

INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 280

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2020

SCHOOL BOARD

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

ADMINISTRATION

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

FINANCIAL SECTION



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
Kalen T. Karnowski, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying 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 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 2019 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 12, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 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 28, 2020 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 28, 2020

INDEPENDENT SCHOOL DISTRICT NO. 280

Management's Discussion and Analysis Fiscal Year Ended June 30, 2020

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, 2020. 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, 2020 by \$33,417,816 (deficit net position). Government-wide revenues totaled \$84,059,155, and expenses were \$77,341,031. As a result, the District's total net position increased by \$6,718,124 during the fiscal year, excluding the change in accounting principle discussed below.
- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which changed the way the District reports certain fiduciary activities. The implementation of this standard increased both beginning governmental activities net position and beginning fund balance in the General Fund by \$430,840.
- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of \$16,197,751, an increase of \$4,482,197 from the prior year, excluding the change in accounting principle. The unrestricted portion of the year-end fund balance (assigned and unassigned) was \$12,199,261, which represents 19.2 percent of annual General Fund expenditures based on fiscal 2020 expenditure levels. The unassigned fund balance was \$6,920,954, which represents 10.9 percent of General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with Minnesota statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following types of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|------------------------|
| Assets | | |
| Current and other assets | \$ 107,683,801 | \$ 160,671,962 |
| Capital assets, net of depreciation | <u>121,596,280</u> | <u>59,243,864</u> |
| Total assets | <u>\$ 229,280,081</u> | <u>\$ 219,915,826</u> |
| Deferred outflows of resources | | |
| Pension plan deferments | \$ 32,547,496 | \$ 47,111,706 |
| OPEB Plan deferments | 432,669 | 548,325 |
| Deferred charges on refunding | <u>451,784</u> | <u>519,978</u> |
| Total deferred outflows of resources | <u>\$ 33,431,949</u> | <u>\$ 48,180,009</u> |
| Liabilities | | |
| Current and other liabilities | \$ 14,997,650 | \$ 10,443,844 |
| Long-term liabilities, including due within one year | <u>199,202,927</u> | <u>204,086,187</u> |
| Total liabilities | <u>\$ 214,200,577</u> | <u>\$ 214,530,031</u> |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | \$ 26,286,641 | \$ 26,301,162 |
| Pension plan deferments | 51,088,679 | 63,598,941 |
| OPEB Plan deferments | <u>4,553,949</u> | <u>4,232,481</u> |
| Total deferred inflows of resources | <u>\$ 81,929,269</u> | <u>\$ 94,132,584</u> |
| Net position | | |
| Net investment in capital assets | \$ 26,263,596 | \$ 24,223,635 |
| Restricted | 10,384,473 | 6,910,435 |
| Unrestricted | <u>(70,065,885)</u> | <u>(71,700,850)</u> |
| Total net position | <u>\$ (33,417,816)</u> | <u>\$ (40,566,780)</u> |

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

Total net position increased by \$6,718,124 in 2020, excluding the change in accounting principle discussed earlier. The decrease in current assets and increase in capital assets was a result of construction related to bonds issued in a previous year. Changes in the District's proportionate share of two state-wide pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) contributed to the changes in deferred inflows/outflows of resources and long-term liabilities. Increases in resources restricted for capital asset acquisition, community service, and other state restrictions resulted in the increase in restricted net position.

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

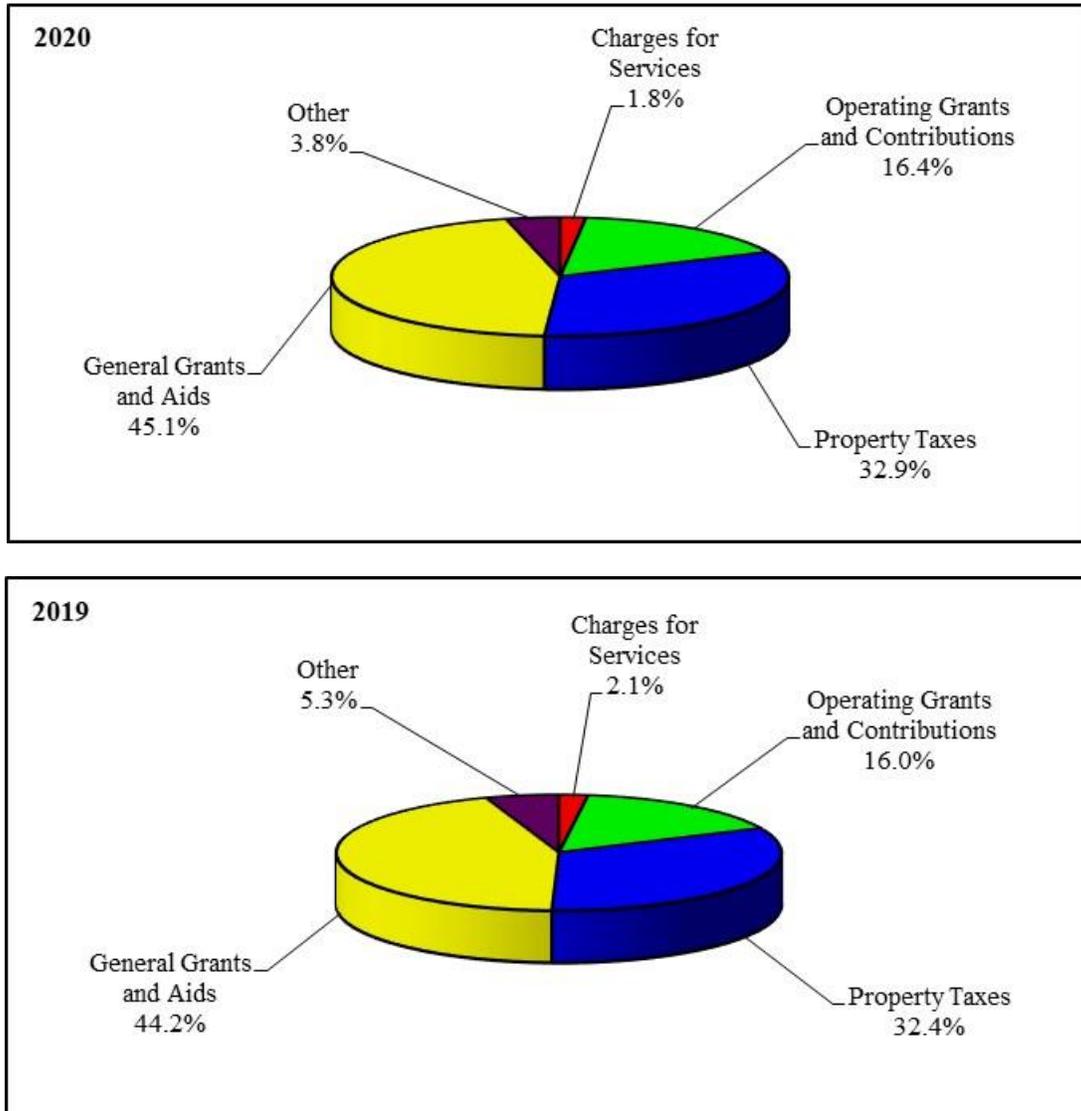
| | 2020 | 2019 |
|--|-----------------|-----------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 1,492,769 | \$ 1,731,697 |
| Operating grants and contributions | 13,785,794 | 13,055,457 |
| General revenues | | |
| Property taxes | 27,653,830 | 26,504,457 |
| General grants and aids | 37,922,927 | 36,127,245 |
| Other | 3,203,835 | 4,320,055 |
| Total revenues | 84,059,155 | 81,738,911 |
| Expenses | | |
| Administration | 2,926,141 | 1,921,888 |
| District support services | 2,157,245 | 2,038,601 |
| Elementary and secondary regular instruction | 29,846,895 | 18,949,610 |
| Vocational education instruction | 466,338 | 333,061 |
| Special education instruction | 12,729,667 | 8,264,835 |
| Instructional support services | 3,858,263 | 2,987,518 |
| Pupil support services | 6,280,289 | 5,556,435 |
| Sites and buildings | 8,695,645 | 5,757,551 |
| Fiscal and other fixed cost programs | 271,303 | 223,275 |
| Food service | 2,887,952 | 2,657,883 |
| Community service | 1,938,043 | 1,454,964 |
| Unallocated depreciation | – | 3,284,068 |
| Interest and fiscal charges | 5,283,250 | 4,687,319 |
| Total expenses | 77,341,031 | 58,117,008 |
| Change in net position | 6,718,124 | 23,621,903 |
| Net position – beginning, as previously reported | (40,566,780) | (64,188,683) |
| Change in accounting principle | 430,840 | – |
| Net position – beginning, as restated | (40,135,940) | (64,188,683) |
| Net position – ending | \$ (33,417,816) | \$ (40,566,780) |

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 and expenditures for fiscal year 2020 were \$2,320,244 and \$19,224,023 higher than last year, respectively. Property tax revenues increased from the prior year, consistent with the approved property tax levy. The increase in general grants and aids, and significant increase in expenses, primarily reflect changes in District's proportionate share of the PERA and the TRA state-wide pension plans.

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

Figure A – Sources of Revenue for Fiscal Years 2020 and 2019

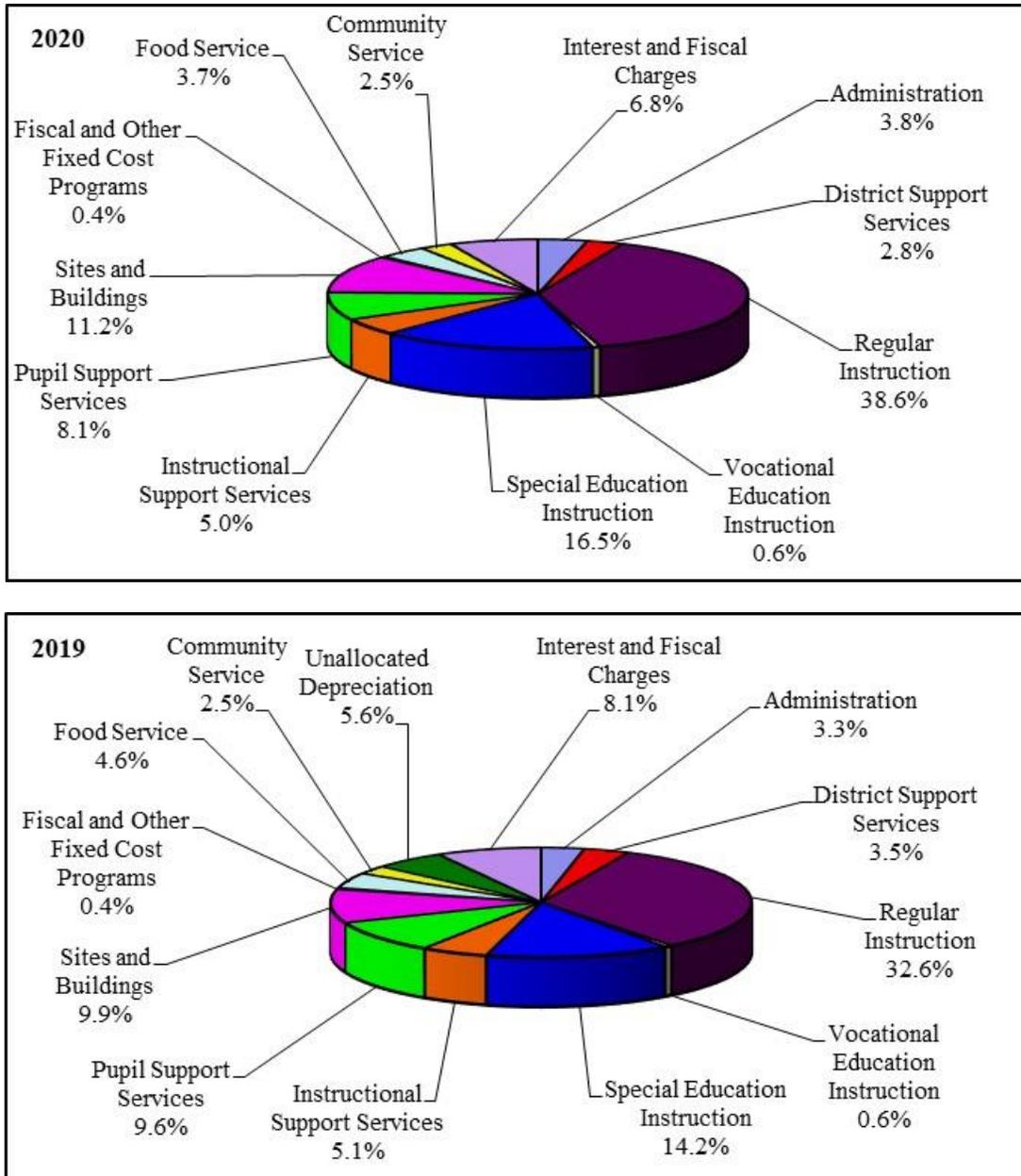


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts as a result of limited funding increases in recent years.

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.

Charges for services decreased, due to the effects of the COVID-19 pandemic, which reduced activity fees and admissions. The drop in the “other” revenue category in fiscal 2020, was due to a decrease in investment income, due to the District spending down bond proceeds for its construction projects.

Figure B – Expenses for Fiscal Years 2020 and 2019



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

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

The District began allocating all depreciation to the applicable programs in fiscal 2020, eliminating the unallocated depreciation reported in previous years.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
|--|---------------------------------|----------------------------------|-----------------------------------|
| Major funds | | | |
| General | \$ 16,197,751 | \$ 11,284,714 | \$ 4,913,037 |
| Capital Projects – Building Construction | 43,930,556 | 106,812,199 | (62,881,643) |
| Debt Service | 1,515,119 | 1,123,306 | 391,813 |
| Nonmajor funds | | | |
| Food Service Special Revenue | 237,508 | 532,885 | (295,377) |
| Community Service Special Revenue | <u>600,659</u> | <u>584,749</u> | <u>15,910</u> |
| Total governmental funds | <u><u>\$ 62,481,593</u></u> | <u><u>\$ 120,337,853</u></u> | <u><u>\$ (57,856,260)</u></u> |

The General Fund balance increased \$4,913,037 in fiscal 2020, including the \$430,840 change in accounting principle. The increase was mainly due to conservative budgeting, and cost-containment measures that resulted in expenditures being held \$2,534,078 under budget.

The Capital Projects – Building Construction Fund decreased \$62,881,643, due to spending on a number of significant capital projects financed by school building bonds and facilities maintenance bonds issued during fiscal 2018.

The Debt Service Fund increased \$391,813, which was due to debt service property tax levies exceeding scheduled debt service expenditures.

The decrease in the Food Service Special Revenue Fund of \$295,377, was due to a combination of meal sales revenue being under budget, due to the COVID-19 pandemic, and related costs coming in over budget.

The Community Service Special Revenue Fund increased \$15,910 in the current year, despite a COVID-19-related decrease in program fees, due to lower than projected program costs.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Change</u> | <u>Percent Change</u> |
|-------------------------|------------------------|---------------------|---------------|-----------------------|
| Revenue | \$ 66,623,022 | \$ 67,555,566 | \$ 932,544 | 1.4% |
| Expenditures | \$ 66,412,671 | \$ 65,994,325 | \$ (418,346) | (0.6%) |
| Other financing sources | \$ 20,000 | \$ 29,200 | \$ 9,200 | 46.0% |

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.

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:

| | <u>2020 Actual</u> | <u>Over (Under) Final Budget</u> | | <u>Over (Under) Prior Year</u> | |
|-----------------------------|---------------------|----------------------------------|----------------|--------------------------------|----------------|
| | | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Revenue | \$ 67,918,144 | \$ 362,578 | 0.5% | \$ 1,583,948 | 2.4% |
| Expenditures | 63,460,247 | \$ (2,534,078) | (3.8%) | \$ (1,136,566) | (1.8%) |
| Other financing sources | 24,300 | \$ (4,900) | (16.8%) | \$ (370,152) | (93.8%) |
| Net change in fund balances | <u>\$ 4,482,197</u> | | | | |

The increase in 2020 actual revenue is largely due to increases in voter-approved property tax revenue and federal Coronavirus Aid, Relief, and Economic Security (CARES) Act grant funding. Federal revenues exceeded budget by \$502,872, due to the use of unbudgeted CARES Act entitlements, which caused the overall variance of \$362,578. The decrease in expenditures from the prior year and underspending compared to budget, were both due to conservative budgeting and cost-containment measures, along with the delay of some scheduled long-term facilities maintenance projects until the 2021 fiscal year.

