

INDEPENDENT SCHOOL DISTRICT NO. 283  
ST. LOUIS PARK, MINNESOTA

Financial Statements and  
Supplemental Information

Year Ended  
June 30, 2020

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## INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 283

School Board and Superintendent's Cabinet  
Year Ended June 30, 2020

**SCHOOL BOARD**

	<u>Position</u>
Mary Tomback	Chairperson
Anne Casey	Vice Chairperson
Kenneth Morrison	Treasurer
Karen Waters	Clerk
C. Colin Cox	Director
Laura McClendon	Director
Heather Wilsey	Director

**SUPERINTENDENT'S CABINET**

Astein Osei	Superintendent
Patricia Magnuson	Director of Business Services
Tami Reynolds	Director of Student Services
Richard Kreyer	Director of Human Resources
Dr. Patrick Duffy	Director of Curriculum and Instruction
Lisa Greene	Director of Community Education
Sara Thompson, APR	Director of Communications and Community Relations
Tom Marble, CETL	Director of Information Services
Andrew Ewald	Director of Athletics

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## FINANCIAL SECTION

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## PRINCIPALS

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

## INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 283  
St. Louis Park, 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. 283 (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 and supplemental 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 supplemental information is the responsibility of management and was derived from and relates 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 has 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 it.

(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 20, 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 provided 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 7, 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 7, 2020

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## INDEPENDENT SCHOOL DISTRICT NO. 283

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

As management of Independent School District No. 283 (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 \$17,912,584 (deficit net position). Government-wide revenues totaled \$90,817,652, and expenses were \$95,646,526. As a result, the District's total net position decreased by \$4,828,874 (excluding the change in accounting principle) during the fiscal year ended June 30, 2020.
- The District recorded a change in accounting principle in the current year with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which changed the way the District reports student activities and fiduciary activities. The implementation of this standard increased both governmental net position and beginning fund balance in the General Fund by \$232,453.
- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of \$19,669,525, a decrease of \$532,042 from the prior year. The unrestricted portion of the year-end fund balance (assigned and unassigned) was \$12,692,970, which represents 18.0 percent of annual General Fund expenditures based on fiscal 2020 expenditure levels. The unassigned fund balance, including assigned for subsequent year's budget, was 18.6 percent of General Fund noncategorized expenditures and is above the District's policy for year-end minimum amounts of unassigned fund balance of 6.0 percent.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

### **FUND FINANCIAL STATEMENTS**

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

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



The District maintains the following kinds of funds:

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

**Proprietary Funds** – The District maintains one type of proprietary fund. Internal service funds are used as an accounting device to accumulate and allocate costs internally among the District’s various functions. The District uses its internal service funds to account for its self-insured dental plan, self-insured medical plan, and its other post-employment benefits (OPEB) obligations financed by a Revocable OPEB Trust. These services have been included within governmental activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

<b>Table 1</b> <b>Summary of Net Position</b> <b>as of June 30, 2020 and 2019</b>		
	2020	2019
<b>Assets</b>		
Current and other assets	\$ 124,110,567	\$ 141,705,249
Capital assets, net of depreciation	132,269,288	92,239,885
Total assets	<u>\$ 256,379,855</u>	<u>\$ 233,945,134</u>
<b>Deferred outflows of resources</b>		
Pension plan deferments	\$ 34,886,446	\$ 51,333,856
Single-employer plan deferments	555,392	385,010
OPEB plan deferments	781,472	783,742
Total deferred outflows of resources	<u>\$ 36,223,310</u>	<u>\$ 52,502,608</u>
<b>Liabilities</b>		
Current and other liabilities	\$ 23,659,005	\$ 19,395,287
Long-term liabilities, including due within one year	201,874,673	182,960,579
Total liabilities	<u>\$ 225,533,678</u>	<u>\$ 202,355,866</u>
<b>Deferred inflows of resources</b>		
Gain on bond refunding	\$ —	\$ 67,585
Property taxes levied for subsequent year	30,571,526	30,085,741
Pension plan deferments	53,578,205	66,295,245
Single-employer plan deferments	175,908	204,453
OPEB plan deferments	656,432	755,015
Total deferred inflows of resources	<u>\$ 84,982,071</u>	<u>\$ 97,408,039</u>
<b>Net position</b>		
Net investment in capital assets	\$ 35,154,657	\$ 35,130,733
Restricted	7,650,048	7,230,620
Unrestricted	(60,717,289)	(55,677,516)
Total net position	<u>\$ (17,912,584)</u>	<u>\$ (13,316,163)</u>

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

Total net position decreased by \$4,596,421 in 2020. Changes in the District's proportionate share of the state-wide pension plans contributed to the decrease in unrestricted net position, the changes in deferred inflows and outflows of resources, and the change in long-term liabilities. The increase in capital assets relates to the use of bond proceeds for building construction issued by the District in fiscal 2018, totaling \$92,950,000, and bond proceeds for long-term facilities maintenance of \$22,795,000, issued in fiscal 2020.

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

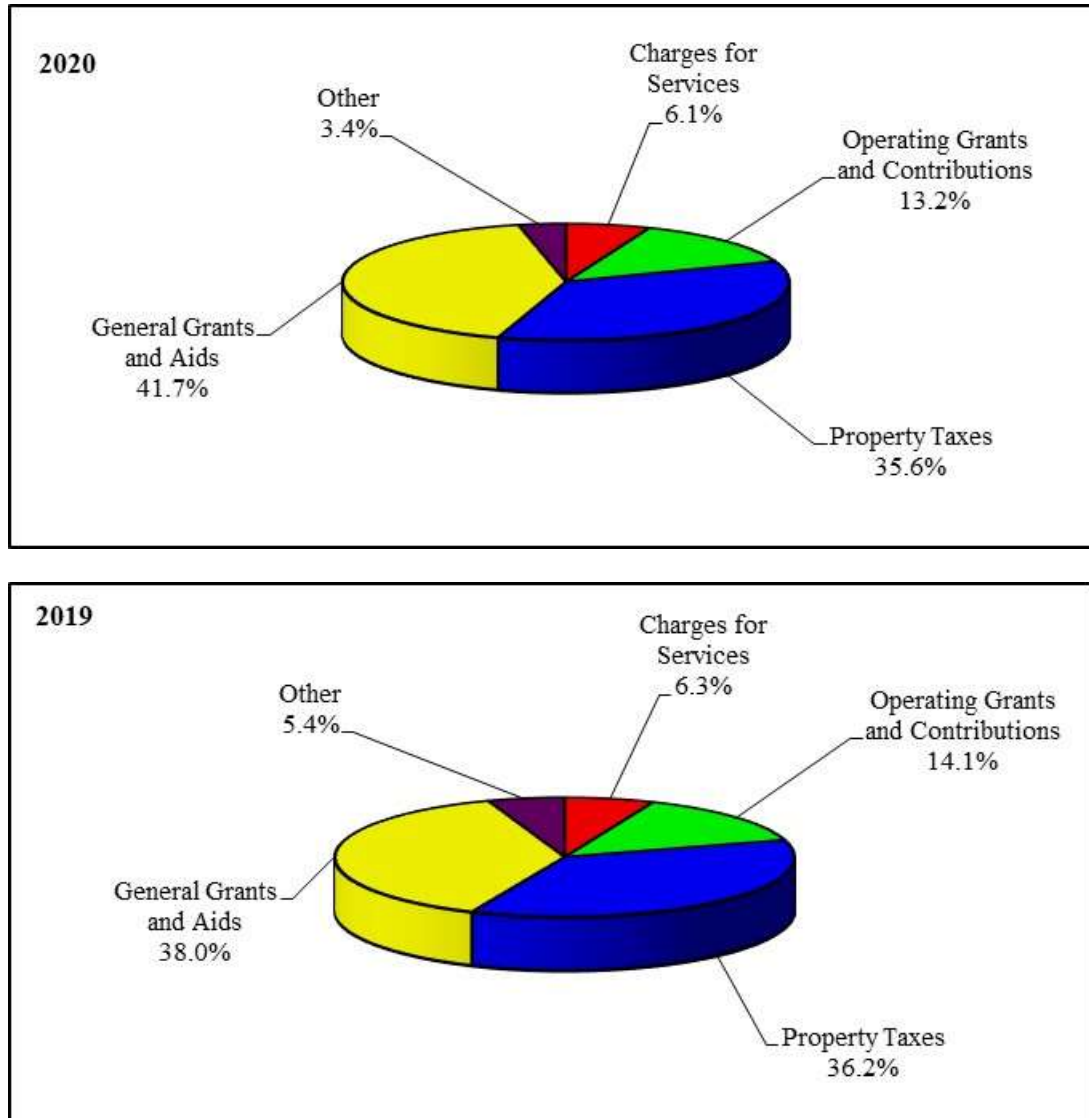
<b>Table 2</b> <b>Change in Net Position</b> <b>for the Years Ended June 30, 2020 and 2019</b>		
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 5,562,961	\$ 5,693,578
Operating grants and contributions	11,991,035	12,654,233
General revenues		
Property taxes	32,299,084	32,521,158
General grants and aids	37,841,249	34,182,427
Other	3,123,323	4,836,397
Total revenues	90,817,652	89,887,793
Expenses		
Administration	3,005,456	2,088,559
District support services	4,505,309	4,118,775
Elementary and secondary regular instruction	34,171,764	21,023,930
Vocational education instruction	658,411	388,590
Special education instruction	12,605,865	7,645,944
Instructional support services	4,691,071	3,760,424
Pupil support services	6,503,434	4,865,450
Sites and buildings	11,366,574	8,538,493
Fiscal and other fixed cost programs	276,349	198,693
Food service	2,027,320	1,913,540
Community service	7,735,384	7,186,427
Unallocated depreciation	3,594,073	3,358,527
Interest and fiscal charges	4,505,516	4,019,851
Total expenses	95,646,526	69,107,203
Change in net position	(4,828,874)	20,780,590
Net position – beginning, as previously reported	(13,316,163)	(34,096,753)
Change in accounting principle	232,453	–
Net position – beginning, as restated	(13,083,710)	(34,096,753)
Net position – ending	\$ (17,912,584)	\$ (13,316,163)

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

Total revenues for fiscal year 2020 were \$929,859 higher than last year, mainly due to increases in state sources from special education aid. Total expenses increased \$26,539,323, compared to fiscal year 2019 levels, which primarily reflects changes in the District's proportionate share of the two state-wide pension plans.

