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

Financial Statements and
Supplemental Information

Year Ended
June 30, 2019

INDEPENDENT SCHOOL DISTRICT NO. 283

Table of Contents

Table of Contents (continued)

INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 283

School Board and Superintendent's Cabinet
Year Ended June 30, 2019

SCHOOL BOARD

	Position
Nancy Gores	Chairperson
Mary Tomback	Vice Chairperson
Kenneth Morrison	Treasurer
Jim Beneke	Clerk
Anne Casey	Director
Joe Tatalovich	Director
Karen Waters	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
Silvy Lafayette	Director of Assessment, Evaluation, and Research

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

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

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section 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

The District's 2018 financial statements were audited by other auditors who expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in their report dated December 19, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements provided by other auditors from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019 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
November 20, 2019

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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, 2019. 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, 2019 by $13,316,163 (deficit net position). Government-wide revenues totaled $89,887,793, and expenses were $69,107,203. As a result, the District's total net position increased by $20,780,590 (excluding the prior period adjustment) during the fiscal year ended June 30, 2019.

- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of $20,201,567, an increase of $1,291,197 from the prior year, which includes the prior period adjustments. The unrestricted portion of the year-end fund balance (assigned and unassigned) was $14,061,705, which represents 21.0 percent of annual General Fund expenditures based on fiscal 2019 expenditure levels. The unassigned fund balance (excluding restricted fund balance account deficits) was $10,638,902, which represents 18.3 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 dental self-insurance program 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:

Table 1
Summary of Net Position
as of June 30, 2019 and 2018

	2019	2018
Assets		
Current and other assets	$ 141,705,249	$ 158,823,712
Capital assets, net of depreciation	92,239,885	66,274,961
Total assets	$ 233,945,134	$ 225,098,673
Deferred outflows of resources		
Pension plan deferments	$ 51,333,856	$ 68,576,611
Single-employer plan deferments	385,010	448,445
OPED plan deferments	783,742	408,795
Total deferred outflows of resources	$ 52,502,608	$ 69,433,851
Liabilities		
Current and other liabilities	$ 19,395,287	$ 10,856,010
Long-term liabilities, including due within one year	182,960,579	268,057,817
Total liabilities	$ 202,355,866	$ 278,913,827
Deferred inflows of resources		
Gain on bond refunding	$ 67,585	$ 183,444
Property taxes levied for subsequent year	30,085,741	29,475,473
Pension plan deferments	66,295,245	20,114,882
Single-employer plan deferments	204,453	107,989
OPEB plan deferments	755,015	150,455
Total deferred inflows of resources	$ 97,408,039	$ 50,032,243
Net position		
Net investment in capital assets	$ 35,130,733	$ 33,279,920
Restricted	7,230,620	6,615,424
Unrestricted	(55,677,516)	(74,308,890)
Total net position	$ (13,316,163)	$ (34,413,546)

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 increased by $21,097,383 in 2019, which reflects an increase of $20,780,590 from current year operating results, along with the $316,793 increase from prior period adjustments. Changes in the District's proportionate share of state-wide pension plans contributed to the increase 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.