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, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
|-------------------------------|------------------------------|-----------------------------|-----------------------------|
| Land | \$ 349,265 | \$ 349,265 | \$ – |
| Construction in process | 80,363,921 | 15,297,653 | 65,066,268 |
| Land improvements | 6,607,884 | 6,573,702 | 34,182 |
| Buildings | 90,021,281 | 89,980,021 | 41,260 |
| Equipment | 9,442,831 | 9,081,873 | 360,958 |
| Less accumulated depreciation | <u>(65,188,902)</u> | <u>(62,038,650)</u> | <u>(3,150,252)</u> |
| Total | <u>\$ 121,596,280</u> | <u>\$ 59,243,864</u> | <u>\$ 62,352,416</u> |
| Depreciation expense | <u>\$ 3,462,203</u> | <u>\$ 3,640,108</u> | <u>\$ (177,905)</u> |

The increase in construction in progress reflects the improvement projects activity in the Capital Projects – Building Construction Fund. The increase in equipment is primarily due to a number of SMART Board and kitchen equipment purchases.

Long-Term Liabilities

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

| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
|--------------------------|------------------------------|------------------------------|------------------------------|
| General obligation bonds | \$ 141,475,000 | \$ 145,055,000 | \$ (3,580,000) |
| Premiums | 4,620,889 | 5,066,767 | (445,878) |
| Capital leases | 1,128,698 | 2,268,246 | (1,139,548) |
| Net pension liability | 41,099,823 | 39,463,512 | 1,636,311 |
| Net OPEB liability | 8,342,058 | 9,664,016 | (1,321,958) |
| Compensated absences | 481,868 | 408,993 | 72,875 |
| Severance benefits | <u>2,054,591</u> | <u>2,159,653</u> | <u>(105,062)</u> |
| Total | <u>\$ 199,202,927</u> | <u>\$ 204,086,187</u> | <u>\$ (4,883,260)</u> |

The decreases in general obligation bonds as shown in Table 7 are due to scheduled principal payments, with no new bonds issued in fiscal 2020. The change in capital leases is based on the planned repayment schedules.

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

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District’s corporate limits (see Table 8).

| | |
|-------------------------|------------------------------|
| District’s market value | \$ 5,294,557,675 |
| Limit rate | <u>15.0%</u> |
| Legal debt limit | <u><u>\$ 794,183,651</u></u> |

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

FACTORS BEARING ON THE DISTRICT’S FUTURE

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

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

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

The Voluntary Pre-Kindergarten Program has continued to grow, currently serving 193 students in 2019–2020. Based on state legislation, in the fall of 2021, this funding is anticipated to return to the original level received in 2016–2017, reducing programming in Richfield.

In November 2013, the community approved a renewal and increase to the capital projects referendum that initially provided the District, with approximately \$2.2 million annually over the following 10 years for technology purchases. The District has upgraded its technology infrastructure to provide for a robust Wi-Fi system. The District installed the new system in all seven buildings during the summer of 2015. In the fall of 2018, the District provided increased access by students to technology devices through a program that provides devices at a 1:1 ratio for secondary students and a 2:1 ratio for elementary students. Because this funding is based on the net tax capacity of the District, in 2020, this referendum provided \$3.2 million in funding and is anticipated to continue to increase incrementally, with property value increases during the term of the referendum. This funding is based on the net tax capacity of the District, which has been increasing over the past few years, as a result of the expiration of existing tax increment financing districts, as well as increased redevelopment within the community. This increase in net tax capacity in the District is expected to continue through the term of this referendum, resulting in additional access to financial resources for this capital project.

The District has continued its efforts to develop and implement a more transparent budgeting system, which is aligned with the District's new Strategic Plan and priorities. The District continues to expand its enrichment opportunities for all students and is enhancing its gifted and talented programs, as well as dual-credit programs, which provide opportunities for students to receive college credits while attending Richfield High School. In total, 260 students participated in College in the Schools programming, earning 2,260 credits from the University of Minnesota worth \$1,250,524 in 2019–2020.

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.

The COVID-19 pandemic has impacted how the District provides instruction. The District completed the 2019–2020 school year with distance learning. Increased expenditures for personal protective equipment, sanitation supplies, and technology are expected in the upcoming fiscal year.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic may impact the District's enrollment. Students choosing to enroll in alternative online programs or private school options, and kindergarten families choosing to wait a year, could impact district revenues.

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, 2020
(With Partial Comparative Information as of June 30, 2019)

| | Governmental Activities | |
|--|-------------------------|-----------------------|
| | 2020 | 2019 |
| Assets | | |
| Cash and temporary investments | \$ 85,650,632 | \$ 138,085,216 |
| Receivables | | |
| Current taxes | 14,205,334 | 13,733,426 |
| Delinquent taxes | 212,457 | 219,575 |
| Accounts and interest | 1,502,441 | 1,677,275 |
| Due from fiduciary fund | 816,085 | 498,893 |
| Due from other governmental units | 5,243,363 | 5,504,202 |
| Inventory | 35,613 | 42,778 |
| Prepaid items | 17,876 | 910,597 |
| Capital assets | | |
| Not depreciated | 80,713,186 | 15,646,918 |
| Depreciated, net of accumulated depreciation | 40,883,094 | 43,596,946 |
| Total capital assets, net of accumulated depreciation | <u>121,596,280</u> | <u>59,243,864</u> |
| Total assets | <u>229,280,081</u> | <u>219,915,826</u> |
| Deferred outflows of resources | | |
| Pension plan deferments | 32,547,496 | 47,111,706 |
| OPEB Plan deferments | 432,669 | 548,325 |
| Deferred charges on refunding | 451,784 | 519,978 |
| Total deferred outflows of resources | <u>33,431,949</u> | <u>48,180,009</u> |
| Total assets and deferred outflows of resources | <u>\$ 262,712,030</u> | <u>\$ 268,095,835</u> |
| Liabilities | | |
| Salaries payable | \$ 335,208 | \$ 506,200 |
| Accounts and contracts payable | 10,382,385 | 5,595,468 |
| Accrued interest payable | 2,192,130 | 1,896,159 |
| Due to other governmental units | 612,713 | 986,225 |
| Unearned revenue | 955,714 | 950,949 |
| Claims incurred, but not reported | 519,500 | 508,843 |
| Long-term liabilities | | |
| Due within one year | 5,023,641 | 5,254,544 |
| Due in more than one year | 194,179,286 | 198,831,643 |
| Total long-term liabilities | <u>199,202,927</u> | <u>204,086,187</u> |
| Total liabilities | <u>214,200,577</u> | <u>214,530,031</u> |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 26,286,641 | 26,301,162 |
| Pension plan deferments | 51,088,679 | 63,598,941 |
| OPEB Plan deferments | 4,553,949 | 4,232,481 |
| Total deferred inflows of resources | <u>81,929,269</u> | <u>94,132,584</u> |
| Net position | | |
| Net investment in capital assets | 26,263,596 | 24,223,635 |
| Restricted for | | |
| Capital asset acquisition | 8,052,268 | 5,043,752 |
| Food service | 237,508 | 532,885 |
| Community service | 691,075 | 588,856 |
| Other state restrictions | 1,403,622 | 744,942 |
| Unrestricted | (70,065,885) | (71,700,850) |
| Total net position | <u>(33,417,816)</u> | <u>(40,566,780)</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 262,712,030</u> | <u>\$ 268,095,835</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Activities
 Year Ended June 30, 2020
 (With Partial Comparative Information for the Year Ended June 30, 2019)

| Functions/Programs | 2020 | | | 2019 | |
|--|----------------------|----------------------|------------------------------------|-------------------------------------|------------------------|
| | Expenses | Program Revenues | | Net (Expense) | |
| | | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position | |
| | | | Governmental Activities | Governmental Activities | |
| Governmental activities | | | | | |
| Administration | \$ 2,926,141 | \$ 201,276 | \$ 50,735 | \$ (2,674,130) | \$ (1,600,057) |
| District support services | 2,157,245 | – | – | (2,157,245) | (2,038,601) |
| Elementary and secondary regular instruction | 29,846,895 | 136,189 | 3,262,610 | (26,448,096) | (16,064,030) |
| Vocational education instruction | 466,338 | – | 11,555 | (454,783) | (318,435) |
| Special education instruction | 12,729,667 | 269,488 | 6,941,418 | (5,518,761) | (908,658) |
| Instructional support services | 3,858,263 | – | 8,400 | (3,849,863) | (2,987,518) |
| Pupil support services | 6,280,289 | 128,885 | 330,245 | (5,821,159) | (5,421,447) |
| Sites and buildings | 8,695,645 | – | – | (8,695,645) | (5,757,551) |
| Fiscal and other fixed cost programs | 271,303 | – | – | (271,303) | (223,275) |
| Food service | 2,887,952 | 346,424 | 2,322,092 | (219,436) | 156,072 |
| Community service | 1,938,043 | 410,507 | 858,739 | (668,797) | (194,967) |
| Unallocated depreciation | – | – | – | – | (3,284,068) |
| Interest and fiscal charges | 5,283,250 | – | – | (5,283,250) | (4,687,319) |
| Total governmental activities | \$ 77,341,031 | \$ 1,492,769 | \$ 13,785,794 | (62,062,468) | (43,329,854) |
| General revenues | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | 17,990,103 | 16,566,234 |
| Property taxes, levied for community service | | | | 441,383 | 460,408 |
| Property taxes, levied for debt service | | | | 9,222,344 | 9,477,815 |
| General grants and aids | | | | 37,922,927 | 36,127,245 |
| Other general revenues | | | | 671,646 | 744,563 |
| Gain on sale of capital assets | | | | – | 38,588 |
| Investment earnings | | | | 2,532,189 | 3,536,904 |
| Total general revenues | | | | 68,780,592 | 66,951,757 |
| Change in net position | | | | 6,718,124 | 23,621,903 |
| Net position – beginning, as previously reported | | | | (40,566,780) | (64,188,683) |
| Change in accounting principle | | | | 430,840 | – |
| Net position – beginning, as restated | | | | <u>(40,135,940)</u> | <u>(64,188,683)</u> |
| Net position – ending | | | | \$ (33,417,816) | \$ (40,566,780) |

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
 Governmental Funds
 as of June 30, 2020
 (With Partial Comparative Information as of June 30, 2019)

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund |
|--|----------------------|---|----------------------|
| Assets | | | |
| Cash and temporary investments | \$ 18,361,630 | \$ 52,689,430 | \$ 6,288,836 |
| Receivables | | | |
| Current taxes | 8,953,645 | – | 5,009,641 |
| Delinquent taxes | 139,017 | – | 69,588 |
| Accounts and interest | 213,924 | 1,278,999 | – |
| Due from other governmental units | 4,939,385 | – | – |
| Due from Fiduciary Fund | 816,085 | – | – |
| Inventory | 15,937 | – | – |
| Prepaid items | 17,876 | – | – |
| | <u>\$ 33,457,499</u> | <u>\$ 53,968,429</u> | <u>\$ 11,368,065</u> |
| Liabilities | | | |
| Salaries payable | \$ 246,576 | \$ 324 | \$ – |
| Accounts and contracts payable | 311,858 | 10,037,549 | – |
| Due to other governmental units | 601,583 | – | – |
| Unearned revenue | – | – | – |
| Total liabilities | <u>1,160,017</u> | <u>10,037,873</u> | <u>–</u> |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year | 16,006,569 | – | 9,806,268 |
| Unavailable revenue – delinquent taxes | 93,162 | – | 46,678 |
| Total deferred inflows of resources | <u>16,099,731</u> | <u>–</u> | <u>9,852,946</u> |
| Fund balances (deficit) | | | |
| Nonspendable | 33,813 | – | – |
| Restricted | 3,964,677 | 43,930,556 | 1,515,119 |
| Assigned | 5,278,307 | – | – |
| Unassigned | 6,920,954 | – | – |
| Total fund balances | <u>16,197,751</u> | <u>43,930,556</u> | <u>1,515,119</u> |
| | <u>\$ 33,457,499</u> | <u>\$ 53,968,429</u> | <u>\$ 11,368,065</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 33,457,499</u> | <u>\$ 53,968,429</u> | <u>\$ 11,368,065</u> |

| Nonmajor Funds | Total Governmental Funds | |
|---------------------|--------------------------|-----------------------|
| | 2020 | 2019 |
| \$ 911,507 | \$ 78,251,403 | \$ 131,357,670 |
| 242,048 | 14,205,334 | 13,733,426 |
| 3,852 | 212,457 | 219,575 |
| 27 | 1,492,950 | 1,667,951 |
| 303,978 | 5,243,363 | 5,504,202 |
| – | 816,085 | 498,893 |
| 19,676 | 35,613 | 42,778 |
| – | 17,876 | 910,597 |
| <u>\$ 1,481,088</u> | <u>\$ 100,275,081</u> | <u>\$ 153,935,092</u> |
| \$ 88,308 | \$ 335,208 | \$ 506,200 |
| 32,978 | 10,382,385 | 5,595,468 |
| 11,130 | 612,713 | 986,225 |
| 34,095 | 34,095 | 15,509 |
| <u>166,511</u> | <u>11,364,401</u> | <u>7,103,402</u> |
| 473,804 | 26,286,641 | 26,301,162 |
| 2,606 | 142,446 | 192,675 |
| <u>476,410</u> | <u>26,429,087</u> | <u>26,493,837</u> |
| 19,676 | 53,489 | 953,375 |
| 906,301 | 50,316,653 | 111,513,344 |
| – | 5,278,307 | 3,326,097 |
| (87,810) | 6,833,144 | 4,545,037 |
| <u>838,167</u> | <u>62,481,593</u> | <u>120,337,853</u> |
| <u>\$ 1,481,088</u> | <u>\$ 100,275,081</u> | <u>\$ 153,935,092</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|------------------------|------------------------|
| Total fund balances – governmental funds | \$ 62,481,593 | \$ 120,337,853 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.</p> | | |
| Cost of capital assets | 186,785,182 | 121,282,514 |
| Accumulated depreciation | (65,188,902) | (62,038,650) |
| <p>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.</p> | | |
| General obligation bonds | (141,475,000) | (145,055,000) |
| Unamortized premium | (4,620,889) | (5,066,767) |
| Capital leases | (1,128,698) | (2,268,246) |
| Net pension liability | (41,099,823) | (39,463,512) |
| Net OPEB liability | (8,342,058) | (9,664,016) |
| Compensated absences | (481,868) | (408,993) |
| Severance benefits | (2,054,591) | (2,159,653) |
| <p>Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.</p> | | |
| | (2,192,130) | (1,896,159) |
| <p>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.</p> | | |
| | 5,967,601 | 5,292,587 |
| <p>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.</p> | | |
| Deferred outflows of resources – pension plan deferments | 32,547,496 | 47,111,706 |
| Deferred outflows of resources – OPEB Plan deferments | 432,669 | 548,325 |
| Deferred outflows of resources – deferred charges on refunding | 451,784 | 519,978 |
| Deferred inflows of resources – pension plan deferments | (51,088,679) | (63,598,941) |
| Deferred inflows of resources – OPEB Plan deferments | (4,553,949) | (4,232,481) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | 142,446 | 192,675 |
| Total net position – governmental activities | <u>\$ (33,417,816)</u> | <u>\$ (40,566,780)</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2020
 (With Partial Comparative Information for the Year Ended June 30, 2019)

| | <u>General Fund</u> | <u>Capital Projects – Building Construction Fund</u> | <u>Debt Service Fund</u> |
|---|----------------------|--|------------------------------|
| Revenue | | | |
| Local sources | | | |
| Property taxes | \$ 18,018,703 | \$ – | \$ 9,223,845 |
| Investment earnings | 273,021 | 2,084,625 | 56,981 |
| Other | 1,117,353 | 100,000 | – |
| State sources | 45,674,571 | – | – |
| Federal sources | 2,834,496 | – | – |
| Total revenue | <u>67,918,144</u> | <u>2,184,625</u> | <u>9,280,826</u> |
| Expenditures | | | |
| Current | | | |
| Administration | 2,773,580 | – | – |
| District support services | 2,214,339 | – | – |
| Elementary and secondary regular instruction | 28,172,567 | – | – |
| Vocational education instruction | 446,106 | – | – |
| Special education instruction | 12,252,919 | – | – |
| Instructional support services | 3,983,311 | – | – |
| Pupil support services | 6,341,124 | – | – |
| Sites and buildings | 5,809,500 | – | – |
| Fiscal and other fixed cost programs | 271,303 | – | – |
| Food service | – | – | – |
| Community service | – | – | – |
| Capital outlay | – | 65,066,268 | – |
| Debt service | | | |
| Principal | 1,139,548 | – | 3,580,000 |
| Interest and fiscal charges | 55,950 | – | 5,309,013 |
| Total expenditures | <u>63,460,247</u> | <u>65,066,268</u> | <u>8,889,013</u> |
| Excess (deficiency) of revenue over expenditures | 4,457,897 | (62,881,643) | 391,813 |
| Other financing sources | | | |
| Capital leases | – | – | – |
| Sale of capital assets | 24,300 | – | – |
| Total other financing sources (uses) | <u>24,300</u> | <u>–</u> | <u>–</u> |
| Net change in fund balances | 4,482,197 | (62,881,643) | 391,813 |
| Fund balances | | | |
| Beginning of year, as previously reported | 11,284,714 | 106,812,199 | 1,123,306 |
| Change in accounting principle | 430,840 | – | – |
| Beginning of year, as restated | <u>11,715,554</u> | <u>106,812,199</u> | <u>1,123,306</u> |
| End of year | <u>\$ 16,197,751</u> | <u>\$ 43,930,556</u> | <u>\$ 1,515,119</u> |