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

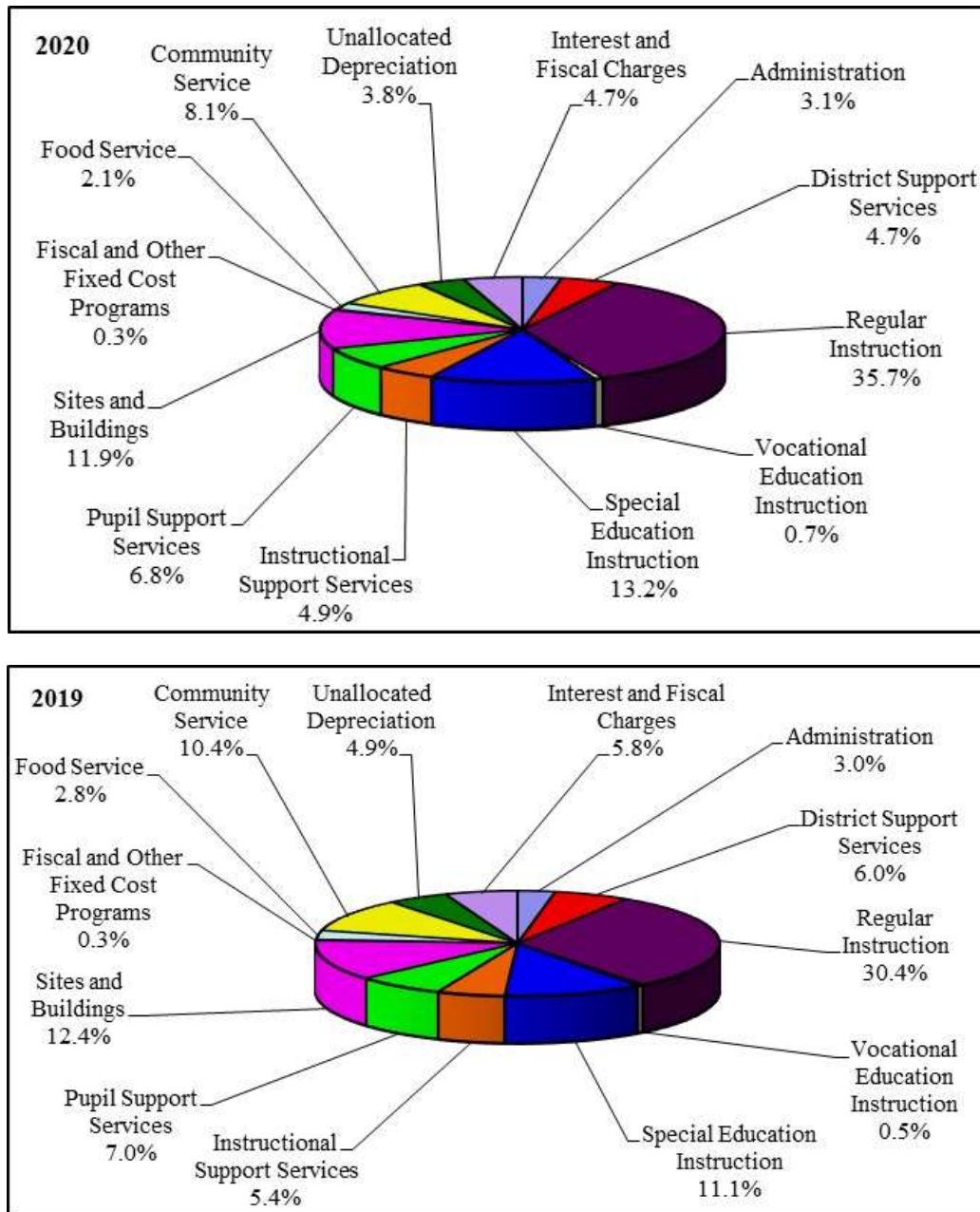
**Figure A – Sources of Revenue for Fiscal Years 2020 and 2019**



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.

**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 portion of salaries.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

<b>Table 3</b> <b>Governmental Fund Balances</b> <b>as of June 30, 2020 and 2019</b>			
	2020	2019	Change
Major funds			
General	\$ 19,669,525	\$ 20,201,567	\$ (532,042)
Capital Projects – Building Construction	46,856,218	67,631,248	(20,775,030)
Debt Service	1,695,401	1,792,307	(96,906)
Nonmajor funds			
Food Service Special Revenue	114,675	319,851	(205,176)
Community Service Special Revenue	15,320	831,373	(816,053)
Total governmental funds	<u>\$ 68,351,139</u>	<u>\$ 90,776,346</u>	<u>\$ (22,425,207)</u>

In 2020, the General Fund balance decreased \$764,495 (excluding the change in accounting principle) from the prior year. This compares to a final budget that anticipated a decline in fund balance of \$1,086,695. These better than projected results were mainly due to revenues exceeding budgeted amounts by \$915,486.

The Capital Projects – Building Construction Fund decreased \$20,775,030 from the prior year, due to the use of school building bonds that were issued during fiscal 2018, as well as the use of facilities maintenance bonds that were issued during the current year.

The Debt Service Fund decreased \$96,906, consistent with property tax levies and debt service payment schedules in this fund.

The decrease in the Food Service Special Revenue Fund of \$205,176 was mainly due to revenues coming in \$215,557 under budget projections, due to COVID restrictions.

The decrease in the Community Service Special Revenue Fund of \$816,053 was mainly due to revenues coming in \$786,588 under budget projections, due to COVID restrictions.

## Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4 General Fund Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 66,955,169</u>	<u>\$ 68,655,169</u>	<u>\$ 1,700,000</u>	<u>2.54 %</u>
Expenditures	<u>\$ 69,741,862</u>	<u>\$ 69,741,864</u>	<u>\$ 2</u>	<u>– %</u>

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

Table 5 summarizes the operating results of the General Fund:

<b>Table 5 General Fund Operating Results</b>					
	<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	\$ 69,570,655	\$ 915,486	1.3%	\$ 1,069,479	1.6%
Expenditures	70,377,881	\$ 636,017	0.9%	\$ 3,306,855	4.9%
Other financing sources	<u>42,731</u>	\$ 42,731	100.0%	\$ 152,109	139.1%
Net change in fund balances	<u>\$ (764,495)</u>				

The increase in 2020 actual revenue was due to state sources increasing \$2,030,977, due to increases in state general education and special education aids. Other revenue was lower than last year by \$698,620, as the District received a one-time revenue in the prior year and had less space rental in the current year.

Expenditures increased in purchased services, which was \$1,260,255 higher than last year, mainly within special education contracted services and pupil support services for transportation. Capital expenditures also increased by \$1,007,839 from budgeted site and building improvement costs. Other expenditures were lower than last year by \$470,977, due to a decrease in chargebacks in the current year. Salaries increased \$1,169,109, or 3.0 percent, from contract-related increases.

General Fund revenues exceeded budgeted amounts by \$915,486. State revenues were over budget by \$508,730. The majority of these variances were due to higher than projected special education aids. Revenues from other local sources (including gifts, bequests, tuition, rental, and investment earnings) were \$276,522 over budget, which is mainly in investment earnings exceeding the budget by \$236,543, due to conservative budgeting.

Expenditures were over budget by \$636,017. Salaries and benefits exceeded budget by \$509,099, with the variance spread across multiple program areas. Purchased services exceeded budget by \$1,033,607, mostly for special education contracted services. Capital expenditures were lower than budget by \$999,525 from projects anticipated, but were delayed until future fiscal years.

### **Internal Service Funds**

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains three internal service funds. These funds are used to account for the District's self-insured medical insurance, dental insurance, and OPEB revocable trust functions.

#### **1. Medical Self-Insurance**

The District started a Medical Self-Insurance Fund in the current year. Revenues for fiscal 2020 totaled \$7,602,076, while expenses totaled \$7,223,081. The net position as of June 30, 2020 was \$396,527, which represents 5.5 percent of annual operating expenses of this fund.

#### **2. Dental Self-Insurance**

Revenues for fiscal 2020 totaled \$680,835, while expenses totaled \$516,208. The net position as of June 30, 2020 was \$399,193, which represents 77.3 percent of annual operating expenses of this fund.

#### **3. OPEB Trust Fund**

Revenues for fiscal 2020 totaled \$218,333, while expenses totaled \$429,568. The net position as of June 30, 2020, was a deficit \$2,733,221.



## 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:

<b>Table 6</b>			
<b>Capital Assets</b>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 7,812,500	\$ 7,812,500	\$ –
Construction in process	36,685,222	17,027,894	19,657,328
Land improvements	264,344	264,344	–
Buildings and improvements	103,054,713	79,818,597	23,236,116
Furniture and equipment	60,647,275	59,707,881	939,394
Less accumulated depreciation	<u>(76,194,766)</u>	<u>(72,391,331)</u>	<u>(3,803,435)</u>
Total	<u>\$ 132,269,288</u>	<u>\$ 92,239,885</u>	<u>\$ 40,029,403</u>
Depreciation expense	<u>\$ 3,803,435</u>	<u>\$ 3,689,718</u>	<u>\$ 113,717</u>

The increase in construction in progress and buildings and improvements is related to capital spending for various improvement projects at district sites from the issuance of bond proceeds in fiscal 2018, and the issuance of bond proceeds in the current year. The majority of the change can be attributed to various renovation projects at the elementary schools, high school, and Early Childhood Center.

### Long-Term Liabilities

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

<b>Table 7</b>			
<b>Outstanding Long-Term Liabilities</b>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>
General obligation bonds	\$ 132,725,000	\$ 116,120,000	\$ 16,605,000
Premiums	10,330,176	8,039,183	2,290,993
Capital leases	915,673	1,298,632	(382,959)
Net pension liability	44,242,270	44,280,401	(38,131)
Single-employer pension liability	4,180,586	4,122,073	58,513
Total OPEB liability	5,422,015	5,226,461	195,554
Compensated absences	739,784	745,780	(5,996)
Severance benefits	<u>3,319,169</u>	<u>3,128,049</u>	<u>191,120</u>
Total	<u>\$ 201,874,673</u>	<u>\$ 182,960,579</u>	<u>\$ 18,914,094</u>

The increase in general obligation bonds and premiums, as shown in Table 7, is due to the issuance of facilities maintenance bonds in the current year. The change in capital leases is based on the planned repayment schedules.

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

<b>Table 8</b> <b>Limitations on Debt</b>	
District's market value	\$ 7,403,781,750
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 1,110,567,263</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**

The Legislature has added \$129, or 2.0 percent, per pupil, to the formula for fiscal year 2021. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs, due to increased costs from inflation and required mandates. Additionally, the effect of the COVID-19 pandemic on student enrollment and the state-wide economy will likely impact the financial condition of the District. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use the long-range financial model and annual budget framework to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence Legislators to recommit to their financial support for public education.

## **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. 283, 6311 Wayzata Boulevard, St. Louis Park, Minnesota 55426.

## BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 283

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	\$ 39,204,478	\$ 38,855,805
Receivables		
Current taxes	17,189,609	16,374,416
Delinquent taxes	379,147	329,524
Accounts and interest	1,553,112	1,959,114
Due from other governmental units	5,149,886	5,202,856
Inventory	75,956	30,440
Prepaid items	209,734	164,592
Restricted assets – temporarily restricted		
Cash and investments for building construction	57,670,771	76,178,107
Cash and investments for OPEB	2,677,874	2,610,395
Capital assets		
Not depreciated	44,497,722	24,840,394
Depreciated, net of accumulated depreciation	87,771,566	67,399,491
Total capital assets, net of accumulated depreciation	<u>132,269,288</u>	<u>92,239,885</u>
Total assets	256,379,855	233,945,134
Deferred outflows of resources		
Pension plan deferments	34,886,446	51,333,856
Single-employer pension plan deferments	555,392	385,010
OPEB plan deferments	781,472	783,742
Total deferred outflows of resources	<u>36,223,310</u>	<u>52,502,608</u>
Total assets and deferred outflows of resources	<u>\$ 292,603,165</u>	<u>\$ 286,447,742</u>
Liabilities		
Salaries payable	\$ 5,828,865	\$ 5,406,335
Accounts and contracts payable	12,789,748	11,019,206
Accrued interest payable	2,141,427	1,810,205
Due to other governmental units	231,631	167,732
Severance payable	79,198	120,620
Unearned revenue	2,159,910	853,514
Claims incurred, but not reported	428,226	17,675
Long-term liabilities		
Due within one year	7,852,942	7,515,689
Due in more than one year	194,021,731	175,444,890
Total long-term liabilities	<u>201,874,673</u>	<u>182,960,579</u>
Total liabilities	225,533,678	202,355,866
Deferred inflows of resources		
Gain on bond refunding	–	67,585
Property taxes levied for subsequent year	30,571,526	30,085,741
Pension plan deferments	53,578,205	66,295,245
Single-employer pension plan deferments	175,908	204,453
OPEB plan deferments	656,432	755,015
Total deferred inflows of resources	<u>84,982,071</u>	<u>97,408,039</u>
Net position		
Net investment in capital assets	35,154,657	35,130,733
Restricted for		
Capital asset acquisition	3,440,251	3,947,512
Debt service	–	87,817
Food service	114,675	319,851
Community service	768,552	843,892
Other purposes (state funding restrictions)	3,326,570	2,031,548
Unrestricted	(60,717,289)	(55,677,516)
Total net position	<u>(17,912,584)</u>	<u>(13,316,163)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 292,603,165</u>	<u>\$ 286,447,742</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

Functions/Programs	Expenses	2020		2019	
		Program Revenues		Net (Expense)	Net (Expense)
		Charges for	Operating	Revenue and	Revenue and
		Services	Grants and	Changes in	Changes in
			Contributions	Net Position	Net Position
				Governmental	Governmental
				Activities	Activities
Governmental activities					
Administration	\$ 3,005,456	\$ —	\$ —	\$ (3,005,456)	\$ (1,990,599)
District support services	4,505,309	—	12,286	(4,493,023)	(4,079,217)
Elementary and secondary regular instruction	34,171,764	400,748	686,194	(33,084,822)	(18,107,087)
Vocational education instruction	658,411	—	—	(658,411)	(363,556)
Special education instruction	12,605,865	31,265	7,812,032	(4,762,568)	(1,148,456)
Instructional support services	4,691,071	315	—	(4,690,756)	(3,744,519)
Pupil support services	6,503,434	48,265	808,444	(5,646,725)	(4,865,450)
Sites and buildings	11,366,574	—	133,892	(11,232,682)	(8,498,191)
Fiscal and other fixed cost programs	276,349	—	—	(276,349)	(198,693)
Food service	2,027,320	613,884	1,197,866	(215,570)	179,375
Community service	7,735,384	4,468,484	1,340,321	(1,926,579)	(564,621)
Unallocated depreciation	3,594,073	—	—	(3,594,073)	(3,358,527)
Interest and fiscal charges	4,505,516	—	—	(4,505,516)	(4,019,851)
Total governmental activities	<u>\$ 95,646,526</u>	<u>\$ 5,562,961</u>	<u>\$ 11,991,035</u>	(78,092,530)	(50,759,392)
General revenue					
Taxes					
Property taxes, levied for general purposes				20,804,298	20,978,472
Property taxes, levied for community service				949,049	948,994
Property taxes, levied for debt service				10,545,737	10,593,692
General grants and aids				37,841,249	34,182,427
Other general revenues				756,798	1,027,181
Investment earnings				2,366,525	3,809,216
Total general revenues				<u>73,263,656</u>	<u>71,539,982</u>
Change in net position				(4,828,874)	20,780,590
Net position – beginning, as previously reported				(13,316,163)	(34,096,753)
Change in accounting principle				232,453	—
Net position – beginning, as restated				<u>(13,083,710)</u>	<u>(34,096,753)</u>
Net position – ending				<u>\$ (17,912,584)</u>	<u>\$ (13,316,163)</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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	\$ 28,984,325	\$ –	\$ 7,354,370
Cash and investments held by trustee	–	57,670,771	–
Receivables			
Current taxes	10,495,201	–	6,181,122
Delinquent taxes	251,127	–	115,617
Accounts and interest	247,878	1,098,516	–
Due from other governmental units	4,485,953	–	–
Due from other funds	280,165	–	–
Inventory	–	–	–
Prepaid items	209,734	–	–
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 44,954,383</u>	<u>\$ 58,769,287</u>	<u>\$ 13,651,109</u>
Liabilities			
Salaries payable	\$ 5,623,079	\$ –	\$ –
Accounts and contracts payable	696,937	11,913,069	–
Due to other governmental units	231,051	–	–
Due to other funds	–	–	–
Severance payable	79,198	–	–
Unearned revenue	723,402	–	–
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	7,353,667	11,913,069	–
Deferred inflows of resources			
Property taxes levied for subsequent year	17,723,878	–	11,862,553
Unavailable revenue – delinquent taxes	207,313	–	93,155
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources	17,931,191	–	11,955,708
Fund balances			
Nonspendable	209,734	–	–
Restricted	6,766,821	46,856,218	1,695,401
Assigned	4,239,796	–	–
Unassigned	8,453,174	–	–
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	19,669,525	46,856,218	1,695,401
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 44,954,383</u>	<u>\$ 58,769,287</u>	<u>\$ 13,651,109</u>

Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 338,318	\$ 36,677,013	\$ 38,516,323
—	57,670,771	76,178,107
513,286	17,189,609	16,374,416
12,403	379,147	329,524
146,748	1,493,142	1,893,761
663,933	5,149,886	5,202,856
—	280,165	—
75,956	75,956	30,440
—	209,734	164,592
<u>\$ 1,750,644</u>	<u>\$ 119,125,423</u>	<u>\$ 138,690,019</u>
\$ 205,786	\$ 5,828,865	\$ 5,406,335
82,911	12,692,917	11,002,359
580	231,631	167,732
117,020	117,020	—
—	79,198	120,620
218,875	942,277	776,632
<u>625,172</u>	<u>19,891,908</u>	<u>17,473,678</u>
985,095	30,571,526	30,085,741
10,382	310,850	354,254
<u>995,477</u>	<u>30,882,376</u>	<u>30,439,995</u>
75,956	285,690	195,032
796,889	56,115,329	76,520,172
—	4,239,796	3,422,803
(742,850)	7,710,324	10,638,339
<u>129,995</u>	<u>68,351,139</u>	<u>90,776,346</u>
<u>\$ 1,750,644</u>	<u>\$ 119,125,423</u>	<u>\$ 138,690,019</u>

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INDEPENDENT SCHOOL DISTRICT NO. 283

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	\$ 68,351,139	\$ 90,776,346
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	208,464,054	164,631,216
Accumulated depreciation	(76,194,766)	(72,391,331)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance.		
General obligation bonds	(132,725,000)	(116,120,000)
Unamortized premium	(10,330,176)	(8,039,183)
Capital leases	(915,673)	(1,298,632)
Compensated absences	(739,784)	(745,780)
Severance benefits	(3,319,169)	(3,128,049)
Net pension liability	(44,242,270)	(44,280,401)
Single-employer pension liability	(4,180,586)	(4,122,073)
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	34,886,446	51,333,856
Deferred outflows of resources – single-employer pension plan deferments	555,392	385,010
Deferred inflows of resources – pension plan deferments	(53,578,205)	(66,295,245)
Deferred inflows of resources – single-employer pension plan deferments	(175,908)	(204,453)
Deferred inflows of resources – gain on bond refunding	–	(67,585)
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.	(1,937,501)	(2,293,908)
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(2,141,427)	(1,810,205)
Certain revenues (including delinquent property taxes) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	<u>310,850</u>	<u>354,254</u>
Total net position – governmental activities	<u><u>\$ (17,912,584)</u></u>	<u><u>\$ (13,316,163)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 20,833,568	\$ –	\$ 10,558,297
Investment earnings	516,543	1,682,325	76,407
Other	1,078,629	142,354	–
State sources	45,069,904	–	–
Federal sources	2,072,011	133,892	18,290
Total revenue	69,570,655	1,958,571	10,652,994
Expenditures			
Current			
Administration	2,773,649	–	–
District support services	4,475,982	–	–
Elementary and secondary regular instruction	31,996,647	–	–
Vocational education instruction	615,702	–	–
Special education instruction	11,936,163	–	–
Instructional support services	4,515,915	–	–
Pupil support services	6,320,400	–	–
Sites and buildings	7,009,165	–	–
Fiscal and other fixed cost programs	276,349	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	48,169,834	–
Debt service			
Principal	425,690	–	6,190,000
Interest and fiscal charges	32,219	–	4,864,342
Total expenditures	70,377,881	48,169,834	11,054,342
Excess (deficiency) of revenue over expenditures	(807,226)	(46,211,263)	(401,348)
Other financing sources (uses)			
Capital lease issued	42,731	–	–
Debt issued	–	22,795,000	–
Premium on debt issued	–	2,641,233	304,442
Proceeds from sale of assets	–	–	–
Transfers (out)	–	–	–
Total other financing sources (uses)	42,731	25,436,233	304,442
Net change in fund balances	(764,495)	(20,775,030)	(96,906)
Fund balances			
Beginning of year, as previously reported	20,201,567	67,631,248	1,792,307
Change in accounting principle	232,453	–	–
Beginning of year, as restated	20,434,020	67,631,248	1,792,307
End of year	\$ 19,669,525	\$ 46,856,218	\$ 1,695,401

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 950,623	\$ 32,342,488	\$ 32,395,666
16,079	2,291,354	3,769,742
5,082,368	6,303,351	8,094,683
1,443,706	46,513,610	44,429,661
1,094,481	3,318,674	3,366,302
8,587,257	90,769,477	92,056,054
—	2,773,649	2,594,478
—	4,475,982	4,274,281
—	31,996,647	31,508,434
—	615,702	579,031
—	11,936,163	10,912,047
—	4,515,915	4,510,859
—	6,320,400	5,579,465
—	7,009,165	6,477,195
—	276,349	198,693
2,016,624	2,016,624	1,937,714
7,576,472	7,576,472	7,662,889
15,965	48,185,799	31,742,514
—	6,615,690	6,419,129
—	4,896,561	4,424,416
9,609,061	139,211,118	118,821,145
(1,021,804)	(48,441,641)	(26,765,091)
—	42,731	145,756
—	22,795,000	—
—	2,945,675	—
575	575	74,851
—	—	(329,985)
575	25,783,981	(109,378)
(1,021,229)	(22,657,660)	(26,874,469)
1,151,224	90,776,346	117,650,815
—	232,453	—
1,151,224	91,008,799	117,650,815
\$ 129,995	\$ 68,351,139	\$ 90,776,346

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INDEPENDENT SCHOOL DISTRICT NO. 283

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 as of June 30, 2019)

	2020	2019
Total net change in fund balances – governmental funds	\$ (22,657,660)	\$ (26,874,469)
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. A gain or loss on disposal of capital assets is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
Capital outlays	43,832,838	29,623,603
Depreciation expense	(3,803,435)	(3,689,718)
Loss on disposal of capital assets	–	(22,040)
The amount of debt issued including the related premiums/discounts are 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.		
General obligation bonds	(22,795,000)	–
Unamortized premium	(2,945,675)	–
Capital leases	(42,731)	–
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 funds is included in the governmental activities in the Statement of Activities.		
	356,407	238,311
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	6,190,000	6,020,000
Unamortized premium	654,682	684,348
Capital leases	425,690	253,373
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	38,131	78,037,573
Single-employer pension liability	(58,513)	(173,353)
Compensated absences	5,996	(17,910)
Severance benefits	(191,120)	92,834
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.		
	(331,222)	(395,642)
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	(16,447,410)	(17,242,755)
Deferred outflows of resources – single-employer pension plan deferments	170,382	281,911
Deferred outflows of resources – gain on bond refunding	67,585	115,859
Deferred inflows of resources – pension plan deferments	12,717,040	(46,180,363)
Deferred inflows of resources – single-employer pension plan deferments	28,545	(96,464)
Deferred inflows of resources – unavailable revenue – delinquent taxes	(43,404)	125,492
Change in net position – governmental activities	\$ (4,828,874)	\$ 20,780,590