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

Table 2
Change in Net Position
for the Years Ended June 30, 2019 and 2018

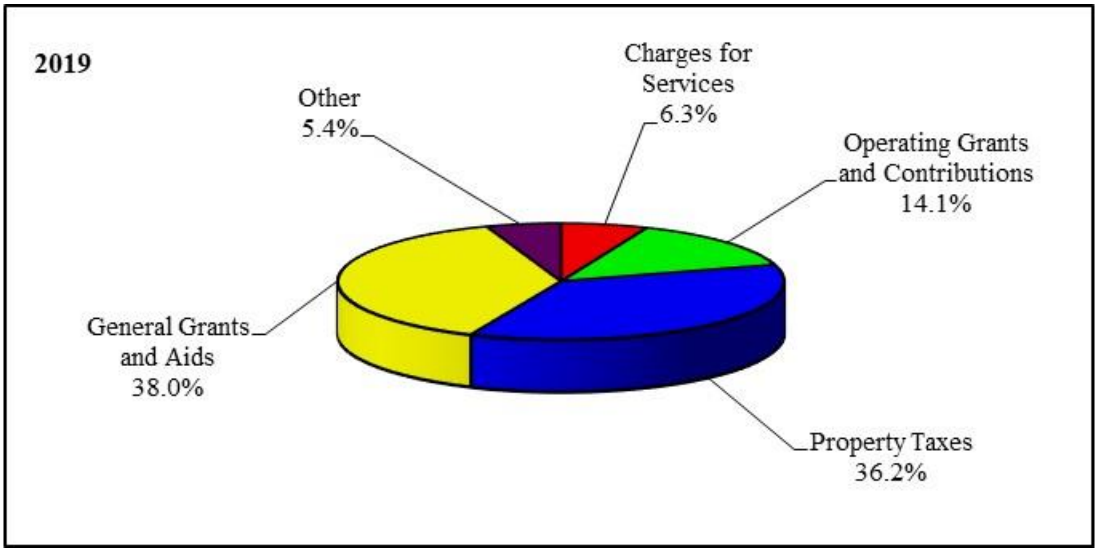
	2019	2018
Revenues		
Program revenues		
Charges for services	$ 5,693,578	$ 5,159,015
Operating grants and contributions	12,654,233	12,623,574
General revenues		
Property taxes	32,521,158	26,016,641
General grants and aids	34,182,427	35,841,913
Other	4,836,397	1,447,346
Total revenues	89,887,793	81,088,489
Expenses		
Administration	2,088,559	3,704,632
District support services	4,118,775	4,551,993
Elementary and secondary regular instruction	21,023,930	39,370,913
Vocational education instruction	388,590	1,072,242
Special education instruction	7,645,944	14,097,610
Instructional support services	3,760,424	7,509,663
Pupil support services	4,865,450	6,326,892
Sites and buildings	8,538,493	5,849,608
Fiscal and other fixed cost programs	198,693	181,077
Food service	1,913,540	2,035,016
Community service	7,186,427	6,895,247
Unallocated depreciation	3,358,527	3,008,930
Interest and fiscal charges	4,019,851	1,342,289
Total expenses	69,107,203	95,946,112
Change in net position	20,780,590	(14,857,623)
Net position – beginning, as previously reported	(34,413,546)	(19,555,923)
Prior period adjustment	316,793	–
Net position - beginning, as restated	(34,096,753)	(19,555,923)
Net position – ending	$ (13,316,163)	$ (34,413,546)

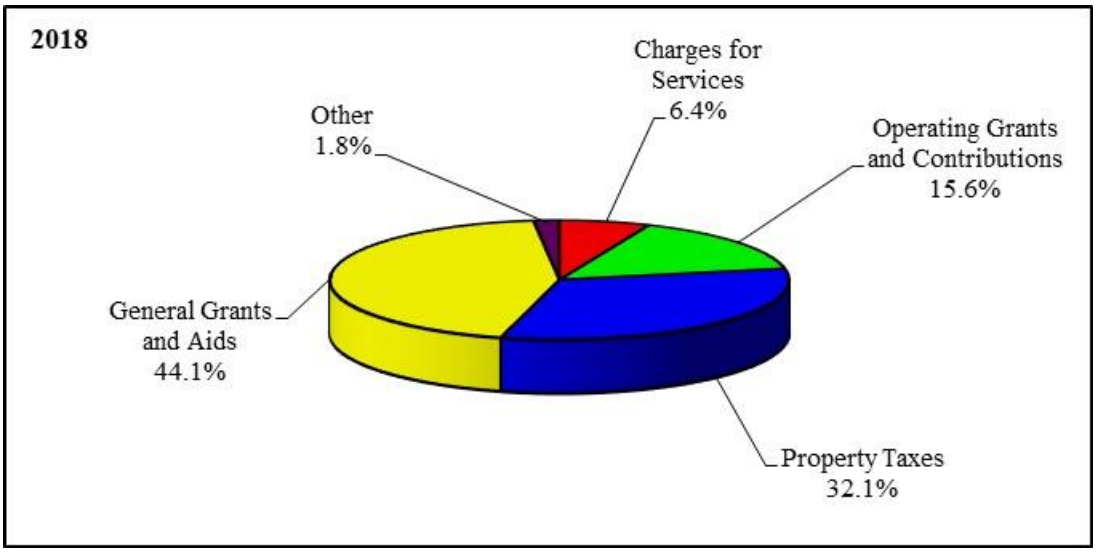
This table is presented on an accrual basis of accounting, and includes all governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenues for fiscal year 2019 were $8,799,304 higher than last year, mainly from property tax increases related to an increase in the General Fund levy and a voter-approved increase in the debt service levy. Investment earnings on bond proceeds also contributed to this increase. Expenses decreased $26,838,909 compared to fiscal year 2018 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 2019 and 2018