See notes to basic financial statements

| Nonmajor Funds | Total Governmental Funds | |
|-------------------|--------------------------|-----------------------|
| | 2020 | 2019 |
| \$ 461,511 | \$ 27,704,059 | \$ 26,426,399 |
| 16,462 | 2,431,089 | 3,416,548 |
| 980,700 | 2,198,053 | 2,476,260 |
| 1,045,179 | 46,719,750 | 47,126,480 |
| 2,138,434 | 4,972,930 | 4,213,992 |
| <u>4,642,286</u> | <u>84,025,881</u> | <u>83,659,679</u> |
| – | 2,773,580 | 2,689,891 |
| – | 2,214,339 | 2,138,021 |
| – | 28,172,567 | 29,180,561 |
| – | 446,106 | 473,959 |
| – | 12,252,919 | 12,129,556 |
| – | 3,983,311 | 3,756,365 |
| – | 6,341,124 | 6,313,381 |
| – | 5,809,500 | 6,458,926 |
| – | 271,303 | 223,275 |
| 2,932,950 | 2,932,950 | 2,725,535 |
| 1,941,557 | 1,941,557 | 1,888,155 |
| 47,338 | 65,113,606 | 13,662,970 |
| – | 4,719,548 | 4,857,933 |
| – | 5,364,963 | 5,131,511 |
| <u>4,921,845</u> | <u>142,337,373</u> | <u>91,630,039</u> |
| (279,559) | (58,311,492) | (7,970,360) |
| – | – | 305,149 |
| 92 | 24,392 | 89,303 |
| <u>92</u> | <u>24,392</u> | <u>394,452</u> |
| (279,467) | (58,287,100) | (7,575,908) |
| 1,117,634 | 120,337,853 | 127,913,761 |
| – | 430,840 | – |
| <u>1,117,634</u> | <u>120,768,693</u> | <u>127,913,761</u> |
| <u>\$ 838,167</u> | <u>\$ 62,481,593</u> | <u>\$ 120,337,853</u> |

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, 2020

(With Partial Comparative Information for the Year Ended June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|----------------------|
| Total net change in fund balances – governmental funds | \$ (58,287,100) | \$ (7,575,908) |
| 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 | 65,872,649 | 14,815,558 |
| Depreciation expense | (3,462,203) | (3,640,108) |
| A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances. | | |
| | (58,030) | (50,715) |
| The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities. | | |
| | – | (305,149) |
| Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance. | | |
| General obligation bonds | 3,580,000 | 3,670,000 |
| Unamortized premium | 445,878 | 445,877 |
| Capital leases | 1,139,548 | 1,187,933 |
| 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 | (1,636,311) | 69,645,247 |
| Net OPEB liability | 1,321,958 | (550,600) |
| Compensated absences | (72,875) | 19,509 |
| Severance benefits | 105,062 | 17,364 |
| 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. | | |
| | (295,971) | 66,509 |
| 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. | | |
| | 675,014 | 377,955 |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | (14,564,210) | (15,385,720) |
| Deferred outflows of resources – OPEB Plan deferments | (115,656) | 360,868 |
| Deferred outflows of resources – deferred charges on refunding | (68,194) | (68,194) |
| Deferred inflows of resources – pension plan deferments | 12,510,262 | (40,544,703) |
| Deferred inflows of resources – OPEB Plan deferments | (321,468) | 1,058,122 |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | (50,229) | 78,058 |
| Change in net position – governmental activities | <u>\$ 6,718,124</u> | <u>\$ 23,621,903</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Over (Under) Final Budget |
|--|-------------------|---------------------|----------------------|------------------------------|
| | Original | Final | | |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 18,205,157 | \$ 18,205,157 | \$ 18,018,703 | \$ (186,454) |
| Investment earnings | 50,000 | 175,000 | 273,021 | 98,021 |
| Other | 1,243,443 | 1,136,544 | 1,117,353 | (19,191) |
| State sources | 44,607,274 | 45,707,241 | 45,674,571 | (32,670) |
| Federal sources | 2,517,148 | 2,331,624 | 2,834,496 | 502,872 |
| Total revenue | <u>66,623,022</u> | <u>67,555,566</u> | <u>67,918,144</u> | <u>362,578</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 2,775,175 | 2,911,521 | 2,773,580 | (137,941) |
| District support services | 2,048,377 | 1,979,507 | 2,214,339 | 234,832 |
| Elementary and secondary regular instruction | 29,381,163 | 29,470,297 | 28,172,567 | (1,297,730) |
| Vocational education instruction | 452,315 | 431,526 | 446,106 | 14,580 |
| Special education instruction | 12,813,521 | 12,337,814 | 12,252,919 | (84,895) |
| Instructional support services | 4,268,012 | 4,181,466 | 3,983,311 | (198,155) |
| Pupil support services | 6,347,578 | 6,407,093 | 6,341,124 | (65,969) |
| Sites and buildings | 6,902,027 | 6,893,598 | 5,809,500 | (1,084,098) |
| Fiscal and other fixed cost programs | 275,000 | 232,000 | 271,303 | 39,303 |
| Debt service | | | | |
| Principal | 1,095,299 | 1,095,299 | 1,139,548 | 44,249 |
| Interest and fiscal charges | 54,204 | 54,204 | 55,950 | 1,746 |
| Total expenditures | <u>66,412,671</u> | <u>65,994,325</u> | <u>63,460,247</u> | <u>(2,534,078)</u> |
| Excess of revenue over expenditures | 210,351 | 1,561,241 | 4,457,897 | 2,896,656 |
| Other financing sources | | | | |
| Sale of capital assets | <u>20,000</u> | <u>29,200</u> | <u>24,300</u> | <u>(4,900)</u> |
| Net change in fund balances | <u>\$ 230,351</u> | <u>\$ 1,590,441</u> | <u>4,482,197</u> | <u>\$ 2,891,756</u> |
| Fund balances | | | | |
| Beginning of year, as previously reported | | | 11,284,714 | |
| Change in accounting principle | | | <u>430,840</u> | |
| Beginning of year, as restated | | | <u>11,715,554</u> | |
| End of year | | | <u>\$ 16,197,751</u> | |

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Position
 Proprietary Fund
 Internal Service Fund
 as of June 30, 2020

(With Partial Comparative Information as of June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and temporary investments | \$ 7,399,229 | \$ 6,727,546 |
| Receivables | | |
| Accounts | <u>9,491</u> | <u>9,324</u> |
| Total current assets | <u>7,408,720</u> | <u>6,736,870</u> |
| Liabilities | | |
| Current liabilities | | |
| Claims payable | 519,500 | 508,843 |
| Unearned revenue | <u>921,619</u> | <u>935,440</u> |
| Total current liabilities | <u>1,441,119</u> | <u>1,444,283</u> |
| Net position | | |
| Unrestricted | <u>\$ 5,967,601</u> | <u>\$ 5,292,587</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Fund
 Internal Service Fund
 Year Ended June 30, 2020
 (With Partial Comparative Information for the Year Ended June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|----------------------------|----------------------------|
| Operating revenue | | |
| Contributions from governmental funds | \$ 7,621,648 | \$ 7,728,687 |
| Operating expenses | | |
| Medical benefit claims | 6,590,943 | 6,941,794 |
| Dental benefit claims | 456,791 | 529,294 |
| Total operating expenses | <u>7,047,734</u> | <u>7,471,088</u> |
| Operating income | 573,914 | 257,599 |
| Nonoperating revenue | | |
| Investment earnings | <u>101,100</u> | <u>120,356</u> |
| Change in net position | 675,014 | 377,955 |
| Net position | | |
| Beginning of year | <u>5,292,587</u> | <u>4,914,632</u> |
| End of year | <u><u>\$ 5,967,601</u></u> | <u><u>\$ 5,292,587</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Cash Flows
 Proprietary Fund
 Internal Service Fund
 Year Ended June 30, 2020
 (With Partial Comparative Information for the Year Ended June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Contributions from governmental funds | \$ 7,607,660 | \$ 7,781,927 |
| Payments for medical claims | (6,564,152) | (6,867,447) |
| Payments for dental claims | (472,925) | (526,660) |
| Net cash flows from operating activities | <u>570,583</u> | <u>387,820</u> |
| Cash flows from investing activities | | |
| Investment income received | <u>101,100</u> | <u>120,356</u> |
| Net change in cash and cash equivalents | 671,683 | 508,176 |
| Cash and cash equivalents | | |
| Beginning of year | <u>6,727,546</u> | <u>6,219,370</u> |
| End of year | <u>\$ 7,399,229</u> | <u>\$ 6,727,546</u> |
| Reconciliation of operating income to net cash flows from operating activities | | |
| Operating income | \$ 573,914 | \$ 257,599 |
| Adjustments to reconcile operating income to cash provided by operating activities | | |
| Changes in assets and liabilities | | |
| Accounts receivable | (167) | 1,189 |
| Claims payable | 10,657 | 76,981 |
| Unearned revenue | (13,821) | 52,051 |
| Net cash flows from operating activities | <u>\$ 570,583</u> | <u>\$ 387,820</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2020

| | Private-Purpose Trust Fund | Custodial Fund | Post-Employment Benefits Trust Fund |
|--|-------------------------------|-------------------|---|
| Assets | | | |
| Deposits | \$ — | 20,953 | \$ 2,652,300 |
| Investments held by trustee, at fair value | | | |
| State and local obligations | — | — | 5,279,280 |
| MNTrust Investment Shares Portfolio | — | — | 1,635,285 |
| Accounts and interest receivable | — | — | 135,410 |
| Total assets | <u>—</u> | <u>20,953</u> | <u>9,702,275</u> |
| Liabilities | | | |
| Due to district | — | — | 816,085 |
| Net position | | | |
| Restricted for OPEB and scholarships | <u>\$ —</u> | <u>\$ 20,953</u> | <u>\$ 8,886,190</u> |

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2020

| | Private-Purpose Trust Fund | Custodial Fund | Post-Employment Benefits Trust Fund |
|---|-------------------------------|-------------------|---|
| Additions | | | |
| Contributions | | | |
| Private donations | \$ — | \$ 8,730 | \$ — |
| Investment earnings | — | 178 | 247,052 |
| Total additions | <u>—</u> | <u>8,908</u> | <u>247,052</u> |
| Deductions | | | |
| Benefits | — | — | 816,085 |
| Scholarships | — | 13,551 | — |
| Total deductions | <u>—</u> | <u>13,551</u> | <u>816,085</u> |
| Change in net position | — | (4,643) | (569,033) |
| Net position | | | |
| Beginning of year, as previously reported | 456,436 | — | 9,455,223 |
| Change in accounting principle | (456,436) | 25,596 | — |
| Beginning of year, as restated | <u>—</u> | <u>25,596</u> | <u>9,455,223</u> |
| End of year | <u>\$ —</u> | <u>\$ 20,953</u> | <u>\$ 8,886,190</u> |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Basic Financial Statements
June 30, 2020

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.

C. Government-Wide Financial Statement Presentation

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.” The District began allocating all depreciation to the programs in fiscal 2020. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

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

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

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund was used to account for scholarship activity in previous years, which was moved to the General Fund and Custodial Fund through a change in accounting principle in the current year.

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

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

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Expenditures for the current year exceeded budget in the Food Service Special Revenue expenditures by \$141,502, the Building Construction Fund by \$12,027,238, and the Debt Service Fund by \$975.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

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

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

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

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

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

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

G. Receivables

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

H. Inventories

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

I. Prepaid Items

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,418,693 of the property tax levy collectible in 2020 as revenue to the District in fiscal year 2019–2020. The remaining portion of the taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

K. Capital Assets

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

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

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

L. Interfund Balances

At June 30, 2020, the General Fund had a receivable of \$816,085 due from the Post-Employment Benefits Trust Fund to reimburse OPEB costs paid from the General Fund.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Compensated Absences

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

O. Severance Benefits

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

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

P. State-Wide Pension Plans

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (OPEB) Plan

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

R. Deferred Outflows/Inflows of Resources

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

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

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

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

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

S. Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in the current fiscal year.

2. **Self-Insurance** – The District has established internal service funds to account for and finance its uninsured risk of loss for its employee medical and dental insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various healthcare and dental costs as described in the plans. The District makes premium payments to the internal service funds on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health and dental insurance premium costs and administrative service charges.

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

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

| Fiscal Year Ended June 30, | Claims Payable Beginning of Year | Current Year Claims and Changes in Estimates | Claim Payments | Claims Payable End of Year |
|----------------------------------|--|---|-------------------|-------------------------------|
| 2019 | \$ 402,200 | \$ 6,941,794 | \$ 6,867,447 | \$ 476,547 |
| 2020 | \$ 476,547 | \$ 6,590,943 | \$ 6,564,152 | \$ 503,338 |

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

| Fiscal Year Ended June 30, | Claims Payable Beginning of Year | Current Year Claims and Changes in Estimates | Claim Payments | Claims Payable End of Year |
|----------------------------------|--|---|-------------------|-------------------------------|
| 2019 | \$ 29,662 | \$ 529,294 | \$ 526,660 | \$ 32,296 |
| 2020 | \$ 32,296 | \$ 456,791 | \$ 472,925 | \$ 16,162 |

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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.

V. Fund Balance Classifications

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, 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.