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INDEPENDENT SCHOOL DISTRICT NO. 283

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	\$ 20,849,776	\$ 20,849,776	\$ 20,833,568	\$ (16,208)
Investment earnings	180,000	280,000	516,543	236,543
Other	1,038,650	1,038,650	1,078,629	39,979
State sources	42,961,174	44,561,174	45,069,904	508,730
Federal sources	1,925,569	1,925,569	2,072,011	146,442
Total revenue	66,955,169	68,655,169	69,570,655	915,486
Expenditures				
Current				
Administration	2,776,943	2,773,233	2,773,649	416
District support services	4,871,847	4,871,847	4,475,982	(395,865)
Elementary and secondary regular instruction	31,920,456	31,924,168	31,996,647	72,479
Vocational education instruction	566,074	566,074	615,702	49,628
Special education instruction	11,167,707	11,167,707	11,936,163	768,456
Instructional support services	4,472,135	4,472,135	4,515,915	43,780
Pupil support services	6,138,186	6,138,186	6,320,400	182,214
Sites and buildings	7,190,706	7,190,706	7,009,165	(181,541)
Fiscal and other fixed cost programs	250,000	250,000	276,349	26,349
Debt service				
Principal	355,588	355,588	425,690	70,102
Interest and fiscal charges	32,220	32,220	32,219	(1)
Total expenditures	69,741,862	69,741,864	70,377,881	636,017
Excess (deficiency) of revenue over expenditures	(2,786,693)	(1,086,695)	(807,226)	279,469
Other financing sources				
Capital lease issued	—	—	42,731	42,731
Net change in fund balances	\$ (2,786,693)	\$ (1,086,695)	(764,495)	\$ 322,200
Fund balances				
Beginning of year, as previously reported			20,201,567	
Change in accounting principle			232,453	
Beginning of year, as restated			20,434,020	
End of year			\$ 19,669,525	

INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Net Position  
 Proprietary Fund  
 Internal Service Funds  
 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	\$ 2,527,465	\$ 339,482
Cash and investments – held by trustee	2,677,874	2,610,395
Accounts and interest receivable	<u>59,970</u>	<u>65,353</u>
Total current assets	5,265,309	3,015,230
Deferred outflows of resources		
OPEB plan deferments	<u>781,472</u>	<u>783,742</u>
Liabilities		
Current liabilities		
Claims payable	96,831	16,847
Unearned revenue	1,217,633	76,882
Claims incurred, but not reported	428,226	17,675
Due to other funds	<u>163,145</u>	<u>–</u>
Total current liabilities	1,905,835	111,404
Long-term liabilities		
Total OPEB liability	<u>5,422,015</u>	<u>5,226,461</u>
Total liabilities	<u>7,327,850</u>	<u>5,337,865</u>
Deferred inflows of resources		
OPEB plan deferments	<u>656,432</u>	<u>755,015</u>
Net position		
Unrestricted	<u>\$ (1,937,501)</u>	<u>\$ (2,293,908)</u>



INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Revenue, Expenses, and Changes in Net Position  
 Proprietary Fund  
 Internal Service Funds  
 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	\$ 8,450,093	\$ 933,503
Operating expenses		
Dental benefit claims	516,208	636,990
Medical benefit claims	7,223,081	—
OPEB	429,568	427,661
Total operating expenses	<u>8,168,857</u>	<u>1,064,651</u>
Operating income (loss)	281,236	(131,148)
Nonoperating revenue		
Investment earnings	<u>75,171</u>	<u>39,474</u>
Income (loss) before transfers	356,407	(91,674)
Transfers in	<u>—</u>	<u>329,985</u>
Change in net position	356,407	238,311
Net position		
Beginning of year	<u>(2,293,908)</u>	<u>(2,532,219)</u>
End of year	<u>\$ (1,937,501)</u>	<u>\$ (2,293,908)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 283

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

	2020	2019
Cash flows from operating activities		
Contributions from governmental funds	\$ 9,590,844	\$ 1,010,385
Payments for dental claims	(521,249)	(602,468)
Payments for medical claims	(6,727,505)	—
Payments for OPEB	(330,327)	(398,421)
Net cash flows from operating activities	2,011,763	9,496
Cash flows from noncapital financing activities		
Payments from (to) due to other funds	163,145	(157,700)
Transfers in	—	329,985
Net cash lows from noncapital financing activities	163,145	172,285
Cash flows from investing activities		
Investment income received	80,554	18,905
Net change in cash and cash equivalents	2,255,462	200,686
Cash and cash equivalents		
Beginning of year	2,949,877	2,749,191
End of year	\$ 5,205,339	\$ 2,949,877
Presented on Statement of Net Position as follows:		
Cash and temporary investments	\$ 2,527,465	\$ 339,482
Cash and investments – held by trustee	2,677,874	2,610,395
Total cash and cash equivalents	\$ 5,205,339	\$ 2,949,877
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ 281,236	\$ (131,148)
Adjustments to reconcile operating income (loss) to cash provided by operating activities		
Changes in assets and liabilities		
Deferred outflows of resources	2,270	(374,947)
Total OPEB liability	195,554	(200,373)
Claims payable	79,984	16,847
Unearned revenue	1,140,751	76,882
Deferred inflows of resources	(98,583)	604,560
Claims incurred, but not reported	410,551	17,675
Net cash flows from operating activities	\$ 2,011,763	\$ 9,496

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	Scholarship and Other Custodial Funds
Assets	
Cash	\$ 145,940
Net position	
Held in trust for scholarships and other custodial purposes	\$ 145,940

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

	Scholarship and Other Custodial Funds
Additions	
Contributions	
Private donations	\$ 150,000
Investment earnings	1,795
Total additions	151,795
Deductions	
Scholarships and other deductions	22,444
Change in net position	129,351
Net position	
Beginning of year, as previously reported	32,689
Change in accounting principle	(16,100)
Beginning of year, as restated	16,589
End of year	\$ 145,940

# INDEPENDENT SCHOOL DISTRICT NO. 283

## Notes to Basic Financial Statements June 30, 2020

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Organization**

Independent School District No. 283 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-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.” 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 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 (MDE). 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 dental and medical benefits provided to employees as self-insured plans and OPEB Revocable Trust Fund activities.

#### **Fiduciary Fund**

**Scholarship and Other Custodial Funds** – The Scholarship and Other Custodial Funds is used to account for resources held in trust to be used by various other third parties to award scholarships to former students of the District and donations made for specific purposes.

### **E. Budgetary Information**

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded budgeted amounts in the General Fund, Capital Projects – Building Construction Fund, and the Debt Service Fund by \$636,017, \$10,069,834, and \$509,376, respectively.

## **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 Capital Projects – Building Construction Fund these assets represent amounts held for future capital projects related to previous bond issues. 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.

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

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

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

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

### **G. Receivables**

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

### **H. Inventories**

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

### **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 \$2,418,083 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 \$5,000 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 40 years for land improvements, buildings, and building improvements and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **L. 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.

### **M. 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.

### **N. 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.

### **O. 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)

### P. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the total 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.

### Q. Risk Management

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2020.
- 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 medical and dental costs as described in the plan. 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 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 dental insurance claim liabilities for the last two years were:

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	\$ —	\$ 620,143	\$ 602,468	\$ 17,675
2020	\$ 17,675	\$ 517,456	\$ 521,249	\$ 13,882

Changes in the balance for medical insurance claim liabilities for the last year were:

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2020	\$ —	\$ 7,141,849	\$ 6,727,505	\$ 414,344

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 inflows of resources related to a gain on bond refunding in the government-wide Statement of Net Position. A gain on bond 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. Net Position

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

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### T. 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 the superintendent's designee 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)**

### **U. 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.

### **V. 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.

### **W. 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 has resulted in changing the presentation of the financial statements by accounting for the extracurricular student activity funds and other activity previously reported in the District's Private-Purpose Trust Fund. This activity is now reported in the General Fund and governmental activities, rather than in a separate audit report and as a Fiduciary Fund, respectively, as in the past. This also resulted in the reporting of a Scholarship and Other Custodial Funds, which was previously reported as a Private-Purpose Trust Fund. This standard required retroactive implementation, which resulted in the restatement of fund balance in the General Fund and net position of governmental activities as of June 30, 2019. The restatement resulted in an increase in fund balance and net position of \$232,453 as of July 1, 2019. Net position of the Scholarship and Other Custodial Funds decreased by \$16,100 as of July 1, 2019.

### **X. Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements, such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements, these assets have been reported as "cash and investments held by trustee."

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 36,394,106
Investments	63,303,457
Cash on hand	<u>1,500</u>
Total	<u><u>\$ 99,699,063</u></u>

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

Government-Wide Statement of Net Position	
Cash and temporary investments	\$ 39,204,478
Restricted assets – temporarily restricted	
Cash and investments for building construction	57,670,771
Cash and investments for OPEB	2,677,874
Statement of Fiduciary Net Position	
Cash	<u>145,940</u>
Total	<u><u>\$ 99,699,063</u></u>

### B. Deposits

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

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

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

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 \$36,394,106, while the balance on the bank records was \$37,779,683. At June 30, 2020, all deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### 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	
General obligation bonds						
State and local bonds	AAA	S&P	Level 2	\$ 376,504	\$ 2,753,235	\$ 3,129,739
State and local bonds	Aa	Moody's	Level 2	\$ 200,478	\$ 1,085,514	1,285,992
State and local bonds	AA	S&P	Level 2	\$ 3,930,609	\$ 3,396,919	7,327,528
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ 1,737,680	\$ 3,020,120	4,757,800
U.S. treasury notes	AA	S&P	Level 2	\$ 5,555,529	\$ 2,559,355	8,114,884
Investment pools/mutual funds						
MNTrust Term Series	N/R	N/A	N/A	\$ 10,000,000	\$ –	9,000,000
MNTrust Limited Term Duration Series	AAA	S&P	N/A			5,328,500
MNTrust Investment Shares Portfolio	AAA	S&P	N/A			24,359,014
Total investments						<u>\$ 63,303,457</u>

N/A – Not Applicable

N/R – Not Rated

The Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Limited Term Duration Series, and the MNTrust Term Series are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investment in these pools is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For these investment pools there are no restriction or limitations on withdrawals, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice. MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require seven-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the MNTrust Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein.