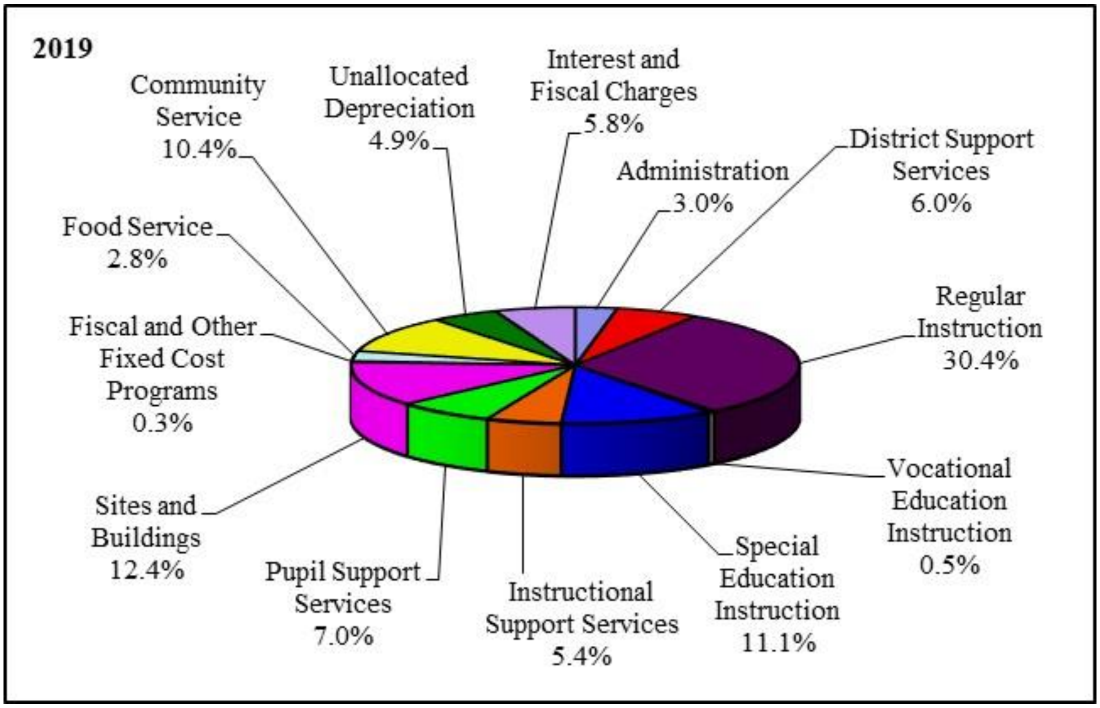


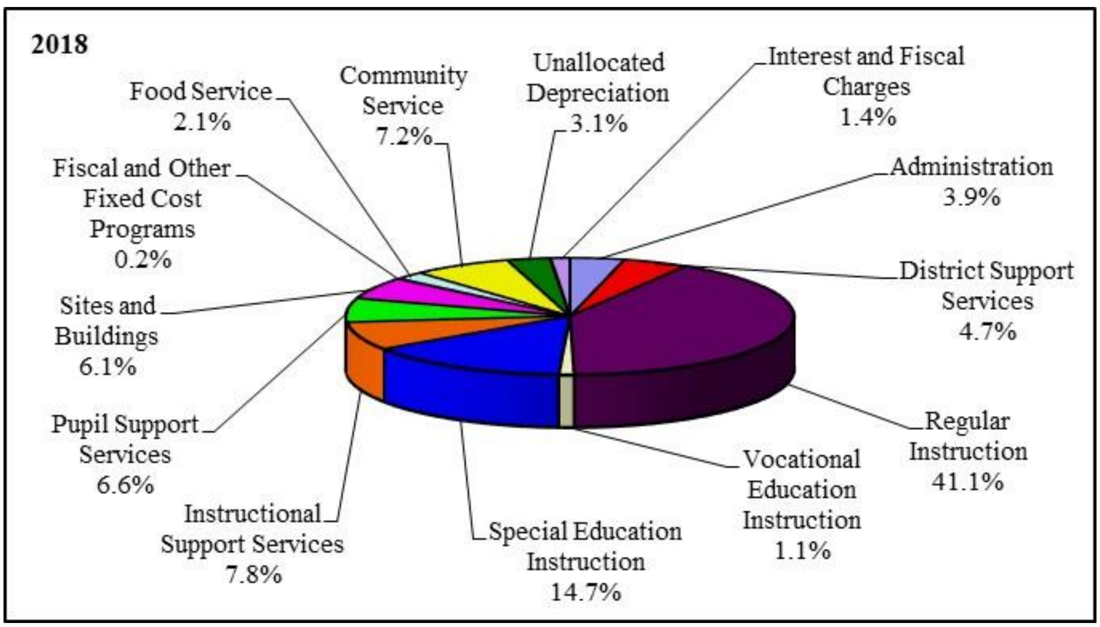


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts, as a result of limited funding increases in recent years.