X. Change in Accounting Principle

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of certain scholarship activity previously reported in a Private-Purpose Trust (Fiduciary) Fund, to being reported either within the District's General Fund and governmental activities, or in a Custodial (Fiduciary) Fund. The standard required retroactive implementation, which resulted in an increase of \$430,840 to the beginning fund balance of the General Fund and beginning net position of governmental activities, an increase of \$25,596 to the beginning net position of the Custodial Fund, and a decrease in the beginning net position of the previously reported Private-Purpose Trust Fund of \$456,436.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

| | |
|--------------|----------------------|
| Deposits | \$ 40,025,639 |
| Investments | 55,212,461 |
| Cash on hand | 350 |
| | <hr/> |
| Total | <u>\$ 95,238,450</u> |

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

| | |
|---|----------------------|
| Government-Wide Statement of Net Position | |
| Cash and temporary investments | \$ 85,650,632 |
| Statement of Fiduciary Net Position | |
| Custodial Fund | 20,953 |
| Post-Employment Benefits Trust Fund | 9,566,865 |
| | <hr/> |
| Total | <u>\$ 95,238,450</u> |

B. Deposits

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

At year-end, the carrying amount of the District’s deposits was \$40,025,639, while the balance on the bank records was \$40,022,661. At June 30, 2020, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

C. Investments

The District has the following investments at year-end:

| Investment Type | Credit Risk | | Fair Value Measurements Using | Investment Risk – Maturity Duration in Years | | Total |
|-------------------------------------|-----------------------|---------|-------------------------------------|---|--------------|----------------------|
| | Rating | Agency | | Less Than 1 | 1 to 5 | |
| | State and local bonds | AAA | S&P | Level 2 | \$ 760,445 | |
| State and local bonds | AA | S&P | Level 2 | \$ 5,710,451 | \$ 1,602,027 | 7,312,478 |
| State and local bonds | Aa | Moody’s | Level 2 | \$ 1,916,923 | \$ 2,078,602 | 3,995,525 |
| State and local bonds | A | Moody’s | Level 2 | \$ – | \$ 310,497 | 310,497 |
| State and local bonds | AA | Fitch | Level 2 | \$ – | \$ 358,005 | 358,005 |
| Negotiable certificates of deposit | Not rated | | Level 2 | \$ 493,305 | \$ 160,000 | 653,305 |
| U.S. agency securities | AA | S&P | Level 2 | \$ – | \$ 2,022,120 | 2,022,120 |
| U.S. treasuries | AA | S&P | Level 2 | \$ 2,030,685 | \$ 510,606 | 2,541,291 |
| Investment pools/mutual funds | | | | | | |
| MSDLAF Liquid Class | AAA | S&P | Not applicable | No maturity date | | 68,170 |
| MNTrust Investment Shares Portfolio | AAA | S&P | Not applicable | No maturity date | | 22,398,172 |
| MNTrust Term Series | Not rated | | Not applicable | \$ 14,000,000 | \$ – | 14,000,000 |
| Total investments | | | | | | <u>\$ 55,212,461</u> |

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 is as follows:

| | Balance – Beginning of Year | Additions | Deletions | Balance – End of Year |
|---------------------------------------|-----------------------------------|----------------------|--------------------|--------------------------|
| Capital assets, not depreciated | | | | |
| Land | \$ 349,265 | \$ – | \$ – | \$ 349,265 |
| Construction in progress | <u>15,297,653</u> | <u>65,066,268</u> | <u>–</u> | <u>80,363,921</u> |
| Total capital assets, not depreciated | 15,646,918 | 65,066,268 | – | 80,713,186 |
| Capital assets, depreciated | | | | |
| Land improvements | 6,573,702 | 34,182 | – | 6,607,884 |
| Buildings | 89,980,021 | 41,260 | – | 90,021,281 |
| Equipment | <u>9,081,873</u> | <u>730,939</u> | <u>(369,981)</u> | <u>9,442,831</u> |
| Total capital assets, depreciated | 105,635,596 | 806,381 | (369,981) | 106,071,996 |
| Less accumulated depreciation for | | | | |
| Land improvements | (4,380,888) | (343,160) | – | (4,724,048) |
| Buildings | (51,486,989) | (2,572,595) | – | (54,059,584) |
| Equipment | <u>(6,170,773)</u> | <u>(546,448)</u> | <u>311,951</u> | <u>(6,405,270)</u> |
| Total accumulated depreciation | <u>(62,038,650)</u> | <u>(3,462,203)</u> | <u>311,951</u> | <u>(65,188,902)</u> |
| Net capital assets, depreciated | <u>43,596,946</u> | <u>(2,655,822)</u> | <u>(58,030)</u> | <u>40,883,094</u> |
| Total capital assets, net | <u>\$ 59,243,864</u> | <u>\$ 62,410,446</u> | <u>\$ (58,030)</u> | <u>\$ 121,596,280</u> |

Depreciation expense was charged to the following governmental functions:

| | |
|--|---------------------|
| Administration | \$ 393 |
| District support services | 1,058 |
| Elementary and secondary regular instruction | 11,724 |
| Vocational education instruction | 120 |
| Special education instruction | 8,046 |
| Instructional support services | 5,905 |
| Pupil support services | 161,814 |
| Sites and buildings | 3,240,616 |
| Food service | <u>32,527</u> |
| Total depreciation expense | <u>\$ 3,462,203</u> |

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|--|------------|---------------|----------------|----------------|-----------------------|
| 2013A Refunding Bonds | 11/14/2013 | 3.00–4.00% | \$ 16,765,000 | 02/01/2025 | \$ 3,870,000 |
| 2016A Refunding Bonds | 01/13/2016 | 2.00–5.00% | \$ 4,880,000 | 02/01/2025 | 4,150,000 |
| 2017A Taxable OPEB Refunding Bonds | 02/09/2017 | 3.00% | \$ 14,290,000 | 02/01/2027 | 13,210,000 |
| 2017B Alternative Facilities Refunding Bonds | 02/09/2017 | 3.00% | \$ 6,130,000 | 02/01/2025 | 5,185,000 |
| 2018A School Building Bonds | 03/01/2018 | 3.50–5.00% | \$ 84,615,000 | 02/01/2043 | 83,515,000 |
| 2018B Facilities Maintenance Bonds | 03/01/2018 | 2.00–5.00% | \$ 31,545,000 | 02/01/2036 | 31,545,000 |
| Total general obligation bonds | | | | | <u>\$ 141,475,000</u> |

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

B. Capital Leases

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

| Asset Leased | Asset Value Capitalized | Interest Rate | Lease Date | Final Maturity | Principal Outstanding |
|---|-------------------------|---------------|------------|----------------|-----------------------|
| Buses, computers, and energy improvements | \$ 1,234,000 | 4.86% | 07/16/2007 | 07/16/2021 | \$ 133,614 |
| Solar panels – Middle School | \$ 33,490 | 4.00% | 09/01/2012 | 09/01/2022 | 8,857 |
| Solar panels – High School | \$ 33,600 | 4.00% | 11/01/2012 | 11/01/2022 | 9,502 |
| Solar panels – STEM School | \$ 34,220 | 4.00% | 08/01/2013 | 08/01/2023 | 11,250 |
| Buses | \$ 266,862 | 1.91% | 07/01/2013 | 07/01/2020 | 40,189 |
| Buses | \$ 197,094 | 2.11% | 07/01/2014 | 07/01/2021 | 59,276 |
| Buses | \$ 197,022 | 2.19% | 07/15/2015 | 07/15/2022 | 43,075 |
| Buses | \$ 314,901 | 2.29% | 07/12/2016 | 07/12/2023 | 193,114 |
| Buses | \$ 503,592 | 1.65% | 11/01/2017 | 07/01/2025 | 363,601 |
| Buses | \$ 305,149 | 3.75% | 07/15/2018 | 07/15/2025 | 266,220 |
| Total capital leases | | | | | <u>\$ 1,128,698</u> |

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Other Long-Term Liabilities

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

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

| Pension Plans | Net/Total Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|--------------------------------------|----------------------------------|-----------------------------------|----------------------------------|--------------------|
| State-wide, multiple-employer – PERA | \$ 7,491,491 | \$ 1,167,668 | \$ 1,389,087 | \$ 820,813 |
| State-wide, multiple-employer – TRA | 32,265,294 | 31,360,117 | 48,990,263 | 6,127,703 |
| Single-employer – District | 1,343,038 | 19,711 | 709,329 | 97,252 |
| Total | \$ 41,099,823 | \$ 32,547,496 | \$ 51,088,679 | \$ 7,045,768 |

D. Minimum Debt Payments

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

| Year Ending June 30, | General Obligation Bonds | | Capital Leases | |
|-------------------------|--------------------------|---------------|----------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 4,075,000 | \$ 5,187,288 | \$ 317,413 | \$ 31,044 |
| 2022 | 4,235,000 | 5,042,588 | 299,546 | 21,794 |
| 2023 | 4,385,000 | 4,892,037 | 171,589 | 12,955 |
| 2024 | 4,520,000 | 4,761,187 | 169,683 | 8,873 |
| 2025 | 4,640,000 | 4,634,188 | 121,916 | 4,815 |
| 2026–2030 | 26,730,000 | 20,312,188 | 48,551 | 1,821 |
| 2031–2035 | 32,355,000 | 14,799,175 | – | – |
| 2036–2040 | 35,935,000 | 8,553,012 | – | – |
| 2041–2043 | 24,600,000 | 1,741,775 | – | – |
| | \$ 141,475,000 | \$ 69,923,438 | \$ 1,128,698 | \$ 81,302 |

E. Changes in Long-Term Liabilities

| | June 30, 2019 | Additions | Retirements | June 30, 2020 | Due Within One Year |
|--------------------------|----------------|--------------|---------------|----------------|------------------------|
| General obligation bonds | \$ 145,055,000 | \$ – | \$ 3,580,000 | \$ 141,475,000 | \$ 4,075,000 |
| Premiums | 5,066,767 | – | 445,878 | 4,620,889 | – |
| Capital leases | 2,268,246 | – | 1,139,548 | 1,128,698 | 317,413 |
| Net pension liability | 39,463,512 | 4,887,490 | 3,251,179 | 41,099,823 | – |
| Net OPEB liability | 9,664,016 | 207,918 | 1,529,876 | 8,342,058 | – |
| Compensated absences | 408,993 | 481,868 | 408,993 | 481,868 | 481,868 |
| Severance benefits | 2,159,653 | 131,891 | 236,953 | 2,054,591 | 149,360 |
| | \$ 204,086,187 | \$ 5,709,167 | \$ 10,592,427 | \$ 199,202,927 | \$ 5,023,641 |

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, 2020, 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 | \$ 15,937 | \$ – | \$ – | \$ 19,676 | \$ 35,613 |
| Prepays | 17,876 | – | – | – | 17,876 |
| Total nonspendable | 33,813 | – | – | 19,676 | 53,489 |
| Restricted | | | | | |
| Student activities | 85,533 | – | – | – | 85,533 |
| Scholarships | 434,691 | – | – | – | 434,691 |
| Capital projects levy | 81,208 | – | – | – | 81,208 |
| Operating capital | 887,203 | – | – | – | 887,203 |
| Area learning center | 108,151 | – | – | – | 108,151 |
| Achievement and integration | 39,185 | – | – | – | 39,185 |
| Basic skills extended time | 558,710 | – | – | – | 558,710 |
| Long-term facilities maintenance | 1,592,644 | 11,186,480 | – | – | 12,779,124 |
| Medical Assistance | 177,352 | – | – | – | 177,352 |
| Food service | – | – | – | 217,832 | 217,832 |
| Early childhood family education | – | – | – | 201,523 | 201,523 |
| School readiness | – | – | – | 395,272 | 395,272 |
| Community service | – | – | – | 91,674 | 91,674 |
| Capital projects | – | 32,744,076 | – | – | 32,744,076 |
| Debt service | – | – | 1,515,119 | – | 1,515,119 |
| Total restricted | 3,964,677 | 43,930,556 | 1,515,119 | 906,301 | 50,316,653 |
| Assigned | | | | | |
| Third party special education | 335,054 | – | – | – | 335,054 |
| Synthetic turf | 362,271 | – | – | – | 362,271 |
| Carryover spending | 258,424 | – | – | – | 258,424 |
| School specific carryover | 141,501 | – | – | – | 141,501 |
| Program initiative | 905,027 | – | – | – | 905,027 |
| Enrollment | 600,000 | – | – | – | 600,000 |
| Future retirement | 638,422 | – | – | – | 638,422 |
| COVID-19 | 499,303 | – | – | – | 499,303 |
| Subsequent year budget | 1,538,305 | – | – | – | 1,538,305 |
| Total assigned | 5,278,307 | – | – | – | 5,278,307 |
| Unassigned | | | | | |
| Community education restricted account deficit | – | – | – | (87,810) | (87,810) |
| General Fund | 6,920,954 | – | – | – | 6,920,954 |
| Total unassigned | 6,920,954 | – | – | (87,810) | 6,833,144 |
| Total | \$ 16,197,751 | \$ 43,930,556 | \$ 1,515,119 | \$ 838,167 | \$ 62,481,593 |

B. Minimum Unassigned Fund Balance Policy

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with the minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit at least one month but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2020, were \$729,901. 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, | | | | | |
|-------------------------|---------------------|----------|----------|----------|----------|----------|
| | 2018 | | 2019 | | 2020 | |
| | Employee | Employer | Employee | Employer | Employee | Employer |
| Basic Plan | 11.00 % | 11.50 % | 11.00 % | 11.71 % | 11.00 % | 11.92 % |
| Coordinated Plan | 7.50 % | 7.50 % | 7.50 % | 7.71 % | 7.50 % | 7.92 % |

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2020, were \$2,236,945. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

| | <i>in thousands</i> |
|---|---------------------|
| Employer contributions reported in the TRA’s CAFR Statement of Changes in Fiduciary Net Position | \$ 403,300 |
| Add employer contributions not related to future contribution efforts | (688) |
| Deduct the TRA’s contributions not included in allocation | <u>(486)</u> |
| Total employer contributions | 402,126 |
| Total nonemployer contributions | <u>35,588</u> |
| Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations | <u>\$ 437,714</u> |

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2020, the District reported a liability of \$7,491,491 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.1355 percent at the end of the measurement period and 0.1330 percent for the beginning of the period.

The District’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16.0 million. The state of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The amounts recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|--------------|
| District’s proportionate share of the net pension liability | \$ 7,491,491 |
| State’s proportionate share of the net pension liability associated with the District | \$ 232,823 |

For the year ended June 30, 2020, the District recognized pension expense of \$803,377 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$17,436 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 million to the GERF.

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

At June 30, 2020, 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 | \$ 202,879 | \$ – |
| Changes in actuarial assumptions | – | 571,477 |
| Difference between projected and actual investment earnings | – | 720,176 |
| Changes in proportion | 234,888 | 97,434 |
| District’s contributions to the GERF subsequent to the measurement date | <u>729,901</u> | <u>–</u> |
| Total | <u>\$ 1,167,668</u> | <u>\$ 1,389,087</u> |

A total of \$729,901 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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 |
|-------------------------|------------------------------|
| 2021 | \$ (370,434) |
| 2022 | \$ (480,550) |
| 2023 | \$ (112,408) |
| 2024 | \$ 12,072 |

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of \$32,265,294 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2019, 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 0.5062 percent at the end of the measurement period and 0.4863 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 | \$ 32,265,294 |
| State’s proportionate share of the net pension liability associated with the District | \$ 2,855,396 |

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

For the year ended June 30, 2020, the District recognized pension expense of \$5,910,659. It also recognized \$217,044 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

At June 30, 2020, 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 | \$ – | \$ 774,491 |
| Changes in actuarial assumptions | 27,601,138 | 41,321,023 |
| Difference between projected and actual investment earnings | – | 2,508,456 |
| Changes in proportion | 1,522,034 | 4,386,293 |
| District’s contributions to the TRA subsequent to the measurement date | 2,236,945 | – |
| | <u>2,236,945</u> | <u>–</u> |
| Total | <u>\$ 31,360,117</u> | <u>\$ 48,990,263</u> |

A total of \$2,236,945 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, 2021. 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 |
|-------------------------|------------------------------|
| 2021 | \$ 1,503,863 |
| 2022 | \$ (186,662) |
| 2023 | \$ (12,890,249) |
| 2024 | \$ (8,442,546) |
| 2025 | \$ 148,503 |

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

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

Actuarial assumptions used in the June 30, 2019 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. Economic assumptions were updated in 2018, based on a review of inflation and investment return assumptions. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity | 35.50 % | 5.10 % |
| Private markets | 25.00 | 5.90 % |
| Fixed income | 20.00 | 0.75 % |
| International equity | 17.50 | 5.30/5.90 % |
| Cash equivalents | 2.00 | – % |
| Total | <u>100.00 %</u> | |

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

G. Pension Liability Sensitivity

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

| | <u>1% Decrease in Discount Rate</u> | <u>Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|---|---|----------------------|---|
| GERF discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the GERF net pension liability | \$ 12,315,609 | \$ 7,491,491 | \$ 3,508,224 |
| TRA discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the TRA net pension liability | \$ 51,438,768 | \$ 32,265,294 | \$ 16,457,048 |

H. Pension Plan Fiduciary Net Position

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

Detailed information about the TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained on the TRA website 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 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

I. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

The United States and global markets experienced declines in values, resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on the PERA's and the TRA's discount rate, as well as the value of each plan's investments. Any impact caused by the resulting declines have not been included in the schedules as of June 30, 2019.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

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

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

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

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's pay-as-you-go contributions for the benefits described above were \$152,476 during the current year. The District has not established a trust fund to finance these pension benefits.

C. Membership

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

| | |
|---------------------|-------------------|
| Active plan members | <u><u>627</u></u> |
|---------------------|-------------------|

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2019 and a measurement date as of June 30, 2020, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|----------------------|
| Discount rate | 2.40% |
| 20-year municipal bond yield | 2.40% |
| Inflation rate | 2.50% |
| Salary increases | Service graded table |

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

Mortality rates were based on the PUB-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

Assumption changes since the prior measurement date include:

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

E. Discount Rate

The discount rate used to measure the pension liability was 2.40 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.