## 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 policies do not address concentration risk.

## NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 7,812,500	\$ –	\$ –	\$ –	\$ 7,812,500
Construction in progress	17,027,894	30,362,821	–	(10,705,493)	36,685,222
Total capital assets, not depreciated	24,840,394	30,362,821	–	(10,705,493)	44,497,722
Capital assets, depreciated					
Land improvements	264,344	–	–	–	264,344
Buildings and improvements	79,818,597	12,530,623	–	10,705,493	103,054,713
Furniture and equipment	59,707,881	939,394	–	–	60,647,275
Total capital assets, depreciated	139,790,822	13,470,017	–	10,705,493	163,966,332
Less accumulated depreciation for					
Land improvements	(149,880)	(9,320)	–	–	(159,200)
Buildings and improvements	(20,202,776)	(2,328,486)	–	–	(22,531,262)
Furniture and equipment	(52,038,675)	(1,465,629)	–	–	(53,504,304)
Total accumulated depreciation	(72,391,331)	(3,803,435)	–	–	(76,194,766)
Net capital assets, depreciated	67,399,491	9,666,582	–	10,705,493	87,771,566
Total capital assets, net	\$ 92,239,885	\$ 40,029,403	\$ –	\$ –	\$ 132,269,288

Depreciation expense was charged to the following governmental functions:

Administration	\$ 87,761
Elementary and secondary regular instruction	46,814
Special education instruction	3,701
Instructional support services	35,243
Pupil support services	14,151
Community service	21,692
Unallocated depreciation	3,594,073
Total depreciation expense	\$ 3,803,435

## 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
Facilities bonds					
2010A Capital Facilities Bonds	07/15/2010	1.75–5.30%	\$ 885,000	02/01/2025	\$ 325,000
2015A Alternative Facilities Bonds	05/27/2015	2.00%	\$ 2,195,000	02/01/2023	2,195,000
2019A Facilities Maintenance Bonds	07/18/2019	3.00–5.00%	\$ 22,795,000	02/01/2036	22,795,000
School building bonds					
2014A School Building Bonds	02/19/2014	1.00–3.00%	\$ 14,900,000	02/01/2023	14,460,000
2018A School Building Bonds	02/15/2018	3.13–5.00%	\$ 92,950,000	02/01/2038	92,950,000
Total general obligation bonds					\$ 132,725,000

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

These bonds were issued to finance the acquisition or construction of capital facilities, to finance the retirement (refunding) of prior general obligation bond issues, 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
Peter Hobart Elementary School remodeling	\$ 964,000	3.15 %	07/24/2013	08/01/2028	\$ 601,141
Athletic track and artificial turf	\$ 1,092,000	2.89 %	05/15/2012	06/01/2022	244,581
Hillyard equipment	\$ 145,756	– %	04/26/2019	04/26/2022	48,585
Hillyard equipment	\$ 42,731	– %	03/06/2020	06/17/2021	21,366
Total capital leases					<u>\$ 915,673</u>

Failure by the District to pay any payments under these agreements, or upon the occurrence of and continuation of an event of default, the lender, without any further demand or notice, may take one or any combination of the following steps: 1) the lender, with or without terminating the agreement, may declare all payments due, or become due, during the fiscal year in effect when the default occurs; 2) the lender may repossess the facility or equipment by giving the District written notice to surrender the facility or equipment to the lender and; 3) the lender will thereafter use its best efforts to sell or lease its interest in the facility or equipment, or any portion thereof, in a commercially reasonable manner, in accordance with applicable state laws. The lender may also pursue any other remedy available to require the District to perform any of its obligations in these agreements.

### C. Other Long-Term Liabilities

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

#### NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District. The following is a summary of the pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2020:

Pension Plans	Net/Total Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 9,879,923	\$ 1,525,196	\$ 2,226,065	\$ 1,174,448
State-wide, multiple-employer – TRA	34,362,347	33,361,250	51,352,140	6,230,682
Single-employer – District	4,180,586	555,392	175,908	291,840
Total	<u>\$ 48,422,856</u>	<u>\$ 35,441,838</u>	<u>\$ 53,754,113</u>	<u>\$ 7,696,970</u>

#### D. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 6,650,000	\$ 5,139,424	\$ 253,207	\$ 24,220
2022	7,180,000	4,970,521	188,787	18,707
2023	7,635,000	4,729,471	66,781	14,404
2024	5,735,000	4,468,806	68,902	12,284
2025	5,930,000	4,181,926	71,089	10,096
2026–2030	34,030,000	16,188,906	266,907	17,088
2031–2035	42,035,000	8,168,519	–	–
2036–2038	23,530,000	1,616,575	–	–
	<u>\$ 132,725,000</u>	<u>\$ 49,464,148</u>	<u>\$ 915,673</u>	<u>\$ 96,799</u>

#### E. Changes in Long-Term Liabilities

	June 30, 2019	Additions	Retirements	June 30, 2020	Due Within One Year
General obligation bonds	\$ 116,120,000	\$ 22,795,000	\$ 6,190,000	\$ 132,725,000	\$ 6,650,000
Premiums	8,039,183	2,945,675	654,682	10,330,176	–
Capital leases	1,298,632	42,731	425,690	915,673	253,207
Net pension liability	44,280,401	3,992,173	4,030,304	44,242,270	–
Single-employer pension liability	4,122,073	291,840	233,327	4,180,586	–
Total OPEB liability	5,226,461	593,974	398,420	5,422,015	–
Compensated absences	745,780	668,592	674,588	739,784	739,784
Severance benefits	3,128,049	565,220	374,100	3,319,169	209,951
	<u>\$ 182,960,579</u>	<u>\$ 31,895,205</u>	<u>\$ 12,981,111</u>	<u>\$ 201,874,673</u>	<u>\$ 7,852,942</u>

## NOTE 5 – FUND BALANCES

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

### A. Classifications

At June 30, 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
<b>Nonspendable</b>					
Inventory	\$ –	\$ –	\$ –	\$ 75,956	\$ 75,956
Prepaid items	209,734	–	–	–	209,734
Total nonspendable	209,734	–	–	75,956	285,690
<b>Restricted</b>					
Student activities	179,038	–	–	–	179,038
Staff development	95,489	–	–	–	95,489
Operating capital	3,440,251	–	–	–	3,440,251
Basic skills	823,835	–	–	–	823,835
Technology levy	1,074,205	–	–	–	1,074,205
Food service	–	–	–	38,719	38,719
Early childhood family education programs	–	–	–	444,342	444,342
Community service	–	–	–	313,828	313,828
Long-term facilities maintenance	1,101,684	20,185,324	–	–	21,287,008
Capital projects	–	26,670,894	–	–	26,670,894
Medical Assistance	52,319	–	–	–	52,319
Debt service	–	–	1,695,401	–	1,695,401
Total restricted	6,766,821	46,856,218	1,695,401	796,889	56,115,329
<b>Assigned</b>					
Subsequent year's budget	2,385,192	–	–	–	2,385,192
Severance payments	1,854,604	–	–	–	1,854,604
Total assigned	4,239,796	–	–	–	4,239,796
<b>Unassigned</b>					
General Fund	8,453,174	–	–	–	8,453,174
Community education restricted account deficit	–	–	–	(742,850)	(742,850)
	8,453,174	–	–	(742,850)	7,710,324
<b>Total</b>	<b>\$ 19,669,525</b>	<b>\$ 46,856,218</b>	<b>\$ 1,695,401</b>	<b>\$ 129,995</b>	<b>\$ 68,351,139</b>

### B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy that establishes a desired unassigned General Fund. The policy states the District establishes a year-end minimum unassigned fund balance of 6.0 percent of current year's General Fund noncategorical 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
<b>Basic Plan</b>	
First 10 years of service	2.2 %
All years after	2.7 %
<b>Coordinated Plan</b>	
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 \$955,918. 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
<b>Basic Plan</b>	11.00 %	11.50 %	11.00 %	11.71 %	11.00 %	11.92 %
<b>Coordinated Plan</b>	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 \$2,485,617. 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 \$9,879,923 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 0.1787 percent at the end of the measurement period and 0.1816 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 9,879,923
State’s proportionate share of the net pension liability associated with the District	\$ 307,153

For the year ended June 30, 2020, the District recognized pension expense of \$1,151,445 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$23,003 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

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

At June 30, 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	\$ 524,621	\$ –
Changes in actuarial assumptions	–	799,783
Difference between projected and actual investment earnings	–	1,107,720
Changes in proportion	44,657	318,562
District's contributions to the GERF subsequent to the measurement date	955,918	–
Total	<u>\$ 1,525,196</u>	<u>\$ 2,226,065</u>

A total of \$955,918 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	\$ (644,224)
2022	\$ (964,303)
2023	\$ (241,367)
2024	\$ 193,107

### 2. TRA Pension Costs

At June 30, 2020, the District reported a liability of \$34,362,347 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 0.5391 percent at the end of the measurement period and 0.5446 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	\$ 34,362,347
State's proportionate share of the net pension liability associated with the District	\$ 3,040,919

For the year ended June 30, 2020, the District recognized pension expense of \$5,999,536. It also recognized \$231,146 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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

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	\$ –	\$ 844,991
Changes in actuarial assumptions	28,251,883	46,191,357
Difference between projected and actual investment earnings	–	2,949,978
Changes in proportion	2,623,750	1,365,814
District's contributions to the TRA subsequent to the measurement date	2,485,617	–
Total	<u>\$ 33,361,250</u>	<u>\$ 51,352,140</u>

A total of \$2,485,617 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	\$ 1,828,927
2022	\$ 98,545
2023	\$ (12,732,252)
2024	\$ (9,571,645)
2025	\$ (100,082)

**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 GERF 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 GERP 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. GERP

#### 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:

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

## 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	\$ 16,242,061	\$ 9,879,923	\$ 4,626,713
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 54,781,983	\$ 34,362,347	\$ 17,526,659

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

### **H. Pension Plan Fiduciary Net Position**

Detailed information about the GERF's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at [www.mnpera.org](http://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](http://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.

### **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 available to the following groups: building operations supervisors, clerical/secretarial association, community education coordinators, custodial/maintenance personnel, director of assessment, director of information services, director of special services, principal and assistant principals, professional personnel, school nutrition personnel, support personnel, student data coordinator, supervisors/managers, and teachers.

### **B. Contributions and Funding Policy**

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

### **C. Membership**

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

Active plan members	<u>162</u>
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### **D. Actuarial Methods and Assumptions**

The total pension liability was determined by an actuarial valuation date of June 30, 2018 and a measurement date as of June 30, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.13%
20-year municipal bond yield	3.13%
Inflation rate	2.50%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale for teachers and with a MP-2017 Generational Scale for nonteachers. 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. Annual salary increases are based on the most recently disclosed assumption for the pension plan in which the employee participates.

### **E. Discount Rate**

The discount rate used to measure the pension liability was 3.13 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

**NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)****F. Changes in the Total Pension Liability**

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2019	\$ 4,122,073
Changes for the year	
Service cost	154,407
Interest	148,975
Assumption changes	77,443
Benefit payments – employer-financed	(322,312)
Total net changes	<u>58,513</u>
Ending balance – June 30, 2020	<u>\$ 4,180,586</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.62 percent to 3.13 percent.

**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	2.13%	3.13%	4.13%
Total pension liability	\$ 4,334,897	\$ 4,180,586	\$ 4,021,713

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

For the current year ended, the District recognized a pension expense of \$291,840, and at year-end reported the following deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 54,576	\$ –
Changes in actuarial assumptions	68,562	175,908
District contributions subsequent to the measurement date	432,254	–
Total	<u>\$ 555,392</u>	<u>\$ 175,908</u>



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

A total of \$432,254 reported as deferred outflows of resources related to contributions to the single-employer plan subsequent to the measurement date will be recognized as a reduction of total pension liability in the year ending June 30, 2021. 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	\$ (11,542)
2022	\$ (11,542)
2023	\$ (11,542)
2024	\$ (11,542)
2025	\$ (11,542)
Thereafter	\$ 4,940

**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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**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, the District pays the eligible retiree's premiums for medical, dental, and/or life insurance, for some period after retirement. The length of the benefits to be paid by the District differ by bargaining unit.