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 2019 and 2018





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:

Table 3
Governmental Fund Balances
as of June 30, 2019 and 2018

	2019	2018	Increase (Decrease)
Major funds			
General	$ 20,201,567	$ 18,910,370	$ 1,291,197
Capital Projects – Building Construction	67,631,248	95,823,389	(28,192,141)
Debt Service	1,792,307	1,546,078	246,229
Nonmajor funds			
Food Service Special Revenue	319,851	179,329	140,522
Community Service Special Revenue	831,373	810,608	20,765
Total governmental funds	$ 90,776,346	$ 117,269,774	$ (26,493,428)

In 2019, the General Fund balance increased $1,291,197, including a prior period adjustment of $29,575. This compares to a final budget that anticipated a decline in fund balance of ($882,634). These better than projected results were mainly due to revenues exceeding budgeted amounts by $2,189,610.

The Capital Projects – Building Construction Fund decreased $28,192,141, due to the use of school building bonds that were issued during fiscal 2018.

The Debt Service Fund increased $246,229, consistent with property tax levies and debt service payment schedules in this fund.

The increase in the Food Service Special Revenue Fund of $140,522 was mainly due to revenues exceeding budget projections, due to additional participation in the program.

The increase in the Community Service Special Revenue Fund of $20,765 was consistent with the budget projections for this fund.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 66,311,566	$ 66,311,566	$ –	– %
Expenditures	$ 67,194,200	$ 67,194,200	$ –	– %

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:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2019 Actual	Amount	Percent	Amount	Percent
Revenue	$ 68,501,176	$ 2,189,610	3.3%	$ 3,724,984	5.8%
Expenditures	67,071,026	$ (123,174)	(0.2%)	$ 1,743,681	2.7%
Other financing sources	(109,378)	$ (109,378)	(100.0%)	$ (882,749)	(114.1%)
Net change in fund balances	$ 1,320,772				

The increase in 2019 actual revenue was due to a variety of factors, including an increase in property tax revenue of $2,754,644, due to an increase in the tax levy. State sources increased $588,755, due to increases in state general education. The expenditure increase was mainly in purchased services, which was $1,704,468 higher than last year, mainly within the elementary and regular instruction and sites and building program areas.

General Fund revenues exceeded budgeted amounts by $2,189,610. Property tax revenue was over budget by $754,759, due to the fiscal 2019 recognition of property tax revenue that had been deferred in previous fiscal years. State revenues were over budget by $609,551. The majority of this variance is due to increases in special education state aid, resulting from reduced proration of the state-wide funding.

Revenues from other local sources (including gifts, bequests, tuition, rental, and investment earnings) were $1,022,466 over budget. Investment earnings exceeded the budget by about $375,000, due to conservative budgeting. Local revenue exceeded the budget by around $380,000, due to conservative budgeting for fees and admissions and due to a one-time refund resulting from the dissolution of West Metro Education Program for about $230,000. Also, rentals and gifts exceeded the budget by nearly $200,000, due to conservative budgeting in these areas.

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 two internal service funds. These funds are used to account for the District's self-insured dental insurance and OPEB revocable trust functions.

1. **Dental Self-Insurance**

The District started a Dental Self-Insurance Fund in the current year. This fund was funded by a transfer of assigned fund balances from the General Fund that had been set-aside in prior years for this purpose. Revenues for fiscal 2019 totaled $535,083, while expenses totaled $636,990. The net position as of June 30, 2019 was $228,078, which represents 35.8 percent of annual operating expenses of this fund.

2. **OPEB Trust Fund**

Revenues for fiscal 2019 totaled $398,420, while expenses totaled $427,661. After a prior period adjustment of $228,019, the net position (deficit) as of June 30, 2019 was ($2,521,986).

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, 2019 and 2018:

Table 6
Capital Assets

	2019	2018, as Restated	Change
Land	$ 7,812,500	$ 7,812,500	$ –
Construction in process	17,027,894	1,856,531	15,171,363
Land improvements	264,344	264,344	–
Buildings	79,818,597	65,551,228	14,267,369
Equipment	59,707,881	60,571,646	(863,765)
Less accumulated depreciation	(72,391,331)	(69,728,209)	(2,663,122)
Total	$ 92,239,885	$ 66,328,040	$ 25,911,845
Depreciation expense	$ 3,689,718	$ 3,434,147	$ 255,571

The increase in construction in progress and buildings is related to capital spending for various improvement projects at district sites from the issuance of bond proceeds in fiscal 2018. The majority of the change can be attributed to elementary school projects; remodeling at Park Spanish Immersion School and deferred maintenance (mechanical/cooling) projects at Susan Lindgren, Aquila, and Peter Hobart Elementary Schools.

