costs – None.

Context – Monthly bank reconciliations were not being completed accurately in a timely manner.

Repeat Finding – This is a current year finding only.

Cause – The District transitioned to a new finance software mid-year, and inexperience with the new software caused some financial transaction activity to be posted to incorrect periods, making it very difficult to complete the monthly cash reconciliation process.

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

Recommendation – We recommend that district management continue to provide training to employees to ensure all financial transactions are posting to the correct period in the general ledger, thereby facilitating the timely and accurate completion of monthly cash reconciliations.

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

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

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INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2018

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 63,027,611	$ 63,027,611	$ –
Total expenditures		$ 61,992,766	$ 61,992,765	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 1,103,097	$ 1,103,097	$ –
Restricted				
403	Staff development	$ 310,519	$ 310,519	$ –
406	Health and safety	$ –	$ –	$ –
407	Capital projects levy	$ 203,885	$ 203,885	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ 813,614	$ 813,614	$ –
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	$ –	$ –	$ –
459	Basic skills extended time	$ 105,811	$ 105,811	$ –
467	Long-term facilities maintenance	$ (297,829)	$ (297,830)	$ 1
472	Medical Assistance	$ 481,120	$ 481,120	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 3,039,788	$ 3,039,788	$ –
Unassigned				
422	Unassigned fund balance	$ 3,392,874	$ 3,392,874	$ –
Food Service				
Total revenue		$ 2,768,891	$ 2,768,890	$ 1
Total expenditures		$ 2,694,977	$ 2,694,977	$ –
Nonspendable				
460	Nonspendable fund balance	$ 21,960	$ 21,960	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 409,408	$ 409,408	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 2,155,484	$ 2,155,483	$ 1
Total expenditures		$ 1,691,958	$ 1,691,956	$ 2
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 36,869	$ 36,869	$ –
432	ECFE	$ 155,727	$ 155,727	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 276,580	$ 276,579	$ 1
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 61,913	$ 61,914	$ (1)
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2018

			Audit		UFARS		Audit – UFARS
Building Construction							
Total revenue		$	265,178	$	265,178	$	–
Total expenditures		$	2,686,499	$	2,686,500	$	(1)
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
407	Capital projects levy	$	–	$	–	$	–
413	Projects funded by COP	$	–	$	–	$	–
467	Long-term facilities maintenance	$	32,455,846	$	32,455,846	$	–
464	Restricted fund balance	$	84,962,764	$	84,962,764	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Debt Service							
Total revenue		$	4,143,050	$	4,143,051	$	(1)
Total expenditures		$	4,195,851	$	4,195,851	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
433	Max effort loan	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
467	Long-term facilities maintenance	$	–	$	–	$	–
464	Restricted fund balance	$	199,282	$	199,283	$	(1)
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Trust							
Total revenue		$	60,368	$	60,368	$	–
Total expenditures		$	48,713	$	48,713	$	–
422	Net position	$	450,145	$	450,145	$	–
Internal Service							
Total revenue		$	7,303,877	$	7,303,877	$	–
Total expenditures		$	6,257,814	$	6,257,814	$	–
422	Net position	$	4,914,632	$	4,914,633	$	(1)
OPEB Revocable Trust Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Irrevocable Trust Fund							
Total revenue		$	115,612	$	115,612	$	–
Total expenditures		$	917,335	$	917,335	$	–
422	Net position	$	9,750,831	$	9,750,831	$	–
OPEB Debt Service Fund							
Total revenue		$	989,701	$	989,701	$	–
Total expenditures		$	1,023,142	$	1,023,142	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
464	Restricted fund balance	$	180,533	$	180,533	$	–
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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