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

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

### **C. Contributions**

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

### **D. Membership**

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

Retirees and beneficiaries receiving benefits	24
Active plan members	<u>692</u>
Total members	<u><u>716</u></u>

### **E. Total OPEB Liability of the District**

The District's total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

### **F. Actuarial Methods and Assumptions**

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2018 and measurement date as of June 30, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.13%
20-year municipal bond yield	3.13%
Inflation rate	2.50%
Medical trend rate	6.90%, grading to 4.00% over 56 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale for teachers and with an MP-2017 Generational Scale for nonteachers. 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.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as consistency with other economic assumptions. Annual salary increases are based on the most recently disclosed assumption for the pension plan in which the employee participates.

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)****G. Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Beginning balance – July 1, 2019	\$ 5,226,461
Changes for the year	
Service cost	272,916
Interest	191,866
Assumption changes	129,192
Benefit payments	<u>(398,420)</u>
Total net changes	<u>195,554</u>
Ending balance – June 30, 2020	<u><u>\$ 5,422,015</u></u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.62 percent to 3.13 percent based on updated 20-year municipal bond rates.

**H. Total OPEB Liability Sensitivity to Discount and Medical Cost Trend Rate Changes**

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.13%	3.13%	4.13%
Total OPEB liability	\$ 5,680,000	\$ 5,422,015	\$ 5,157,342

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

	<u>1% Decrease in Medical Cost Trend Rate</u>	<u>Medical Cost Trend Rate</u>	<u>1% Increase in Medical Cost Trend Rate</u>
OPEB medical cost trend rate	5.90% decreasing to 3.00% over 56 years	6.90% decreasing to 4.00% over 56 years	7.90% decreasing to 5.00% over 56 years
Total OPEB liability	\$ 4,893,244	\$ 5,422,015	\$ 6,035,240

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

### I. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of \$429,568. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ 336,485	\$ –
Changes in actuarial assumptions	114,660	656,432
District contributions subsequent to the measurement date	330,327	–
Total	<u>\$ 781,472</u>	<u>\$ 656,432</u>

A total of \$330,327 reported as deferred outflows of resources related to contributions to the OPEB Plan subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
2021	\$ (35,214)
2022	\$ (35,214)
2023	\$ (35,214)
2024	\$ (35,214)
2025	\$ (35,214)
Thereafter	\$ (29,217)

## NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established the St. Louis Park 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.

## **NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)**

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 \$34,880,589 under construction contracts for which the work was not yet completed.

### **D. Operating Leases**

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights and, therefore, the results of the lease agreements are not reflected as a liability in the District's financial statements. Total expenditures for these leases for the year totaled \$233,820. Annual minimum lease payments for the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 238,764
2022	196,011
2023	199,931
2024	203,930
2025	208,008
2026–2028	<u>649,321</u>
	<u><u>\$ 1,695,965</u></u>

## **NOTE 11 – SUBSEQUENT EVENT**

### **COVID-19 Pandemic**

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.

## **NOTE 12 – INTERFUND BALANCE**

The District's General Fund has a receivable of \$280,165 at year-end, due from the Post-Employment Benefits Internal Service Fund of \$163,145 related to reimbursements of OPEB costs, and \$117,020 from the Food Service Special Revenue Fund for cash flow purposes. Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables and payables between the District's governmental activities and the fiduciary funds are not eliminated.

## **NOTE 13 – DEFICIT NET POSITION**

At June 30, 2020, the District's Other Post-Employment Benefits Internal Service Fund reported a deficit net position of \$2,733,221.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 283

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 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	0.1889%	\$ 8,873,576	\$ —	\$ 8,873,576	\$ 11,746,254	75.54%	78.70%
06/30/2016	06/30/2015	0.1838%	\$ 9,525,470	\$ —	\$ 9,525,470	\$ 12,107,860	78.67%	78.20%
06/30/2017	06/30/2016	0.1856%	\$ 15,069,799	\$ 196,897	\$ 15,266,696	\$ 13,223,419	113.96%	68.90%
06/30/2018	06/30/2017	0.1878%	\$ 11,989,028	\$ 150,271	\$ 12,139,299	\$ 13,404,414	89.44%	75.90%
06/30/2019	06/30/2018	0.1816%	\$ 10,074,423	\$ 330,535	\$ 10,404,958	\$ 13,732,693	73.36%	79.50%
06/30/2020	06/30/2019	0.1787%	\$ 9,879,923	\$ 307,153	\$ 10,187,076	\$ 12,518,036	78.93%	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	\$ 798,857	\$ 798,857	\$ —	\$ 12,107,860	6.60%
06/30/2016	\$ 860,304	\$ 860,304	\$ —	\$ 13,223,419	6.51%
06/30/2017	\$ 909,358	\$ 909,358	\$ —	\$ 13,404,414	6.78%
06/30/2018	\$ 915,421	\$ 915,421	\$ —	\$ 13,732,693	6.67%
06/30/2019	\$ 939,245	\$ 939,245	\$ —	\$ 12,518,036	7.50%
06/30/2020	\$ 955,918	\$ 955,918	\$ —	\$ 12,747,970	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. 283

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 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	0.5456%	\$ 25,140,855	\$ 1,768,679	\$ 26,909,534	\$ 24,907,042	100.94%	81.50%
06/30/2016	06/30/2015	0.5156%	\$ 31,894,959	\$ 3,911,929	\$ 35,806,888	\$ 26,167,840	121.89%	76.80%
06/30/2017	06/30/2016	0.5340%	\$ 127,371,741	\$ 12,784,807	\$ 140,156,548	\$ 27,779,987	458.50%	44.88%
06/30/2018	06/30/2017	0.5527%	\$ 110,328,946	\$ 10,664,657	\$ 120,993,603	\$ 29,998,018	367.79%	51.57%
06/30/2019	06/30/2018	0.5446%	\$ 34,205,978	\$ 3,213,935	\$ 37,419,913	\$ 30,255,612	113.06%	78.07%
06/30/2020	06/30/2019	0.5391%	\$ 34,362,347	\$ 3,040,919	\$ 37,403,266	\$ 30,530,140	112.55%	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	\$ 1,880,413	\$ 1,880,413	\$ —	\$ 26,167,840	7.19%
06/30/2016	\$ 2,159,961	\$ 2,159,961	\$ —	\$ 27,779,987	7.78%
06/30/2017	\$ 2,239,979	\$ 2,239,979	\$ —	\$ 29,998,018	7.47%
06/30/2018	\$ 2,268,034	\$ 2,268,034	\$ —	\$ 30,255,612	7.50%
06/30/2019	\$ 2,356,658	\$ 2,356,658	\$ —	\$ 30,530,140	7.72%
06/30/2020	\$ 2,485,617	\$ 2,485,617	\$ —	\$ 31,353,181	7.93%

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. 283

Pension Benefits Plan  
Schedule of Changes in the District's Total  
Pension Liability and Related Ratios  
Year Ended June 30, 2020

	District Fiscal Year-End Date			
	2017	2018	2019	2020
Total pension liability				
Service cost	\$ 191,808	\$ 198,521	\$ 186,488	\$ 154,407
Interest	121,139	119,344	144,153	148,975
Differences between expected and actual experience	–	–	70,820	–
Assumption changes	–	(122,198)	(125,009)	77,443
Benefit payments	(293,415)	(471,857)	(103,099)	(322,312)
Net change in total pension liability	19,532	(276,190)	173,353	58,513
Total pension liability – beginning of year	4,205,378	4,224,910	3,948,720	4,122,073
Total pension liability – end of year	<u>\$ 4,224,910</u>	<u>\$ 3,948,720</u>	<u>\$ 4,122,073</u>	<u>\$ 4,180,586</u>
Covered-employee payroll	<u>\$12,064,057</u>	<u>\$12,564,715</u>	<u>\$11,789,415</u>	<u>\$12,153,286</u>
Total pension liability as a percentage of covered-employee payroll	<u>35.02%</u>	<u>31.43%</u>	<u>34.96%</u>	<u>34.40%</u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 73 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 presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 283

Other Post-Employment Benefits Plan  
Schedule of Changes in the District's Total  
OPEB Liability and Related Ratios  
Year Ended June 30, 2020

	District Fiscal Year-End Date		
	2018	2019	2020
Total OPEB liability			
Service cost	\$ 298,346	\$ 283,062	\$ 272,916
Interest	159,816	194,344	191,866
Differences between expected and actual experience	–	434,159	–
Changes in assumptions	(169,944)	(703,143)	129,192
Benefit payments	(341,220)	(408,795)	(398,420)
Net change in total OPEB liability	(53,002)	(200,373)	195,554
Total OPEB liability – beginning of year	5,479,836	5,426,834	5,226,461
Total OPEB liability – end of year	<u>\$ 5,426,834</u>	<u>\$ 5,226,461</u>	<u>\$ 5,422,015</u>
Covered-employee payroll	<u>\$ 42,960,575</u>	<u>\$ 41,333,803</u>	<u>\$ 41,888,500</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>12.63%</u>	<u>12.64%</u>	<u>12.94%</u>

Note: The District implemented GASB Statement No. 75 for the year ended June 30, 2018. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 283

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. 283

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. 283

### 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. 283

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. 283

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

**PENSION BENEFITS PLAN**

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.62 percent to 3.13 percent.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.53 percent to 3.62 percent.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2015 PERA General Employees Retirement Plan and July 1, 2015 Teachers Retirement Association valuations to the rates used in the July 1, 2018 valuations.
- The inflation assumption was changed from 2.72 percent to 2.50 percent.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.85 percent to 3.53 percent based on updated 20-year municipal bond rates.

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.62 percent to 3.13 percent.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.53 percent to 3.62 percent based on updated 20-year municipal bond rates.
- Medical trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated to RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale for teachers and with an MP-2017 Generational Scale for nonteachers to the rates used in the July 1, 2018 valuations.
- The inflation assumption was changed from 2.75 percent to 2.50 percent.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.85 percent to 3.53 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ —	\$ 338,318	\$ 338,318
Receivables			
Current taxes	—	513,286	513,286
Delinquent taxes	—	12,403	12,403
Accounts and interest	145,562	1,186	146,748
Due from other governmental units	189,800	474,133	663,933
Inventory	75,956	—	75,956
Total assets	<u>\$ 411,318</u>	<u>\$ 1,339,326</u>	<u>\$ 1,750,644</u>
Liabilities			
Salaries payable	\$ 67,231	\$ 138,555	\$ 205,786
Accounts and contracts payable	29,191	53,720	82,911
Due to other governmental units	280	300	580
Due to other funds	117,020	—	117,020
Unearned revenue	82,921	135,954	218,875
Total liabilities	<u>296,643</u>	<u>328,529</u>	<u>625,172</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	—	985,095	985,095
Unavailable revenue – delinquent taxes	—	10,382	10,382
Total deferred inflows of resources	<u>—</u>	<u>995,477</u>	<u>995,477</u>
Fund balances (deficits)			
Nonspendable for inventory	75,956	—	75,956
Restricted	38,719	758,170	796,889
Unassigned	—	(742,850)	(742,850)
Total fund balances	<u>114,675</u>	<u>15,320</u>	<u>129,995</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 411,318</u>	<u>\$ 1,339,326</u>	<u>\$ 1,750,644</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 950,623	\$ 950,623
Investment earnings	3,731	12,348	16,079
Other	613,884	4,468,484	5,082,368
State sources	103,385	1,340,321	1,443,706
Federal sources	1,094,481	—	1,094,481
Total revenue	1,815,481	6,771,776	8,587,257
Expenditures			
Current			
Food service	2,016,624	—	2,016,624
Community service	—	7,576,472	7,576,472
Capital outlay	4,608	11,357	15,965
Total expenditures	2,021,232	7,587,829	9,609,061
Excess (deficiency) of revenue over expenditures	(205,751)	(816,053)	(1,021,804)
Other financing sources			
Sale of assets	575	—	575
Net change in fund balances	(205,176)	(816,053)	(1,021,229)
Fund balances			
Beginning of year	319,851	831,373	1,151,224
End of year	\$ 114,675	\$ 15,320	\$ 129,995

## INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$ 28,984,325	\$ 29,787,327
Receivables		
Current taxes	10,495,201	10,504,538
Delinquent taxes	251,127	220,901
Accounts and interest	247,878	214,114
Due from other governmental units	4,485,953	4,952,978
Due from other funds	280,165	—
Prepaid items	<u>209,734</u>	<u>160,802</u>
Total assets	<u><u>\$ 44,954,383</u></u>	<u><u>\$ 45,840,660</u></u>
Liabilities		
Salaries payable	\$ 5,623,079	\$ 5,193,455
Accounts and contracts payable	696,937	967,965
Due to other governmental units	231,051	167,677
Severance payable	79,198	120,620
Unearned revenue	<u>723,402</u>	<u>508,468</u>
Total liabilities	7,353,667	6,958,185
Deferred inflows of resources		
Property taxes levied for subsequent year	17,723,878	18,444,325
Unavailable revenue – delinquent taxes	<u>207,313</u>	<u>236,583</u>
Total deferred inflows of resources	17,931,191	18,680,908
Fund balances		
Nonspendable for prepaid items	209,734	160,802
Restricted for student activities	179,038	—
Restricted for staff development	95,489	67,624
Restricted for operating capital	3,440,251	3,947,512
Restricted for basic skills	823,835	863,612
Restricted for technology levy	1,074,205	937,519
Restricted for long-term facilities maintenance	1,101,684	162,793
Restricted for Medical Assistance	52,319	—
Assigned for subsequent year's budget	2,385,192	1,361,845
Assigned for severance payments	1,854,604	2,060,958
Unassigned	<u>8,453,174</u>	<u>10,638,902</u>
Total fund balances	<u>19,669,525</u>	<u>20,201,567</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 44,954,383</u></u>	<u><u>\$ 45,840,660</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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		2019	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 20,849,776	\$ 20,833,568	\$ (16,208)	\$ 20,898,895
Investment earnings	280,000	516,543	236,543	535,750
Other	1,038,650	1,078,629	39,979	1,777,249
State sources	44,561,174	45,069,904	508,730	43,038,927
Federal sources	1,925,569	2,072,011	146,442	2,250,355
Total revenue	68,655,169	69,570,655	915,486	68,501,176
Expenditures				
Current				
Administration				
Salaries	1,702,680	1,856,959	154,279	1,745,202
Employee benefits	724,693	721,690	(3,003)	693,201
Purchased services	83,565	108,486	24,921	75,547
Supplies and materials	18,025	26,549	8,524	22,905
Capital expenditures	200,000	6,622	(193,378)	—
Other expenditures	44,270	53,343	9,073	57,623
Total administration	2,773,233	2,773,649	416	2,594,478
District support services				
Salaries	2,113,309	2,072,937	(40,372)	1,933,880
Employee benefits	899,272	790,109	(109,163)	838,224
Purchased services	494,020	466,865	(27,155)	453,684
Supplies and materials	339,043	362,177	23,134	324,013
Capital expenditures	998,703	802,870	(195,833)	641,547
Other expenditures	27,500	(18,976)	(46,476)	82,933
Total district support services	4,871,847	4,475,982	(395,865)	4,274,281
Elementary and secondary regular instruction				
Salaries	21,288,484	21,606,955	318,471	21,332,552
Employee benefits	7,732,025	7,524,038	(207,987)	7,503,927
Purchased services	1,799,090	1,856,868	57,778	1,752,191
Supplies and materials	834,699	659,563	(175,136)	619,018
Capital expenditures	205,380	145,123	(60,257)	81,685
Other expenditures	64,490	204,100	139,610	219,061
Total elementary and secondary regular instruction	31,924,168	31,996,647	72,479	31,508,434

## INDEPENDENT SCHOOL DISTRICT NO. 283

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		2019	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	376,262	435,849	59,587	375,189
Employee benefits	128,312	133,766	5,454	124,964
Purchased services	43,100	15,582	(27,518)	45,093
Supplies and materials	17,800	26,519	8,719	29,810
Capital expenditures	—	463	463	956
Other expenditures	600	3,523	2,923	3,019
Total vocational education instruction	566,074	615,702	49,628	579,031
Special education instruction				
Salaries	7,505,979	7,780,262	274,283	7,398,360
Employee benefits	2,910,077	2,959,158	49,081	2,869,968
Purchased services	600,911	1,078,807	477,896	507,785
Supplies and materials	43,600	67,887	24,287	87,368
Capital expenditures	107,140	3,720	(103,420)	1,378
Other expenditures	—	46,329	46,329	47,188
Total special education instruction	11,167,707	11,936,163	768,456	10,912,047
Instructional support services				
Salaries	2,570,276	2,632,385	62,109	2,667,834
Employee benefits	963,182	1,005,856	42,674	988,171
Purchased services	521,662	537,013	15,351	519,366
Supplies and materials	240,097	215,060	(25,037)	188,419
Capital expenditures	174,618	110,281	(64,337)	129,125
Other expenditures	2,300	15,320	13,020	17,944
Total instructional support services	4,472,135	4,515,915	43,780	4,510,859
Pupil support services				
Salaries	1,926,503	1,969,114	42,611	1,843,266
Employee benefits	725,584	720,795	(4,789)	668,487
Purchased services	3,185,950	3,324,887	138,937	2,951,123
Supplies and materials	194,949	223,144	28,195	103,290
Capital expenditures	105,000	71,060	(33,940)	1,576
Other expenditures	200	11,400	11,200	11,723
Total pupil support services	6,138,186	6,320,400	182,214	5,579,465



INDEPENDENT SCHOOL DISTRICT NO. 283

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		2019
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	2,196,861	2,175,584	(21,277)
Employee benefits	851,360	738,501	(112,859)
Purchased services	2,110,153	2,457,201	347,048
Supplies and materials	606,590	708,510	101,920
Capital expenditures	1,391,742	1,042,919	(348,823)
Other expenditures	34,000	(113,550)	(147,550)
Total sites and buildings	7,190,706	7,009,165	(181,541)
Fiscal and other fixed cost programs			
Purchased services	250,000	276,349	26,349
Debt service			
Principal	355,588	425,690	70,102
Interest and fiscal charges	32,220	32,219	(1)
Total debt service	387,808	457,909	70,101
Total expenditures	69,741,864	70,377,881	636,017
Excess (deficiency) of revenue over expenditures	(1,086,695)	(807,226)	279,469
Other financing sources (uses)			
Capital lease issued	—	42,731	42,731
Proceeds from sale of assets	—	—	—
Transfers (out)	—	—	—
Total other financing sources (uses)	—	42,731	42,731
Net change in fund balances	\$ (1,086,695)	(764,495)	\$ 322,200
Fund balances			
Beginning of year, as previously reported		20,201,567	18,880,795
Change in accounting principle		232,453	—
Beginning of year, as restated		20,434,020	18,880,795
End of year		\$ 19,669,525	\$ 20,201,567

## INDEPENDENT SCHOOL DISTRICT NO. 283

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	\$ —	\$ 256,340
Receivables		
Accounts and interest	145,562	139,688
Due from other governmental units	189,800	55,958
Inventory	<u>75,956</u>	<u>30,440</u>
Total assets	<u><u>\$ 411,318</u></u>	<u><u>\$ 482,426</u></u>
Liabilities		
Salaries payable	\$ 67,231	\$ 60,938
Accounts and contracts payable	29,191	12,561
Due to other governmental units	280	—
Due to other funds	117,020	—
Unearned revenue	<u>82,921</u>	<u>89,076</u>
Total liabilities	<u>296,643</u>	<u>162,575</u>
Fund balances		
Nonspendable for inventory	75,956	30,440
Restricted for food service	<u>38,719</u>	<u>289,411</u>
Total fund balances	<u>114,675</u>	<u>319,851</u>
Total liabilities and fund balances	<u><u>\$ 411,318</u></u>	<u><u>\$ 482,426</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 3,000	\$ 3,731	\$ 731	\$ 5,880
Other – primarily meal sales	838,263	613,884	(224,379)	859,016
State sources	121,218	103,385	(17,833)	112,072
Federal sources	1,068,557	1,094,481	25,924	1,115,947
Total revenue	<u>2,031,038</u>	<u>1,815,481</u>	<u>(215,557)</u>	<u>2,092,915</u>
Expenditures				
Current				
Salaries	753,891	744,840	(9,051)	675,843
Employee benefits	303,607	318,535	14,928	291,709
Purchased services	212,600	29,465	(183,135)	110,947
Supplies and materials	745,600	751,633	6,033	849,379
Other expenditures	9,500	172,151	162,651	9,836
Capital outlay	–	4,608	4,608	14,679
Total expenditures	<u>2,025,198</u>	<u>2,021,232</u>	<u>(3,966)</u>	<u>1,952,393</u>
Excess (deficiency) of revenue over expenditures	5,840	(205,751)	(211,591)	140,522
Other financing sources				
Sale of assets	<u>–</u>	<u>575</u>	<u>575</u>	<u>–</u>
Net change in fund balances	<u>\$ 5,840</u>	<u>(205,176)</u>	<u>\$ (211,016)</u>	<u>140,522</u>
Fund balances				
Beginning of year		<u>319,851</u>		<u>179,329</u>
End of year		<u>\$ 114,675</u>		<u>\$ 319,851</u>