F. Changes in the Total Pension Liability

| | <u>Total Pension Liability</u> |
|--|--------------------------------|
| Beginning balance – July 1, 2019 | \$ 1,541,025 |
| Changes for the year | |
| Service cost | 117,330 |
| Interest | 49,064 |
| Assumption changes | (26,634) |
| Differences between expected and actual experience | (185,271) |
| Benefit payments – employer-financed | <u>(152,476)</u> |
| Total net changes | <u>(197,987)</u> |
| Ending balance – June 30, 2020 | <u>\$ 1,343,038</u> |

G. Total Pension Liability Sensitivity to Discount Rate Changes

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

| | <u>1% Decrease in Discount Rate</u> | <u>Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|-------------------------|-------------------------------------|----------------------|-------------------------------------|
| Pension discount rate | 1.40% | 2.40% | 3.40% |
| Total pension liability | \$ 1,420,660 | \$ 1,343,038 | \$ 1,265,783 |

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

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

For the current year ended, the District recognized pension expense of \$97,252, 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 | \$ – | \$ 683,199 |
| Changes in actuarial assumptions | 19,711 | 26,130 |
| Total | <u>\$ 19,711</u> | <u>\$ 709,329</u> |

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 |
|-------------------------|------------------------------|
| 2021 | \$ (69,142) |
| 2022 | \$ (69,142) |
| 2023 | \$ (69,142) |
| 2024 | \$ (69,142) |
| 2025 | \$ (69,142) |
| Thereafter | \$ (343,908) |

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.

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

B. Benefits Provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's pay-as-you-go contributions for the benefits described on the previous page were \$713,791 during the current year.

D. Membership

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

| | |
|---|-------------------|
| Retirees and beneficiaries receiving benefits | 108 |
| Active plan members | <u>642</u> |
| Total members | <u><u>750</u></u> |

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. The components of the net OPEB liability of the District at year-end were as follows:

| | |
|--|----------------------------|
| Total OPEB liability | \$ 17,228,248 |
| Plan fiduciary net position | <u>(8,886,190)</u> |
| District's net OPEB liability | <u><u>\$ 8,342,058</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u><u>51.6%</u></u> |

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

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2019 and measurement date as of June 30, 2020, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------------|-------------------------------------|
| Discount rate | 2.50% |
| Expected long-term investment return | 2.90% (net of investment expenses) |
| 20-year municipal bond yield | 2.40% |
| Inflation rate | 2.50% |
| Salary increases | Service graded table |
| Medical trend rate | 6.50% grading to 5.00% over 6 years |
| Dental trend rate | 4.00% |

Mortality rates were based on the PUB-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

Assumption changes since the prior measurement date include:

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

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|--------------------|--------------------------|--|
| Cash | 5.00 % | 1.00 % |
| Fixed income | <u>95.00</u> | 3.00 % |
| Total | <u><u>100.00 %</u></u> | 2.90 % |

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

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 2.60 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 2.50 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, 2019 | \$ 19,119,239 | \$ 9,455,223 | \$ 9,664,016 |
| Changes for the year | | | |
| Service cost | 740,487 | – | 740,487 |
| Interest | 553,907 | – | 553,907 |
| Assumption changes | (1,180,205) | – | (1,180,205) |
| Contributions – paid through governmental funds | – | 713,791 | (713,791) |
| Net investment income | – | 274,201 | (274,201) |
| Difference between expected and actual experience | (475,304) | (27,149) | (448,155) |
| Benefit payments – paid through trust | (816,085) | (816,085) | – |
| Benefit payments – paid through governmental funds | (713,791) | (713,791) | – |
| Total net changes | <u>(1,890,991)</u> | <u>(569,033)</u> | <u>(1,321,958)</u> |
| Ending balance – June 30, 2020 | <u>\$ 17,228,248</u> | <u>\$ 8,886,190</u> | <u>\$ 8,342,058</u> |

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

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

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|--------------------|---------------------------------|---------------|---------------------------------|
| Discount rate | 1.50% | 2.50% | 3.50% |
| Net OPEB liability | \$ 9,880,543 | \$ 8,342,058 | \$ 6,978,882 |

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, 2020, the District had commitments totaling \$29,775,000 under construction contracts for which the work was not yet completed.

D. COVID-19 Impact

The COVID-19 pandemic has caused economic and financial market volatility in the United States and around the world, along with significant business and operational disruptions for many organizations. Due to the unknown breadth and duration of this pandemic, any potential impact it may have on the District's future operations and financial condition cannot be determined at this time and has not been reflected in these financial statements.

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, 2020

| 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 Net Pension Liability | Proportionate Share of the District's State of Minnesota's Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-------------------------------|--|--|---|--|--|----------------------------|--|--|
| 06/30/2015 | 06/30/2014 | 0.1533% | \$ 7,201,266 | \$ - | \$ 7,201,266 | \$ 8,045,286 | 89.51% | 78.70% |
| 06/30/2016 | 06/30/2015 | 0.1454% | \$ 7,535,384 | \$ - | \$ 7,535,384 | \$ 8,532,242 | 88.32% | 78.20% |
| 06/30/2017 | 06/30/2016 | 0.1337% | \$ 10,855,777 | \$ 141,837 | \$ 10,997,614 | \$ 8,274,425 | 131.20% | 68.90% |
| 06/30/2018 | 06/30/2017 | 0.1289% | \$ 8,228,891 | \$ 103,489 | \$ 8,332,380 | \$ 8,303,816 | 99.10% | 75.90% |
| 06/30/2019 | 06/30/2018 | 0.1330% | \$ 7,378,295 | \$ 241,911 | \$ 7,620,206 | \$ 8,932,562 | 82.60% | 79.50% |
| 06/30/2020 | 06/30/2019 | 0.1355% | \$ 7,491,491 | \$ 232,823 | \$ 7,724,314 | \$ 9,521,362 | 78.68% | 80.20% |

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2020

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|------------------------------------|---|----------------------------------|-----------------|--|
| 06/30/2015 | \$ 630,341 | \$ 630,341 | \$ - | \$ 8,532,242 | 7.39% |
| 06/30/2016 | \$ 620,582 | \$ 620,582 | \$ - | \$ 8,274,425 | 7.50% |
| 06/30/2017 | \$ 622,899 | \$ 622,899 | \$ - | \$ 8,303,816 | 7.50% |
| 06/30/2018 | \$ 670,214 | \$ 670,214 | \$ - | \$ 8,932,562 | 7.50% |
| 06/30/2019 | \$ 715,561 | \$ 715,561 | \$ - | \$ 9,521,362 | 7.52% |
| 06/30/2020 | \$ 729,901 | \$ 729,901 | \$ - | \$ 9,731,816 | 7.50% |

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Teachers Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2020

| District Fiscal Year-End Date | TRA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-------------------------------|---|--|---|---|--|----------------------------|--|--|
| 06/30/2015 | 06/30/2014 | 0.5182% | \$ 23,878,283 | \$ 1,679,943 | \$ 25,558,226 | \$ 23,658,854 | 100.93% | 81.50% |
| 06/30/2016 | 06/30/2015 | 0.4984% | \$ 30,830,969 | \$ 3,781,486 | \$ 34,612,455 | \$ 25,326,686 | 121.73% | 76.80% |
| 06/30/2017 | 06/30/2016 | 0.5217% | \$ 124,437,898 | \$ 12,491,078 | \$ 136,928,976 | \$ 27,134,182 | 458.60% | 44.88% |
| 06/30/2018 | 06/30/2017 | 0.4982% | \$ 99,449,757 | \$ 9,614,203 | \$ 109,063,960 | \$ 26,824,890 | 370.74% | 51.57% |
| 06/30/2019 | 06/30/2018 | 0.4863% | \$ 30,544,192 | \$ 2,869,778 | \$ 33,413,970 | \$ 26,855,892 | 113.73% | 78.07% |
| 06/30/2020 | 06/30/2019 | 0.5062% | \$ 32,265,294 | \$ 2,855,396 | \$ 35,120,690 | \$ 28,743,799 | 112.25% | 78.21% |

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2020

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|------------------------------------|---|----------------------------------|-----------------|--|
| 06/30/2015 | \$ 1,899,501 | \$ 1,899,501 | \$ - | \$ 25,326,686 | 7.50% |
| 06/30/2016 | \$ 2,035,062 | \$ 2,035,062 | \$ - | \$ 27,134,182 | 7.50% |
| 06/30/2017 | \$ 2,010,864 | \$ 2,010,864 | \$ - | \$ 26,824,890 | 7.50% |
| 06/30/2018 | \$ 2,014,735 | \$ 2,014,735 | \$ - | \$ 26,855,892 | 7.50% |
| 06/30/2019 | \$ 2,222,026 | \$ 2,222,026 | \$ - | \$ 28,743,799 | 7.73% |
| 06/30/2020 | \$ 2,236,945 | \$ 2,236,945 | \$ - | \$ 28,250,668 | 7.92% |

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, 2020

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

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, 2020

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

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2020

| <u>Year</u> | <u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u> |
|-------------|--|
| 2017 | 1.20 % |
| 2018 | 1.10 % |
| 2019 | 2.10 % |
| 2020 | 2.60 % |

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information
June 30, 2020

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information (continued)
June 30, 2020

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information (continued)
June 30, 2020

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information (continued)
June 30, 2020

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information (continued)
June 30, 2020

PENSION BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Notes to Required Supplementary Information (continued)
June 30, 2020

OTHER POST-EMPLOYMENT BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2020

| | Special Revenue Funds | | Total |
|--|-----------------------|---------------------|---------------------|
| | Food Service | Community Service | |
| Assets | | | |
| Cash and temporary investments | \$ 126,253 | \$ 785,254 | \$ 911,507 |
| Receivables | | | |
| Current taxes | – | 242,048 | 242,048 |
| Delinquent taxes | – | 3,852 | 3,852 |
| Accounts and interest | – | 27 | 27 |
| Due from other governmental units | 217,506 | 86,472 | 303,978 |
| Inventory | 19,676 | – | 19,676 |
| Total assets | <u>\$ 363,435</u> | <u>\$ 1,117,653</u> | <u>\$ 1,481,088</u> |
| Liabilities | | | |
| Salaries payable | \$ 65,241 | \$ 23,067 | \$ 88,308 |
| Accounts and contracts payable | 22,721 | 10,257 | 32,978 |
| Due to other governmental units | 3,870 | 7,260 | 11,130 |
| Unearned revenue | 34,095 | – | 34,095 |
| Total liabilities | <u>125,927</u> | <u>40,584</u> | <u>166,511</u> |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year | – | 473,804 | 473,804 |
| Unavailable revenue – delinquent taxes | – | 2,606 | 2,606 |
| Total deferred inflows of resources | <u>–</u> | <u>476,410</u> | <u>476,410</u> |
| Fund balances (deficit) | | | |
| Nonspendable | 19,676 | – | 19,676 |
| Restricted | 217,832 | 688,469 | 906,301 |
| Unassigned | – | (87,810) | (87,810) |
| Total fund balances | <u>237,508</u> | <u>600,659</u> | <u>838,167</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 363,435</u> | <u>\$ 1,117,653</u> | <u>\$ 1,481,088</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2020

| | Special Revenue Funds | | Total |
|---|-----------------------|---------------------|---------------------|
| | Food Service | Community Service | |
| Revenue | | | |
| Local sources | | | |
| Property taxes | \$ – | \$ 461,511 | \$ 461,511 |
| Investment earnings | 3,819 | 12,643 | 16,462 |
| Other | 358,710 | 621,990 | 980,700 |
| State sources | 183,658 | 861,521 | 1,045,179 |
| Federal sources | 2,138,434 | – | 2,138,434 |
| Total revenue | <u>2,684,621</u> | <u>1,957,665</u> | <u>4,642,286</u> |
| Expenditures | | | |
| Current | | | |
| Food service | 2,932,950 | – | 2,932,950 |
| Community service | – | 1,941,557 | 1,941,557 |
| Capital outlay | 47,140 | 198 | 47,338 |
| Total expenditures | <u>2,980,090</u> | <u>1,941,755</u> | <u>4,921,845</u> |
| Excess (deficiency) of revenue over expenditures | (295,469) | 15,910 | (279,559) |
| Other financing sources | | | |
| Sale of capital assets | <u>92</u> | <u>–</u> | <u>92</u> |
| Net change in fund balances | (295,377) | 15,910 | (279,467) |
| Fund balances | | | |
| Beginning of year | <u>532,885</u> | <u>584,749</u> | <u>1,117,634</u> |
| End of year | <u>\$ 237,508</u> | <u>\$ 600,659</u> | <u>\$ 838,167</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Comparative Balance Sheet
as of June 30, 2020 and 2019

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and temporary investments | \$ 18,361,630 | \$ 13,759,390 |
| Receivables | | |
| Current taxes | 8,953,645 | 8,904,650 |
| Delinquent taxes | 139,017 | 142,241 |
| Accounts and interest | 213,924 | 176,046 |
| Due from other governmental units | 4,939,385 | 5,432,890 |
| Due from OPEB trust | 816,085 | 498,893 |
| Inventory | 15,937 | 22,487 |
| Prepaid items | 17,876 | 908,987 |
| | <u>33,457,499</u> | <u>29,845,584</u> |
| Total assets | <u>\$ 33,457,499</u> | <u>\$ 29,845,584</u> |
| Liabilities | | |
| Salaries payable | \$ 246,576 | \$ 456,200 |
| Accounts and contracts payable | 311,858 | 485,183 |
| Due to other governmental units | 601,583 | 983,622 |
| Total liabilities | <u>1,160,017</u> | <u>1,925,005</u> |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 16,006,569 | 16,514,103 |
| Unavailable revenue – delinquent taxes | 93,162 | 121,762 |
| Total deferred inflows of resources | <u>16,099,731</u> | <u>16,635,865</u> |
| Fund balances (deficits) | | |
| Nonspendable for inventory | 15,937 | 22,487 |
| Nonspendable for prepaids | 17,876 | 908,987 |
| Restricted for student activities | 85,533 | – |
| Restricted for scholarships | 434,691 | – |
| Restricted for capital projects levy | 81,208 | 274,886 |
| Restricted for operating capital | 887,203 | 1,024,918 |
| Restricted for area learning center | 108,151 | – |
| Restricted for achievement and integration | 39,185 | – |
| Restricted for basic skills extended time | 558,710 | 291,407 |
| Restricted for long-term facilities maintenance | 1,592,644 | 437,360 |
| Restricted for Medical Assistance | 177,352 | 453,535 |
| Assigned for third party special education | 335,054 | 335,053 |
| Assigned for synthetic turf | 362,271 | 346,992 |
| Assigned for carryover spending | 258,424 | 258,424 |
| Assigned for school specific carryover | 141,501 | 140,600 |
| Assigned for program initiative | 905,027 | 905,027 |
| Assigned for enrollment | 600,000 | 600,000 |
| Assigned for future retirement | 638,422 | 638,422 |
| Assigned for student activities | – | 101,579 |
| Assigned for COVID-19 | 499,303 | – |
| Assigned for subsequent year budget | 1,538,305 | – |
| Unassigned | 6,920,954 | 4,545,037 |
| Total fund balances | <u>16,197,751</u> | <u>11,284,714</u> |
| | <u>\$ 33,457,499</u> | <u>\$ 29,845,584</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 33,457,499</u> | <u>\$ 29,845,584</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | Over (Under) Budget | 2019 |
|--|---------------|---------------|------------------------|---------------|
| | Budget | Actual | | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 18,205,157 | \$ 18,018,703 | \$ (186,454) | \$ 16,524,052 |
| Investment earnings | 175,000 | 273,021 | 98,021 | 293,948 |
| Other | 1,136,544 | 1,117,353 | (19,191) | 1,234,736 |
| State sources | 45,707,241 | 45,674,571 | (32,670) | 46,183,093 |
| Federal sources | 2,331,624 | 2,834,496 | 502,872 | 2,098,367 |
| Total revenue | 67,555,566 | 67,918,144 | 362,578 | 66,334,196 |
| Expenditures | | | | |
| Current | | | | |
| Administration | | | | |
| Salaries | 2,013,310 | 1,973,342 | (39,968) | 1,865,518 |
| Employee benefits | 661,612 | 604,956 | (56,656) | 612,012 |
| Purchased services | 84,578 | 47,934 | (36,644) | 45,325 |
| Supplies and materials | 84,913 | 92,663 | 7,750 | 96,940 |
| Capital expenditures | 1,000 | — | (1,000) | — |
| Other expenditures | 66,108 | 54,685 | (11,423) | 70,096 |
| Total administration | 2,911,521 | 2,773,580 | (137,941) | 2,689,891 |
| District support services | | | | |
| Salaries | 955,240 | 935,215 | (20,025) | 951,990 |
| Employee benefits | 411,121 | 395,325 | (15,796) | 398,467 |
| Purchased services | 520,558 | 544,147 | 23,589 | 470,769 |
| Supplies and materials | 66,186 | 330,426 | 264,240 | 339,416 |
| Other expenditures | 26,402 | 9,226 | (17,176) | (22,621) |
| Total district support services | 1,979,507 | 2,214,339 | 234,832 | 2,138,021 |
| Elementary and secondary regular instruction | | | | |
| Salaries | 19,654,427 | 18,944,392 | (710,035) | 19,536,593 |
| Employee benefits | 7,036,069 | 6,686,735 | (349,334) | 7,114,950 |
| Purchased services | 1,858,286 | 1,618,470 | (239,816) | 1,526,453 |
| Supplies and materials | 832,342 | 721,906 | (110,436) | 773,917 |
| Capital expenditures | 55,000 | 35,131 | (19,869) | 47,383 |
| Other expenditures | 34,173 | 165,933 | 131,760 | 181,265 |
| Total elementary and secondary regular instruction | 29,470,297 | 28,172,567 | (1,297,730) | 29,180,561 |

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | Over (Under) Budget | 2019 |
|--|------------|------------|------------------------|------------|
| | Budget | Actual | | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Vocational education instruction | | | | |
| Salaries | 278,157 | 280,846 | 2,689 | 307,721 |
| Employee benefits | 101,677 | 104,151 | 2,474 | 91,696 |
| Purchased services | 34,192 | 38,501 | 4,309 | 53,203 |
| Supplies and materials | 17,500 | 20,490 | 2,990 | 19,654 |
| Other expenditures | — | 2,118 | 2,118 | 1,685 |
| Total vocational education instruction | 431,526 | 446,106 | 14,580 | 473,959 |
| Special education instruction | | | | |
| Salaries | 8,282,940 | 8,242,424 | (40,516) | 8,239,776 |
| Employee benefits | 3,026,597 | 3,013,624 | (12,973) | 2,925,180 |
| Purchased services | 948,247 | 784,306 | (163,941) | 789,580 |
| Supplies and materials | 77,030 | 94,682 | 17,652 | 122,034 |
| Capital expenditures | — | 64,841 | 64,841 | — |
| Other expenditures | 3,000 | 53,042 | 50,042 | 52,986 |
| Total special education instruction | 12,337,814 | 12,252,919 | (84,895) | 12,129,556 |
| Instructional support services | | | | |
| Salaries | 1,956,401 | 1,839,392 | (117,009) | 1,907,796 |
| Employee benefits | 639,386 | 619,222 | (20,164) | 642,382 |
| Purchased services | 375,795 | 354,053 | (21,742) | 382,114 |
| Supplies and materials | 917,157 | 598,955 | (318,202) | 285,925 |
| Capital expenditures | 255,000 | 545,429 | 290,429 | 522,395 |
| Other expenditures | 37,727 | 26,260 | (11,467) | 15,753 |
| Total instructional support services | 4,181,466 | 3,983,311 | (198,155) | 3,756,365 |
| Pupil support services | | | | |
| Salaries | 2,700,807 | 2,579,125 | (121,682) | 2,572,828 |
| Employee benefits | 968,936 | 1,038,497 | 69,561 | 991,303 |
| Purchased services | 2,058,306 | 2,278,157 | 219,851 | 2,158,772 |
| Supplies and materials | 221,996 | 177,992 | (44,004) | 229,582 |
| Capital expenditures | 456,318 | 216,549 | (239,769) | 350,365 |
| Other expenditures | 730 | 50,804 | 50,074 | 10,531 |
| Total pupil support services | 6,407,093 | 6,341,124 | (65,969) | 6,313,381 |

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | Over (Under) Budget | 2019 |
|--|--------------|---------------|------------------------|---------------|
| | Budget | Actual | | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Sites and buildings | | | | |
| Salaries | 1,848,199 | 1,791,885 | (56,314) | 1,794,045 |
| Employee benefits | 761,097 | 727,599 | (33,498) | 742,968 |
| Purchased services | 3,619,903 | 2,698,475 | (921,428) | 2,826,929 |
| Supplies and materials | 397,799 | 328,525 | (69,274) | 355,674 |
| Capital expenditures | 260,000 | 256,016 | (3,984) | 733,700 |
| Other expenditures | 6,600 | 7,000 | 400 | 5,610 |
| Total sites and buildings | 6,893,598 | 5,809,500 | (1,084,098) | 6,458,926 |
| Fiscal and other fixed cost programs | | | | |
| Purchased services | 232,000 | 227,654 | (4,346) | 223,275 |
| Other expenditures | — | 43,649 | 43,649 | — |
| Total fiscal and other fixed cost programs | 232,000 | 271,303 | 39,303 | 223,275 |
| Debt service | | | | |
| Principal | 1,095,299 | 1,139,548 | 44,249 | 1,187,933 |
| Interest and fiscal charges | 54,204 | 55,950 | 1,746 | 44,945 |
| Total debt service | 1,149,503 | 1,195,498 | 45,995 | 1,232,878 |
| Total expenditures | 65,994,325 | 63,460,247 | (2,534,078) | 64,596,813 |
| Excess of revenue over expenditures | 1,561,241 | 4,457,897 | 2,896,656 | 1,737,383 |
| Other financing sources | | | | |
| Capital leases | — | — | — | 305,149 |
| Sale of capital assets | 29,200 | 24,300 | (4,900) | 89,303 |
| Total other financing sources | 29,200 | 24,300 | (4,900) | 394,452 |
| Net change in fund balances | \$ 1,590,441 | 4,482,197 | \$ 2,891,756 | 2,131,835 |
| Fund balances | | | | |
| Beginning of year, as previously reported | | 11,284,714 | | 9,152,879 |
| Change in accounting principle | | 430,840 | | — |
| Beginning of year, as restated | | 11,715,554 | | 9,152,879 |
| End of year | | \$ 16,197,751 | | \$ 11,284,714 |

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-------------------|-------------------|
| Assets | | |
| Cash and temporary investments | \$ 126,253 | \$ 507,528 |
| Receivables | | |
| Due from other governmental units | 217,506 | 35,451 |
| Inventory | 19,676 | 20,291 |
| Prepaid items | <u>–</u> | <u>1,610</u> |
| Total assets | <u>\$ 363,435</u> | <u>\$ 564,880</u> |
| Liabilities | | |
| Salaries payable | \$ 65,241 | \$ 12,692 |
| Accounts and contracts payable | 22,721 | 3,179 |
| Due to other governmental units | 3,870 | 615 |
| Unearned revenue | <u>34,095</u> | <u>15,509</u> |
| Total liabilities | 125,927 | 31,995 |
| Fund balances | | |
| Nonspendable for inventory | 19,676 | 20,291 |
| Nonspendable for prepaids | – | 1,610 |
| Restricted for food service | <u>217,832</u> | <u>510,984</u> |
| Total fund balances | <u>237,508</u> | <u>532,885</u> |
| Total liabilities and fund balances | <u>\$ 363,435</u> | <u>\$ 564,880</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | Over (Under) Budget | 2019 |
|---|------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | \$ - | \$ 3,819 | \$ 3,819 | \$ 7,682 |
| Other – primarily meal sales | 492,000 | 358,710 | (133,290) | 517,973 |
| State sources | 175,000 | 183,658 | 8,658 | 197,054 |
| Federal sources | 2,187,000 | 2,138,434 | (48,566) | 2,115,625 |
| Total revenue | <u>2,854,000</u> | <u>2,684,621</u> | <u>(169,379)</u> | <u>2,838,334</u> |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 884,428 | 1,113,482 | 229,054 | 877,235 |
| Employee benefits | 452,105 | 457,354 | 5,249 | 410,306 |
| Purchased services | 80,445 | 70,216 | (10,229) | 80,846 |
| Supplies and materials | 1,358,750 | 1,278,286 | (80,464) | 1,353,377 |
| Other expenditures | 11,000 | 13,612 | 2,612 | 3,771 |
| Capital outlay | 51,860 | 47,140 | (4,720) | 11,282 |
| Total expenditures | <u>2,838,588</u> | <u>2,980,090</u> | <u>141,502</u> | <u>2,736,817</u> |
| Excess (deficiency) of revenue over expenditures | 15,412 | (295,469) | (310,881) | 101,517 |
| Other financing sources | | | | |
| Sale of capital assets | - | 92 | 92 | - |
| Net change in fund balances | <u>\$ 15,412</u> | <u>(295,377)</u> | <u>\$ (310,789)</u> | <u>101,517</u> |
| Fund balances | | | | |
| Beginning of year | | <u>532,885</u> | | <u>431,368</u> |
| End of year | | <u>\$ 237,508</u> | | <u>\$ 532,885</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Assets | | |
| Cash and temporary investments | \$ 785,254 | \$ 839,390 |
| Receivables | | |
| Current taxes | 242,048 | 229,910 |
| Delinquent taxes | 3,852 | 4,220 |
| Accounts and interest | 27 | - |
| Due from other governmental units | <u>86,472</u> | <u>35,271</u> |
| Total assets | <u>\$ 1,117,653</u> | <u>\$ 1,108,791</u> |
| Liabilities | | |
| Salaries payable | \$ 23,067 | \$ 37,308 |
| Accounts and contracts payable | 10,257 | 14,653 |
| Due to other governmental units | <u>7,260</u> | <u>1,988</u> |
| Total liabilities | 40,584 | 53,949 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 473,804 | 465,986 |
| Deferred revenue – delinquent taxes | <u>2,606</u> | <u>4,107</u> |
| Total deferred inflows of resources | 476,410 | 470,093 |
| Fund balances | | |
| Restricted for community education | - | 3,933 |
| Restricted for early childhood family education | 201,523 | 162,537 |
| Restricted for school readiness | 395,272 | 334,054 |
| Restricted for community service | 91,674 | 84,225 |
| Unassigned – community education restricted account deficit | <u>(87,810)</u> | <u>-</u> |
| Total fund balances | <u>600,659</u> | <u>584,749</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,117,653</u> | <u>\$ 1,108,791</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | Over (Under) Budget | 2019 |
|------------------------------------|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 518,545 | \$ 461,511 | \$ (57,034) | \$ 459,070 |
| Investment earnings | 10,000 | 12,643 | 2,643 | 13,690 |
| Other – primarily tuition and fees | 706,425 | 621,990 | (84,435) | 723,551 |
| State sources | 875,307 | 861,521 | (13,786) | 746,333 |
| Total revenue | <u>2,110,277</u> | <u>1,957,665</u> | <u>(152,612)</u> | <u>1,942,644</u> |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 1,098,192 | 1,114,083 | 15,891 | 1,059,340 |
| Employee benefits | 365,151 | 382,590 | 17,439 | 367,209 |
| Purchased services | 336,653 | 361,771 | 25,118 | 332,240 |
| Supplies and materials | 147,686 | 82,803 | (64,883) | 123,470 |
| Other expenditures | 10,496 | 310 | (10,186) | 5,896 |
| Capital outlay | 3,800 | 198 | (3,602) | 829 |
| Total expenditures | <u>1,961,978</u> | <u>1,941,755</u> | <u>(20,223)</u> | <u>1,888,984</u> |
| Net change in fund balances | <u>\$ 148,299</u> | 15,910 | <u>\$ (132,389)</u> | 53,660 |
| Fund balances | | | | |
| Beginning of year | | <u>584,749</u> | | <u>531,089</u> |
| End of year | | <u>\$ 600,659</u> | | <u>\$ 584,749</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Capital Projects – Building Construction Fund
 Balance Sheet
 as of June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|-----------------------|
| Assets | | |
| Cash and temporary investments | \$ 52,689,430 | \$ 110,412,747 |
| Receivables | | |
| Accounts and interest | <u>1,278,999</u> | <u>1,491,905</u> |
| Total assets | <u>\$ 53,968,429</u> | <u>\$ 111,904,652</u> |
| Liabilities | | |
| Salaries payable | \$ 324 | \$ – |
| Accounts and contracts payable | <u>10,037,549</u> | <u>5,092,453</u> |
| Total liabilities | 10,037,873 | 5,092,453 |
| Fund balances | | |
| Restricted for long-term facilities maintenance | 11,186,480 | 28,269,208 |
| Restricted for capital projects | <u>32,744,076</u> | <u>78,542,991</u> |
| Total fund balances | <u>43,930,556</u> | <u>106,812,199</u> |
| Total liabilities and fund balances | <u>\$ 53,968,429</u> | <u>\$ 111,904,652</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Capital Projects – Building Construction Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | Over (Under) | 2019 |
|-----------------------------|-----------------|---------------|-----------------|----------------|
| | Budget | Actual | Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | \$ 1,000,000 | \$ 2,084,625 | \$ 1,084,625 | \$ 3,044,448 |
| Other | 100,000 | 100,000 | – | – |
| Total revenue | 1,100,000 | 2,184,625 | 1,084,625 | 3,044,448 |
| Expenditures | | | | |
| Capital outlay | | | | |
| Salaries | 41,667 | 65,323 | 23,656 | – |
| Employee benefits | 14,108 | 18,314 | 4,206 | – |
| Purchased services | – | 3,832,925 | 3,832,925 | 4,883,004 |
| Capital expenditures | 52,983,255 | 61,149,706 | 8,166,451 | 8,767,855 |
| Total expenditures | 53,039,030 | 65,066,268 | 12,027,238 | 13,650,859 |
| Net change in fund balances | \$ (51,939,030) | (62,881,643) | \$ (10,942,613) | (10,606,411) |
| Fund balances | | | | |
| Beginning of year | | 106,812,199 | | 117,418,610 |
| End of year | | \$ 43,930,556 | | \$ 106,812,199 |

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
 Comparative Balance Sheet
 as of June 30, 2020
 (With Comparative Totals as of June 30, 2019)

| | Regular | OPEB | Totals | |
|--|-------------------------|-------------------------|----------------------|----------------------|
| | Debt Service Account | Debt Service Account | 2020 | 2019 |
| Assets | | | | |
| Cash and temporary investments | \$ 5,039,392 | \$ 1,249,444 | \$ 6,288,836 | \$ 5,838,615 |
| Receivables | | | | |
| Current taxes | 3,917,270 | 1,092,371 | 5,009,641 | 4,598,866 |
| Delinquent taxes | 62,313 | 7,275 | 69,588 | 73,114 |
| Due from other governmental units | — | — | — | 590 |
| Total assets | \$ 9,018,975 | \$ 2,349,090 | \$ 11,368,065 | \$ 10,511,185 |
| Deferred inflows of resources | | | | |
| Property taxes levied for subsequent year | \$ 7,667,975 | \$ 2,138,293 | \$ 9,806,268 | \$ 9,321,073 |
| Deferred revenue – delinquent taxes | 41,750 | 4,928 | 46,678 | 66,806 |
| Total deferred inflows of resources | 7,709,725 | 2,143,221 | 9,852,946 | 9,387,879 |
| Fund balances | | | | |
| Restricted for debt service | 1,309,250 | 205,869 | 1,515,119 | 1,123,306 |
| Total deferred inflows of resources and fund balances | \$ 9,018,975 | \$ 2,349,090 | \$ 11,368,065 | \$ 10,511,185 |