## INDEPENDENT SCHOOL DISTRICT NO. 283

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	\$ 338,318	\$ 1,377,025
Receivables		
Current taxes	513,286	484,625
Delinquent taxes	12,403	11,224
Accounts and interest	1,186	135,828
Due from other governmental units	474,133	193,920
Prepaid items	<u>–</u>	<u>3,790</u>
Total assets	<u><u>\$ 1,339,326</u></u>	<u><u>\$ 2,206,412</u></u>
Liabilities		
Salaries payable	\$ 138,555	\$ 151,942
Accounts and contracts payable	53,720	70,843
Due to other governmental units	300	55
Unearned revenue	<u>135,954</u>	<u>179,088</u>
Total liabilities	328,529	401,928
Deferred inflows of resources		
Property taxes levied for subsequent year	985,095	961,155
Unavailable revenue – delinquent taxes	<u>10,382</u>	<u>11,956</u>
Total deferred inflows of resources	995,477	973,111
Fund balances (deficits)		
Nonspendable for prepaid items	–	3,790
Restricted for community education programs	–	116,459
Restricted for early childhood family education programs	444,342	408,366
Restricted for community service	313,828	303,321
Unassigned – community education programs		
restricted account deficit	(742,850)	–
Unassigned – school readiness restricted account deficit	<u>–</u>	<u>(563)</u>
Total fund balances	<u><u>15,320</u></u>	<u><u>831,373</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,339,326</u></u>	<u><u>\$ 2,206,412</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 960,764	\$ 950,623	\$ (10,141)	\$ 945,294
Investment earnings	—	12,348	12,348	28,076
Other – primarily tuition and fees	5,246,444	4,468,484	(777,960)	5,458,418
State sources	<u>1,351,156</u>	<u>1,340,321</u>	<u>(10,835)</u>	<u>1,278,662</u>
Total revenue	<u>7,558,364</u>	<u>6,771,776</u>	<u>(786,588)</u>	<u>7,710,450</u>
Expenditures				
Current				
Salaries	4,484,610	4,500,798	16,188	4,557,766
Employee benefits	1,604,418	1,668,763	64,345	1,670,211
Purchased services	1,075,337	1,017,846	(57,491)	967,572
Supplies and materials	408,966	351,549	(57,417)	430,638
Other expenditures	8,825	37,516	28,691	36,702
Capital outlay	<u>28,950</u>	<u>11,357</u>	<u>(17,593)</u>	<u>26,796</u>
Total expenditures	<u>7,611,106</u>	<u>7,587,829</u>	<u>(23,277)</u>	<u>7,689,685</u>
Net change in fund balances	<u>\$ (52,742)</u>	(816,053)	<u>\$ (763,311)</u>	20,765
Fund balances				
Beginning of year		<u>831,373</u>		<u>810,608</u>
End of year		<u>\$ 15,320</u>		<u>\$ 831,373</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>2020</u>	<u>2019</u>
Assets		
Cash and investments – held by trustee	\$ 57,670,771	\$ 76,178,107
Accounts and interest receivable	<u>1,098,516</u>	<u>1,404,131</u>
Total assets	<u>\$ 58,769,287</u>	<u>\$ 77,582,238</u>
Liabilities		
Accounts and contracts payable	\$ 11,913,069	\$ 9,950,990
Fund balances		
Restricted for capital projects	26,670,894	67,631,248
Restricted for long-term facilities maintenance	<u>20,185,324</u>	<u>—</u>
Total fund balances	<u>46,856,218</u>	<u>67,631,248</u>
Total liabilities and fund balances	<u>\$ 58,769,287</u>	<u>\$ 77,582,238</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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		2019
	Budget	Actual	Over (Under) Budget
			Actual
Revenue			
Local sources			
Investment earnings	\$ 1,250,000	\$ 1,682,325	\$ 432,325
Other	–	142,354	142,354
Federal sources	–	133,892	133,892
Total revenue	<u>1,250,000</u>	<u>1,958,571</u>	<u>708,571</u>
Expenditures			
Capital outlay			
Purchased services	17,900,000	6,582,084	(11,317,916)
Capital expenditures	20,200,000	41,472,129	21,272,129
Debt service			
Fiscal charges and other	–	115,621	115,621
Total expenditures	<u>38,100,000</u>	<u>48,169,834</u>	<u>10,069,834</u>
Excess (deficiency) of revenue over expenditures	(36,850,000)	(46,211,263)	(9,361,263)
Other financing sources			
Debt issued	–	22,795,000	22,795,000
Premium on debt issued	–	2,641,233	2,641,233
Total other financing sources	<u>–</u>	<u>25,436,233</u>	<u>25,436,233</u>
Net change in fund balances	<u>\$ (36,850,000)</u>	<u>(20,775,030)</u>	<u>\$ 16,074,970</u>
Fund balances			
Beginning of year		<u>67,631,248</u>	<u>96,234,005</u>
End of year		<u>\$ 46,856,218</u>	<u>\$ 67,631,248</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	Regular Debt Service Account	OPEB Debt Service Account
Assets		
Cash and temporary investments	\$ 7,208,156	\$ 146,214
Receivables		
Current taxes	6,181,122	—
Delinquent taxes	105,211	10,406
Total assets	<u>\$ 13,494,489</u>	<u>\$ 156,620</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 11,862,553	\$ —
Unavailable revenue – delinquent taxes	84,336	8,819
Total deferred inflows of resources	<u>11,946,889</u>	<u>8,819</u>
Fund balances		
Restricted for debt service	<u>1,547,600</u>	<u>147,801</u>
Total deferred inflows of resources and fund balances	<u>\$ 13,494,489</u>	<u>\$ 156,620</u>



Totals	
2020	2019
\$ 7,354,370	\$ 7,095,631
6,181,122	5,385,253
115,617	97,399
<u>\$ 13,651,109</u>	<u>\$ 12,578,283</u>
\$ 11,862,553	\$ 10,680,261
93,155	105,715
<u>11,955,708</u>	<u>10,785,976</u>
<u>1,695,401</u>	<u>1,792,307</u>
<u>\$ 13,651,109</u>	<u>\$ 12,578,283</u>

## INDEPENDENT SCHOOL DISTRICT NO. 283

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

	2020		
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 10,679,232	\$ 9,811,933	\$ 746,364
Investment earnings	—	76,407	—
Federal sources	—	18,290	—
Total revenue	<u>10,679,232</u>	<u>9,906,630</u>	<u>746,364</u>
Expenditures			
Debt service			
Principal	6,190,000	5,405,000	785,000
Interest	4,344,491	4,843,341	9,813
Fiscal charges and other	10,475	10,950	238
Total expenditures	<u>10,544,966</u>	<u>10,259,291</u>	<u>795,051</u>
Excess (deficiency) of revenue over expenditures	134,266	(352,661)	(48,687)
Other financing sources			
Premium on debt issued	<u>—</u>	<u>304,442</u>	<u>—</u>
Net change in fund balances	<u>\$ 134,266</u>	(48,219)	(48,687)
Fund balances			
Beginning of year		<u>1,595,819</u>	<u>196,488</u>
End of year		<u>\$ 1,547,600</u>	<u>\$ 147,801</u>

		2019
Total	Over (Under) Budget	Actual
\$ 10,558,297	\$ (120,935)	\$ 10,551,477
76,407	76,407	101,754
18,290	18,290	—
10,652,994	(26,238)	10,653,231
6,190,000	—	6,020,000
4,853,154	508,663	4,378,978
11,188	713	8,024
11,054,342	509,376	10,407,002
(401,348)	(535,614)	246,229
304,442	304,442	—
(96,906)	\$ (231,172)	246,229
1,792,307		1,546,078
\$ 1,695,401		\$ 1,792,307

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits
Assets			
Current assets			
Cash and temporary investments	\$ 498,904	\$ 2,028,561	\$ —
Cash and investments – held by trustee	—	—	2,677,874
Accounts and interest receivable	6,507	4,438	49,025
Total current assets	505,411	2,032,999	2,726,899
Deferred outflows of resources			
OPEB plan deferments	—	—	781,472
Liabilities			
Current liabilities			
Claims payable	15,599	81,232	—
Unearned revenue	76,737	1,140,896	—
Claims incurred, but not reported	13,882	414,344	—
Due to other funds	—	—	163,145
Total current liabilities	106,218	1,636,472	163,145
Long-term liabilities			
Total OPEB liability	—	—	5,422,015
Total liabilities	106,218	1,636,472	5,585,160
Deferred inflows of resources			
OPEB plan deferments	—	—	656,432
Net position			
Unrestricted	\$ 399,193	\$ 396,527	\$ (2,733,221)

Totals	
2020	2019
\$ 2,527,465	\$ 339,482
2,677,874	2,610,395
59,970	65,353
<u>5,265,309</u>	<u>3,015,230</u>
<u>781,472</u>	<u>783,742</u>
96,831	16,847
1,217,633	76,882
428,226	17,675
163,145	—
<u>1,905,835</u>	<u>111,404</u>
<u>5,422,015</u>	<u>5,226,461</u>
<u>7,327,850</u>	<u>5,337,865</u>
<u>656,432</u>	<u>755,015</u>
<u>\$ (1,937,501)</u>	<u>\$ (2,293,908)</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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)

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits
Operating revenue			
Contributions from governmental funds	\$ 680,835	\$ 7,602,076	\$ 167,182
Operating expenses			
Dental benefit claims	516,208	—	—
Medical benefit claims	—	7,223,081	—
OPEB	—	—	429,568
Total operating expenses	<u>516,208</u>	<u>7,223,081</u>	<u>429,568</u>
Operating income (loss)	164,627	378,995	(262,386)
Nonoperating revenue			
Investment earnings	<u>6,488</u>	<u>17,532</u>	<u>51,151</u>
Income (loss) before transfers	171,115	396,527	(211,235)
Transfers in	<u>—</u>	<u>—</u>	<u>—</u>
Change in net position	171,115	396,527	(211,235)
Net position			
Beginning of year	<u>228,078</u>	<u>—</u>	<u>(2,521,986)</u>
End of year	<u>\$ 399,193</u>	<u>\$ 396,527</u>	<u>\$ (2,733,221)</u>

Totals	
2020	2019
\$ 8,450,093	\$ 933,503
516,208	636,990
7,223,081	—
429,568	427,661
<u>8,168,857</u>	<u>1,064,651</u>
281,236	(131,148)
75,171	39,474
356,407	(91,674)
—	329,985
356,407	238,311
(2,293,908)	(2,532,219)
<u>\$ (1,937,501)</u>	<u>\$ (2,293,908)</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits
Cash flows from operating activities			
Contributions from governmental funds	\$ 680,690	\$ 8,742,972	\$ 167,182
Payments for dental claims	(521,249)	—	—
Payments for medical claims	—	(6,727,505)	—
Payments for OPEB	—	—	(330,327)
Net cash flows from operating activities	159,441	2,015,467	(163,145)
Cash flows from noncapital financing activities			
Payments from (to) due to other funds	—	—	163,145
Transfers in	—	—	—
Net cash flows from noncapital financing activities	—	—	163,145
Cash flows from investing activities			
Investment income received (paid)	(19)	13,094	67,479
Net change in cash and cash equivalents	159,422	2,028,561	67,479
Cash and cash equivalents			
Beginning of year	339,482	—	2,610,395
End of year	<u>\$ 498,904</u>	<u>\$ 2,028,561</u>	<u>\$ 2,677,874</u>
Presented on statement of net position as follows			
Cash and temporary investments	\$ 498,904	\$ 2,028,561	\$ —
Cash and investments – held by trustee	—	—	2,677,874
Total cash and cash equivalents	<u>\$ 498,904</u>	<u>\$ 2,028,561</u>	<u>\$ 2,677,874</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ 164,627	\$ 378,995	\$ (262,386)
Adjustments to reconcile operating income (loss) to cash flows from operating activities			
Changes in assets and liabilities			
Deferred outflows of resources	—	—	2,270
Total OPEB liability	—	—	195,554
Claims payable	(1,248)	81,232	—
Unearned revenue	(145)	1,140,896	—
Deferred inflows of resources	—	—	(98,583)
Claims incurred, but not reported	(3,793)	414,344	—
Net cash flows from operating activities	<u>\$ 159,441</u>	<u>\$ 2,015,467</u>	<u>\$ (163,145)</u>



Totals	
2020	2019
\$ 9,590,844	\$ 1,010,385
(521,249)	(602,468)
(6,727,505)	—
(330,327)	(398,421)
<u>2,011,763</u>	<u>9,496</u>
163,145	(157,700)
—	<u>329,985</u>
163,145	172,285
80,554	<u>18,905</u>
2,255,462	200,686
<u>2,949,877</u>	<u>2,749,191</u>
<u>\$ 5,205,339</u>	<u>\$ 2,949,877</u>
\$ 2,527,465	\$ 339,482
<u>2,677,874</u>	<u>2,610,395</u>
<u>\$ 5,205,339</u>	<u>\$ 2,949,877</u>
\$ 281,236	\$ (131,148)
2,270	(374,947)
195,554	(200,373)
79,984	16,847
1,140,751	76,882
(98,583)	604,560
<u>410,551</u>	<u>17,675</u>
<u>\$ 2,011,763</u>	<u>\$ 9,496</u>

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