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | | Over (Under) Budget | 2019 | |
|-----------------------------|-------------------|------------------------------------|---------------------------------|------------------------|--------------------|---------------------|
| | Budget | Regular Debt Service Account | OPEB Debt Service Account | | Total | Actual |
| Revenue | | | | | | |
| Local sources | | | | | | |
| Property taxes | \$ 9,320,607 | \$ 8,412,568 | \$ 811,277 | \$ 9,223,845 | \$ (96,762) | \$ 9,443,277 |
| Investment earnings | – | 56,981 | – | 56,981 | 56,981 | 56,780 |
| Total revenue | <u>9,320,607</u> | <u>8,469,549</u> | <u>811,277</u> | <u>9,280,826</u> | <u>(39,781)</u> | <u>9,500,057</u> |
| Expenditures | | | | | | |
| Debt service | | | | | | |
| Principal | 3,580,000 | 3,205,000 | 375,000 | 3,580,000 | – | 3,670,000 |
| Interest | 5,302,588 | 4,895,038 | 407,550 | 5,302,588 | – | 5,079,943 |
| Fiscal charges and other | 5,450 | 5,950 | 475 | 6,425 | 975 | 6,623 |
| Total expenditures | <u>8,888,038</u> | <u>8,105,988</u> | <u>783,025</u> | <u>8,889,013</u> | <u>975</u> | <u>8,756,566</u> |
| Net change in fund balances | <u>\$ 432,569</u> | 363,561 | 28,252 | 391,813 | <u>\$ (40,756)</u> | 743,491 |
| Fund balances | | | | | | |
| Beginning of year | | <u>945,689</u> | <u>177,617</u> | <u>1,123,306</u> | | <u>379,815</u> |
| End of year | | <u>\$ 1,309,250</u> | <u>\$ 205,869</u> | <u>\$ 1,515,119</u> | | <u>\$ 1,123,306</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2020
 (With Comparative Totals as of June 30, 2019)

| | <u>Medical Benefits Self-Insurance</u> | <u>Dental Benefits Self-Insurance</u> | <u>Totals</u> | |
|--------------------------------|--|---|---------------------|---------------------|
| | | | <u>2020</u> | <u>2019</u> |
| Assets | | | | |
| Current assets | | | | |
| Cash and temporary investments | \$ 7,240,039 | \$ 159,190 | \$ 7,399,229 | \$ 6,727,546 |
| Receivables | | | | |
| Accounts | <u>4,380</u> | <u>5,111</u> | <u>9,491</u> | <u>9,324</u> |
| Total current assets | 7,244,419 | 164,301 | 7,408,720 | 6,736,870 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Claims payable | 503,338 | 16,162 | 519,500 | 508,843 |
| Unearned revenue | <u>863,903</u> | <u>57,716</u> | <u>921,619</u> | <u>935,440</u> |
| Total current liabilities | <u>1,367,241</u> | <u>73,878</u> | <u>1,441,119</u> | <u>1,444,283</u> |
| Net position | | | | |
| Unrestricted | <u>\$ 5,877,178</u> | <u>\$ 90,423</u> | <u>\$ 5,967,601</u> | <u>\$ 5,292,587</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2020
 (With Comparative Totals for the Year Ended June 30, 2019)

| | Medical Benefits Self-Insurance | Dental Benefits Self-Insurance | Totals | |
|---------------------------------------|------------------------------------|-----------------------------------|---------------------|---------------------|
| | | | 2020 | 2019 |
| Operating revenue | | | | |
| Contributions from governmental funds | \$ 7,120,405 | \$ 501,243 | \$ 7,621,648 | \$ 7,728,687 |
| Operating expenses | | | | |
| Medical benefit claims | 6,590,943 | – | 6,590,943 | 6,941,794 |
| Dental benefit claims | – | 456,791 | 456,791 | 529,294 |
| Total operating expenses | <u>6,590,943</u> | <u>456,791</u> | <u>7,047,734</u> | <u>7,471,088</u> |
| Operating income | 529,462 | 44,452 | 573,914 | 257,599 |
| Nonoperating revenue | | | | |
| Investment earnings | <u>99,915</u> | <u>1,185</u> | <u>101,100</u> | <u>120,356</u> |
| Change in net position | 629,377 | 45,637 | 675,014 | 377,955 |
| Net position | | | | |
| Beginning of year | <u>5,247,801</u> | <u>44,786</u> | <u>5,292,587</u> | <u>4,914,632</u> |
| End of year | <u>\$ 5,877,178</u> | <u>\$ 90,423</u> | <u>\$ 5,967,601</u> | <u>\$ 5,292,587</u> |

INDEPENDENT SCHOOL DISTRICT NO. 280

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2020
 (With Comparative Totals for the Year Ended June 30, 2019)

| | Medical Benefits | Dental Benefits | Totals | |
|---|------------------|-----------------|--------------|--------------|
| | Self-Insurance | Self-Insurance | 2020 | 2019 |
| Cash flows from operating activities | | | | |
| Contributions from governmental funds | \$ 7,096,163 | \$ 511,497 | \$ 7,607,660 | \$ 7,781,927 |
| Payments for medical claims | (6,564,152) | – | (6,564,152) | (6,867,447) |
| Payments for dental claims | – | (472,925) | (472,925) | (526,660) |
| Net cash flows from operating activities | 532,011 | 38,572 | 570,583 | 387,820 |
| Cash flows from investing activities | | | | |
| Investment income received | 99,915 | 1,185 | 101,100 | 120,356 |
| Net change in cash and cash equivalents | 631,926 | 39,757 | 671,683 | 508,176 |
| Cash and cash equivalents | | | | |
| Beginning of year | 6,608,113 | 119,433 | 6,727,546 | 6,219,370 |
| End of year | \$ 7,240,039 | \$ 159,190 | \$ 7,399,229 | \$ 6,727,546 |
| Reconciliation of operating income to net cash flows from operating activities | | | | |
| Operating income | \$ 529,462 | \$ 44,452 | \$ 573,914 | \$ 257,599 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | | |
| Changes in assets and liabilities | | | | |
| Accounts receivable | 670 | (837) | (167) | 1,189 |
| Claims payable | 26,791 | (16,134) | 10,657 | 76,981 |
| Unearned revenue | (24,912) | 11,091 | (13,821) | 52,051 |
| Net cash flows from operating activities | \$ 532,011 | \$ 38,572 | \$ 570,583 | \$ 387,820 |

OTHER DISTRICT INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Revenue by Type
Last Ten Fiscal Years

| Year Ended June 30, | Program Revenues | | General Revenues | | | Total |
|------------------------|-------------------------|--|------------------------|----------------------------|-------------------------------------|-------------------------|
| | Charges for Services | Operating Grants and Contributions | Property Taxes | General Grants and Aids | Investment Earnings and Other | |
| 2011 | \$ 1,351,240 2.3% | \$ 10,298,601 17.2% | \$ 20,230,069 33.7% | \$ 27,076,258 45.1% | \$ 1,021,567 1.7% | \$ 59,977,735 100.0% |
| 2012 | 1,323,815 2.2% | 9,293,298 15.5% | 15,535,989 25.9% | 32,608,548 54.4% | 1,140,976 2.0% | 59,902,626 100.0% |
| 2013 | 1,424,268 2.3% | 9,746,687 15.6% | 16,830,692 26.9% | 33,166,877 53.1% | 1,332,852 2.1% | 62,501,376 100.0% |
| 2014 | 1,583,759 2.4% | 10,968,097 16.6% | 13,361,381 20.2% | 39,261,648 59.3% | 1,060,054 1.5% | 66,234,939 100.0% |
| 2015 | 1,381,895 2.0% | 10,858,507 15.8% | 18,478,774 26.9% | 36,866,254 53.8% | 987,311 1.5% | 68,572,741 100.0% |
| 2016 | 1,584,189 2.2% | 12,316,562 17.3% | 18,231,651 25.6% | 37,777,017 53.1% | 1,245,057 1.8% | 71,154,476 100.0% |
| 2017 | 1,560,266 2.1% | 12,880,552 17.4% | 18,795,154 25.5% | 39,625,932 53.7% | 932,227 1.3% | 73,794,131 100.0% |
| 2018 | 1,833,335 2.5% | 12,985,765 17.7% | 18,537,869 25.3% | 38,449,108 52.4% | 1,538,817 2.1% | 73,344,894 100.0% |
| 2019 | 1,731,697 2.1% | 13,055,457 16.0% | 26,504,457 32.4% | 36,127,245 44.2% | 4,320,055 5.3% | 81,738,911 100.0% |
| 2020 | 1,492,769 1.8% | 13,785,794 16.4% | 27,653,830 32.9% | 37,922,927 45.1% | 3,203,835 3.8% | 84,059,155 100.0% |

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 |
|------------------------|----------------------|---------------------------------|--|--|-------------------------------------|--------------------------------------|---------------------------|
| 2011 | \$ 2,364,391 3.9% | \$ 1,365,550 2.2% | \$ 25,498,288 41.8% | \$ 752,047 1.2% | \$ 9,275,816 15.2% | \$ 1,439,697 2.4% | \$ 4,514,682 7.4% |
| 2012 | 2,469,933 3.9% | 1,427,634 2.3% | 26,191,779 41.5% | 725,344 1.1% | 9,935,410 15.7% | 1,442,920 2.3% | 4,942,630 7.8% |
| 2013 | 2,463,144 3.9% | 1,344,273 2.1% | 26,204,800 41.5% | 552,076 0.9% | 10,325,009 16.3% | 1,315,674 2.1% | 5,014,798 7.9% |
| 2014 | 2,704,943 4.2% | 1,367,285 2.1% | 26,209,555 40.5% | 523,544 0.8% | 10,709,470 16.5% | 2,665,280 4.1% | 5,612,101 8.7% |
| 2015 | 2,780,256 4.2% | 1,350,886 2.0% | 27,446,721 41.0% | 439,443 0.7% | 11,177,578 16.7% | 2,855,239 4.3% | 5,511,201 8.2% |
| 2016 | 2,441,557 3.4% | 1,879,857 2.6% | 28,500,351 39.3% | 499,839 0.7% | 12,410,065 17.1% | 5,673,182 7.8% | 5,619,303 7.7% |
| 2017 | 3,205,654 3.7% | 1,941,718 2.2% | 40,383,383 46.1% | 453,790 0.5% | 15,977,707 18.2% | 3,615,236 4.1% | 6,640,241 7.6% |
| 2018 | 3,226,510 3.8% | 2,209,014 2.6% | 35,798,892 42.2% | 537,777 0.6% | 15,041,531 17.7% | 3,927,678 4.6% | 6,395,379 7.6% |
| 2019 | 1,921,888 3.3% | 2,038,601 3.5% | 18,949,610 32.6% | 333,061 0.6% | 8,264,835 14.2% | 2,987,518 5.1% | 5,556,435 9.6% |
| 2020 | 2,926,141 3.8% | 2,157,245 2.8% | 29,846,895 38.6% | 466,338 0.6% | 12,729,667 16.5% | 3,858,263 5.0% | 6,280,289 8.1% |

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

| Sites and Buildings | Fiscal and Other Fixed Cost Programs | Food Service | Community Service | Unallocated Depreciation | Interest and Fiscal Charges | Total |
|-----------------------|--------------------------------------|----------------------|----------------------|--------------------------|-----------------------------|-------------------------|
| \$ 6,732,002 11.0% | \$ 220,807 0.4% | \$ 1,809,824 3.0% | \$ 1,320,500 2.2% | \$ 3,066,722 5.0% | \$ 2,675,391 4.3% | \$ 61,035,717 100.0% |
| 6,635,565 10.5% | 233,039 0.4% | 1,985,798 3.1% | 1,307,059 2.1% | 3,216,881 5.1% | 2,613,772 4.2% | 63,127,764 100.0% |
| 6,654,356 10.5% | 251,815 0.4% | 2,086,777 3.3% | 1,245,474 2.0% | 3,219,889 5.1% | 2,483,173 4.0% | 63,161,258 100.0% |
| 5,136,435 7.9% | 279,042 0.4% | 2,372,816 3.7% | 1,335,512 2.1% | 3,296,138 5.1% | 2,577,800 3.9% | 64,789,921 100.0% |
| 6,124,862 9.1% | 318,428 0.5% | 2,390,570 3.6% | 1,344,766 2.0% | 3,246,459 4.8% | 1,957,346 2.9% | 66,943,755 100.0% |
| 5,901,471 8.1% | 268,482 0.4% | 2,675,729 3.7% | 1,519,388 2.1% | 3,234,815 4.5% | 1,903,059 2.6% | 72,527,098 100.0% |
| 5,733,901 6.5% | 248,327 0.3% | 2,771,245 3.2% | 1,668,349 1.9% | 3,235,338 3.7% | 1,766,334 2.0% | 87,641,223 100.0% |
| 7,243,559 8.6% | 233,841 0.3% | 2,645,759 3.1% | 1,703,165 2.0% | 3,253,593 3.8% | 2,578,471 3.1% | 84,795,169 100.0% |
| 5,757,551 9.9% | 223,275 0.4% | 2,657,883 4.6% | 1,454,964 2.5% | 3,284,068 5.6% | 4,687,319 8.1% | 58,117,008 100.0% |
| 8,695,645 11.2% | 271,303 0.4% | 2,887,952 3.7% | 1,938,043 2.5% | — — | 5,283,250 6.8% | 77,341,031 100.0% |

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 |
|------------------------|------------------------------|------------------------|----------------------|-------------------------------------|-------------------------|
| 2011 | \$ 14,917,502 28.6% | \$ 31,958,208 61.4% | \$ 3,358,156 6.4% | \$ 1,845,918 3.6% | \$ 52,079,784 100.0% |
| 2012 | 10,587,151 20.4% | 37,026,885 71.3% | 2,497,377 4.8% | 1,819,060 3.5% | 51,930,473 100.0% |
| 2013 | 11,353,435 21.0% | 38,123,440 70.7% | 2,391,684 4.4% | 2,088,697 3.9% | 53,957,256 100.0% |
| 2014 | 7,594,508 13.3% | 44,992,848 78.8% | 2,671,161 4.7% | 1,837,042 3.2% | 57,095,559 100.0% |
| 2015 | 12,429,665 21.0% | 42,796,472 72.3% | 2,268,868 3.8% | 1,667,896 2.9% | 59,162,901 100.0% |
| 2016 | 12,969,947 20.9% | 45,073,735 72.5% | 2,051,552 3.3% | 2,048,208 3.3% | 62,143,442 100.0% |
| 2017 | 13,422,904 21.4% | 45,677,476 72.8% | 2,083,704 3.3% | 1,592,465 2.5% | 62,776,549 100.0% |
| 2018 | 13,100,376 20.8% | 46,142,115 73.2% | 2,251,487 3.6% | 1,533,633 2.4% | 63,027,611 100.0% |
| 2019 | 16,524,052 24.9% | 46,183,093 69.6% | 2,098,367 3.2% | 1,528,684 2.3% | 66,334,196 100.0% |
| 2020 | 18,018,703 26.5% | 45,674,571 67.3% | 2,834,496 4.2% | 1,390,374 2.0% | 67,918,144 100.0% |

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 |
|------------------------|----------------------|---------------------------------|--|--|-------------------------------------|
| 2011 | \$ 2,371,106 4.4% | \$ 1,339,401 2.5% | \$ 25,134,023 47.0% | \$ 731,005 1.4% | \$ 9,100,333 17.0% |
| 2012 | 2,353,857 4.3% | 1,365,761 2.5% | 25,066,366 46.1% | 695,800 1.3% | 9,548,848 17.5% |
| 2013 | 2,352,202 4.3% | 1,333,360 2.4% | 25,418,747 46.3% | 531,952 1.0% | 10,195,144 18.6% |
| 2014 | 2,485,240 4.4% | 1,322,189 2.4% | 25,989,323 46.3% | 506,708 0.9% | 10,657,828 19.0% |
| 2015 | 2,562,193 4.4% | 1,307,061 2.3% | 27,005,565 46.6% | 417,657 0.7% | 11,046,981 19.1% |
| 2016 | 2,531,424 3.9% | 1,868,531 2.9% | 27,838,034 43.4% | 484,356 0.8% | 12,232,161 19.1% |
| 2017 | 2,472,656 4.0% | 1,890,917 3.1% | 28,685,536 46.5% | 295,009 0.5% | 11,519,037 18.7% |
| 2018 | 2,690,786 4.3% | 2,282,534 3.7% | 26,702,012 43.1% | 439,099 0.7% | 11,823,370 19.1% |
| 2019 | 2,689,891 4.2% | 2,138,021 3.3% | 29,180,561 45.2% | 473,959 0.7% | 12,129,556 18.8% |
| 2020 | 2,773,580 4.4% | 2,214,339 3.5% | 28,172,567 44.4% | 446,106 0.7% | 12,252,919 19.3% |

| Instructional Support Services | Pupil Support Services | Sites and Buildings | Other | Total |
|--------------------------------------|------------------------------|------------------------|--------------------|-------------------------|
| \$ 1,324,449 2.5% | \$ 4,565,045 8.5% | \$ 7,979,702 14.9% | \$ 907,385 1.8% | \$ 53,452,449 100.0% |
| 1,312,859 2.4% | 4,880,377 9.0% | 8,306,378 15.3% | 894,205 1.6% | 54,424,451 100.0% |
| 1,255,126 2.3% | 5,096,974 9.3% | 7,905,507 14.4% | 847,840 1.4% | 54,936,852 100.0% |
| 2,633,320 4.7% | 5,470,787 9.7% | 6,160,962 11.0% | 935,255 1.6% | 56,161,612 100.0% |
| 2,816,864 4.9% | 5,537,272 9.5% | 6,402,196 11.0% | 886,727 1.5% | 57,982,516 100.0% |
| 5,628,717 8.8% | 5,650,890 8.8% | 6,396,910 10.0% | 1,557,185 2.3% | 64,188,208 100.0% |
| 2,935,556 4.8% | 6,107,461 9.9% | 6,221,688 10.1% | 1,555,329 2.4% | 61,683,189 100.0% |
| 3,349,715 5.4% | 6,333,655 10.2% | 6,872,773 11.1% | 1,498,822 2.4% | 61,992,766 100.0% |
| 3,756,365 5.8% | 6,313,381 9.8% | 6,458,926 10.0% | 1,456,153 2.2% | 64,596,813 100.0% |
| 3,983,311 6.3% | 6,341,124 10.0% | 5,809,500 9.2% | 1,466,801 2.2% | 63,460,247 100.0% |

INDEPENDENT SCHOOL DISTRICT NO. 280

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

| | <u>Year Collectible</u> | <u>General Fund</u> | <u>Community Service Special Revenue Fund</u> | <u>Debt Service Fund</u> | <u>Total All Funds</u> |
|---------------------------|-----------------------------|---------------------|---|------------------------------|----------------------------|
| Levies | | | | | |
| | 2011 | \$ 10,915,132 | \$ 437,571 | \$ 5,016,610 | \$ 16,369,313 |
| | 2012 | 10,894,520 | 443,325 | 5,195,929 | 16,533,774 |
| | 2013 | 11,681,439 | 448,603 | 5,517,081 | 17,647,123 |
| | 2014 | 12,413,561 | 440,121 | 5,510,138 | 18,363,820 |
| | 2015 | 12,781,122 | 423,798 | 4,848,050 | 18,052,970 |
| | 2016 | 13,591,717 | 433,925 | 5,125,866 | 19,151,508 |
| | 2017 | 13,295,212 | 454,869 | 5,191,980 | 18,942,061 |
| | 2018 | 16,506,195 | 465,023 | 9,556,851 | 26,528,069 |
| | 2019 | 18,046,456 | 465,989 | 9,321,120 | 27,833,565 |
| | 2020 | 17,525,262 | 473,804 | 9,806,268 | 27,805,334 |
| Tax capacity rates | | | | | |
| | 2011 | 12.251 | 1.164 | 13.344 | 26.759 |
| | 2012 | 12.690 | 1.274 | 14.930 | 28.894 |
| | 2013 | 13.710 | 1.301 | 16.000 | 31.011 |
| | 2014 | 16.834 | 1.280 | 16.024 | 34.138 |
| | 2015 | 14.207 | 1.001 | 11.451 | 26.659 |
| | 2016 | 15.664 | 1.023 | 12.084 | 28.771 |
| | 2017 | 14.988 | 0.972 | 11.094 | 27.054 |
| | 2018 | 16.168 | 0.969 | 19.913 | 37.050 |
| | 2019 | 15.586 | 0.845 | 16.900 | 33.331 |
| | 2020 | 14.846 | 0.821 | 16.991 | 32.658 |

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Tax Capacities
Last Ten Fiscal Years

| For Taxes Collectible | Nonagricultural | Fiscal Disparities | | Tax Increment | Total Tax Capacity |
|--------------------------|-----------------|--------------------|--------------|----------------|-----------------------|
| | | Contribution | Distribution | | |
| 2011 | \$ 47,080,701 | \$ (7,864,995) | \$ 5,837,868 | \$ (7,011,033) | \$ 38,042,541 |
| 2012 | 43,229,608 | (6,938,495) | 6,030,051 | (7,016,169) | 35,304,995 |
| 2013 | 41,734,658 | (5,994,792) | 5,395,576 | (6,266,994) | 34,868,448 |
| 2014 | 42,259,288 | (6,684,990) | 5,690,941 | (6,640,874) | 34,624,365 |
| 2015 | 46,463,214 | (6,982,700) | 5,553,498 | (4,097,780) | 40,936,232 |
| 2016 | 49,828,563 | (7,775,655) | 5,480,389 | (4,809,613) | 42,723,684 |
| 2017 | 53,877,113 | (8,342,402) | 6,063,378 | (5,498,277) | 46,099,812 |
| 2018 | 57,728,286 | (8,277,082) | 6,000,883 | (5,852,405) | 49,599,682 |
| 2019 | 62,741,676 | (8,212,926) | 6,544,357 | (6,559,348) | 54,513,759 |
| 2020 | 66,716,919 | (9,279,808) | 6,730,399 | (6,770,124) | 57,397,386 |

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 |
| 2011 | \$ 13,543,572 | \$ 2,346,823 | \$ 478,918 | \$ 16,369,313 |
| 2012 | 13,908,410 | 2,625,364 | – | 16,533,774 |
| 2013 | 15,083,955 | 2,563,168 | – | 17,647,123 |
| 2014 | 15,451,538 | 2,912,282 | – | 18,363,820 |
| 2015 | 15,087,402 | 2,965,568 | – | 18,052,970 |
| 2016 | 16,814,889 | 2,336,619 | – | 19,151,508 |
| 2017 | 16,204,749 | 2,737,312 | – | 18,942,061 |
| 2018 | 24,099,392 | 2,428,677 | – | 26,528,069 |
| 2019 | 24,207,991 | 3,625,574 | – | 27,833,565 |
| 2020 | 24,410,184 | 3,395,150 | – | 27,805,334 |

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, 2020

| Delinquent | | Current | |
|-------------------|---------|----------------------|---------|
| Amount | Percent | Amount | Percent |
| \$ - | - % | \$ - | - % |
| - | - | - | - |
| - | - | - | - |
| (7,675) | (0.04) | - | - |
| 9,970 | 0.06 | - | - |
| 19,395 | 0.10 | - | - |
| 17,971 | 0.09 | - | - |
| 48,263 | 0.18 | - | - |
| 124,533 | 0.45 | - | - |
| - | - | 14,205,334 | 51.09 |
| <u>\$ 212,457</u> | | <u>\$ 14,205,334</u> | |

INDEPENDENT SCHOOL DISTRICT NO. 280

Student Enrollment
Last Ten Fiscal Years

| Year Ended June 30, | Average Daily Membership (ADM) (for Students Served and Tuition Paid) | | | | | Total Pupil Units |
|------------------------|---|--------------|------------|-----------|----------|----------------------|
| | Handicapped and Pre-Kindergarten | Kindergarten | Elementary | Secondary | Total | |
| 2011 | 81.61 | 354.20 | 1,861.51 | 1,858.49 | 4,155.81 | 4,753.31 |
| 2012 | 82.28 | 403.87 | 1,978.34 | 1,844.21 | 4,308.70 | 4,893.13 |
| 2013 | 97.00 | 407.88 | 2,063.44 | 1,853.72 | 4,422.04 | 5,017.11 |
| 2014 | 78.03 | 373.05 | 2,094.56 | 1,838.06 | 4,383.70 | 4,991.76 |
| 2015 | 90.27 | 369.00 | 2,151.30 | 1,761.09 | 4,371.66 | 4,723.88 |
| 2016 | 84.62 | 329.47 | 2,136.43 | 1,813.32 | 4,363.84 | 4,726.49 |
| 2017 | 153.83 | 292.39 | 2,110.31 | 1,822.44 | 4,378.97 | 4,743.47 |
| 2018 | 186.40 | 300.31 | 2,006.61 | 1,866.58 | 4,359.90 | 4,733.18 |
| 2019 | 210.28 | 269.91 | 1,916.25 | 1,834.58 | 4,231.02 | 4,597.92 |
| 2020 | 225.71 | 242.17 | 1,826.65 | 1,898.63 | 4,193.16 | 4,572.90 |

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 2011 through 2014 | Various | 0.612 | 1.115 | 1.060 | 1.300 |
| Fiscal 2015 through 2020 | 1.000 | 0.550/1.000 | 1.000 | 1.000 | 1.200 |

OTHER REQUIRED REPORTS

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, 2020, 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 28, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

COMPLIANCE AND OTHER MATTERS

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

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 28, 2020



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
Kalen T. Karnowski, CPA

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, 2020, 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 28, 2020.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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 28, 2020

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2020

| | | Audit | UFARS | Audit – UFARS |
|--------------------------|--|---------------|---------------|---------------|
| General Fund | | | | |
| Total revenue | | \$ 67,918,144 | \$ 67,918,144 | \$ – |
| Total expenditures | | \$ 63,460,247 | \$ 63,460,246 | \$ 1 |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | \$ 33,813 | \$ 33,813 | \$ – |
| Restricted | | | | |
| 401 | Student activities | \$ 85,533 | \$ 85,533 | \$ – |
| 402 | Scholarships | \$ 434,691 | \$ 434,691 | \$ – |
| 403 | Staff development | \$ – | \$ – | \$ – |
| 407 | Capital projects levy | \$ 81,208 | \$ 81,208 | \$ – |
| 408 | Cooperative revenue | \$ – | \$ – | \$ – |
| 413 | Projects funded by COP | \$ – | \$ – | \$ – |
| 414 | Operating debt | \$ – | \$ – | \$ – |
| 416 | Levy reduction | \$ – | \$ – | \$ – |
| 417 | Taconite building maintenance | \$ – | \$ – | \$ – |
| 424 | Operating capital | \$ 887,203 | \$ 887,203 | \$ – |
| 426 | \$25 taconite | \$ – | \$ – | \$ – |
| 427 | Disabled accessibility | \$ – | \$ – | \$ – |
| 428 | Learning and development | \$ – | \$ – | \$ – |
| 434 | Area learning center | \$ 108,151 | \$ 108,151 | \$ – |
| 435 | Contracted alternative programs | \$ – | \$ – | \$ – |
| 436 | State approved alternative program | \$ – | \$ – | \$ – |
| 438 | Gifted and talented | \$ – | \$ – | \$ – |
| 440 | Teacher development and evaluation | \$ – | \$ – | \$ – |
| 441 | Basic skills programs | \$ – | \$ – | \$ – |
| 448 | Achievement and integration | \$ 39,185 | \$ 39,185 | \$ – |
| 449 | Safe schools levy | \$ – | \$ – | \$ – |
| 451 | QZAB payments | \$ – | \$ – | \$ – |
| 452 | OPEB liability not in trust | \$ – | \$ – | \$ – |
| 453 | Unfunded severance and retirement levy | \$ – | \$ – | \$ – |
| 459 | Basic skills extended time | \$ 558,710 | \$ 558,710 | \$ – |
| 467 | Long-term facilities maintenance | \$ 1,592,644 | \$ 1,592,644 | \$ – |
| 472 | Medical Assistance | \$ 177,352 | \$ 177,352 | \$ – |
| 473 | PPP loans | \$ – | \$ – | \$ – |
| 474 | EIDL loans | \$ – | \$ – | \$ – |
| 464 | Restricted fund balance | \$ – | \$ – | \$ – |
| 475 | Title VII – Impact Aid | \$ – | \$ – | \$ – |
| 476 | PILT | \$ – | \$ – | \$ – |
| Committed | | | | |
| 418 | Committed for separation | \$ – | \$ – | \$ – |
| 461 | Committed fund balance | \$ – | \$ – | \$ – |
| Assigned | | | | |
| 462 | Assigned fund balance | \$ 5,278,307 | \$ 5,278,307 | \$ – |
| Unassigned | | | | |
| 422 | Unassigned fund balance | \$ 6,920,954 | \$ 6,920,954 | \$ – |
| Food Service | | | | |
| Total revenue | | \$ 2,684,621 | \$ 2,684,621 | \$ – |
| Total expenditures | | \$ 2,980,090 | \$ 2,980,090 | \$ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | \$ 19,676 | \$ 19,676 | \$ – |
| Restricted | | | | |
| 452 | OPEB liability not in trust | \$ – | \$ – | \$ – |
| 474 | EIDL loans | \$ – | \$ – | \$ – |
| 464 | Restricted fund balance | \$ 217,832 | \$ 217,832 | \$ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | \$ – | \$ – | \$ – |
| Community Service | | | | |
| Total revenue | | \$ 1,957,665 | \$ 1,957,664 | \$ 1 |
| Total expenditures | | \$ 1,941,755 | \$ 1,941,755 | \$ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | \$ – | \$ – | \$ – |
| Restricted | | | | |
| 426 | \$25 taconite | \$ – | \$ – | \$ – |
| 431 | Community education | \$ (87,810) | \$ (87,810) | \$ – |
| 432 | ECFE | \$ 201,523 | \$ 201,523 | \$ – |
| 440 | Teacher development and evaluation | \$ – | \$ – | \$ – |
| 444 | School readiness | \$ 395,272 | \$ 395,272 | \$ – |
| 447 | Adult basic education | \$ – | \$ – | \$ – |
| 452 | OPEB liability not in trust | \$ – | \$ – | \$ – |
| 473 | PPP loans | \$ – | \$ – | \$ – |
| 474 | EIDL loans | \$ – | \$ – | \$ – |
| 464 | Restricted fund balance | \$ 91,674 | \$ 91,675 | \$ (1) |
| Unassigned | | | | |
| 463 | Unassigned fund balance | \$ – | \$ – | \$ – |

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2020

| | Audit | UFARS | Audit – UFARS |
|--------------------------------------|---------------|---------------|---------------|
| Building Construction | | | |
| Total revenue | \$ 2,184,625 | \$ 2,184,625 | \$ – |
| Total expenditures | \$ 65,066,268 | \$ 65,066,268 | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ – | \$ – | \$ – |
| Restricted | | | |
| 407 Capital projects levy | \$ – | \$ – | \$ – |
| 413 Projects funded by COP | \$ – | \$ – | \$ – |
| 467 Long-term facilities maintenance | \$ 11,186,480 | \$ 11,186,480 | \$ – |
| 464 Restricted fund balance | \$ 32,744,076 | \$ 32,744,076 | \$ – |
| Unassigned | | | |
| 463 Unassigned fund balance | \$ – | \$ – | \$ – |
| Debt Service | | | |
| Total revenue | \$ 8,469,549 | \$ 8,469,549 | \$ – |
| Total expenditures | \$ 8,105,988 | \$ 8,105,988 | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ – | \$ – | \$ – |
| Restricted | | | |
| 425 Bond refundings | \$ – | \$ – | \$ – |
| 433 Maximum effort loan | \$ – | \$ – | \$ – |
| 451 QZAB payments | \$ – | \$ – | \$ – |
| 467 Long-term facilities maintenance | \$ – | \$ – | \$ – |
| 464 Restricted fund balance | \$ 1,309,250 | \$ 1,309,250 | \$ – |
| Unassigned | | | |
| 463 Unassigned fund balance | \$ – | \$ – | \$ – |
| Trust | | | |
| Total revenue | \$ – | \$ – | \$ – |
| Total expenditures | \$ – | \$ – | \$ – |
| 401 Student activities | \$ – | \$ – | \$ – |
| 402 Scholarships | \$ – | \$ – | \$ – |
| 422 Net position | \$ – | \$ – | \$ – |
| Custodial | | | |
| Total revenue | \$ 8,908 | \$ 8,908 | \$ – |
| Total expenditures | \$ 13,551 | \$ 13,551 | \$ – |
| 401 Student activities | \$ – | \$ – | \$ – |
| 402 Scholarships | \$ 20,953 | \$ 20,953 | \$ – |
| 448 Achievement and integration | \$ – | \$ – | \$ – |
| 464 Restricted fund balance | \$ – | \$ – | \$ – |
| Internal Service | | | |
| Total revenue | \$ 7,722,748 | \$ 7,722,748 | \$ – |
| Total expenditures | \$ 7,047,734 | \$ 7,047,734 | \$ – |
| 422 Net position | \$ 5,967,601 | \$ 5,967,601 | \$ – |
| OPEB Revocable Trust Fund | | | |
| Total revenue | \$ – | \$ – | \$ – |
| Total expenditures | \$ – | \$ – | \$ – |
| 422 Net position | \$ – | \$ – | \$ – |
| OPEB Irrevocable Trust Fund | | | |
| Total revenue | \$ 247,052 | \$ 247,051 | \$ 1 |
| Total expenditures | \$ 816,085 | \$ 816,085 | \$ – |
| 422 Net position | \$ 8,886,190 | \$ 8,886,190 | \$ – |
| OPEB Debt Service Fund | | | |
| Total revenue | \$ 811,277 | \$ 811,277 | \$ – |
| Total expenditures | \$ 783,025 | \$ 783,025 | \$ – |
| Nonspendable | | | |
| 460 Nonspendable fund balance | \$ – | \$ – | \$ – |
| Restricted | | | |
| 425 Bond refundings | \$ – | \$ – | \$ – |
| 464 Restricted fund balance | \$ 205,869 | \$ 205,869 | \$ – |
| 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.