Long-Term Liabilities

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

Table 7
Outstanding Long-Term Liabilities

	2019	2018	Change
General obligation bonds	$ 116,120,000	$ 122,140,000	$ (6,020,000)
Premiums	8,039,183	8,723,531	(684,348)
Capital leases	1,298,632	1,552,005	(253,373)
Net pension liability	44,280,401	122,317,974	(78,037,573)
Single-employer pension liability	4,122,073	3,948,720	173,353
Total OPEB liability	5,226,461	5,426,834	(200,373)
Compensated absences	745,780	727,870	17,910
Severance benefits	3,128,049	3,220,883	(92,834)
Total	$ 182,960,579	$ 268,057,817	$ (85,097,238)

The decrease in general obligation bonds as shown in Table 7 is primarily due to scheduled principal payments. The change in capital leases is based on the planned repayment schedules.

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

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

Table 8
Limitations on Debt

District's market value	$ 6,872,443,250
Limit rate	15.0%
Legal debt limit	$ 1,030,866,488

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $126, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2020, and an additional $129, or 2 percent, per pupil to the formula for fiscal year 2021.

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, 2019
(With Partial Comparative Information as of June 30, 2018)

	Governmental Activities	
	2019	2018
Assets		
Cash and temporary investments	$ 38,855,805	$ 35,685,987
Receivables		
Current taxes	16,374,416	15,238,655
Delinquent taxes	329,524	463,179
Accounts and interest	1,959,114	737,113
Due from other governmental units	5,202,856	5,981,112
Inventory	30,440	25,929
Prepaid items	164,592	207,798
Restricted assets – temporarily restricted		
Cash and investments for building construction	76,178,107	97,525,126
Cash and investments for debt service	–	209,622
Cash and investments for OPEB	2,610,395	2,749,191
Capital assets		
Not depreciated	24,840,394	9,669,031
Depreciated, net of accumulated depreciation	67,399,491	56,605,930
Total capital assets, net of accumulated depreciation	92,239,885	66,274,961
Total assets	233,945,134	225,098,673
Deferred outflows of resources		
Pension plan deferments	51,333,856	68,576,611
Single-employer pension plan deferments	385,010	448,445
OPEB plan deferments	783,742	408,795
Total deferred outflows of resources	52,502,608	69,433,851
Total assets and deferred outflows of resources	$ 286,447,742	$ 294,532,524
Liabilities		
Salaries payable	$ 5,406,335	$ 5,080,622
Accounts and contracts payable	11,019,206	2,924,923
Accrued interest payable	1,810,205	1,414,563
Due to other governmental units	167,732	147,312
Severance payable	120,620	448,445
Unearned revenue	853,514	840,145
Claims incurred, but not reported	17,675	–
Long-term liabilities		
Due within one year	7,515,689	7,098,274
Due in more than one year	175,444,890	260,959,543
Total long-term liabilities	182,960,579	268,057,817
Total liabilities	202,355,866	278,913,827
Deferred inflows of resources		
Gain on bond refunding	67,585	183,444
Property taxes levied for subsequent year	30,085,741	29,475,473
Pension plan deferments	66,295,245	20,114,882
Single-employer pension plan deferments	204,453	107,989
OPEB plan deferments	755,015	150,455
Total deferred inflows of resources	97,408,039	50,032,243
Net position		
Net investment in capital assets	35,130,733	33,279,920
Restricted for		
Capital asset acquisition	3,947,512	3,813,332
Debt service	87,817	131,515
Food service	319,851	149,490
Community service	843,892	810,608
Other purposes (state funding restrictions)	2,031,548	1,710,479
Unrestricted	(55,677,516)	(74,308,890)
Total net position	(13,316,163)	(34,413,546)
Total liabilities, deferred inflows of resources, and net position	$ 286,447,742	$ 294,532,524

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Activities
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

		2019			2018
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,088,559	$ 97,960	$ –	$ (1,990,599)	$ (3,613,100)
District support services	4,118,775	–	39,558	(4,079,217)	(4,476,430)
Elementary and secondary regular instruction	21,023,930	332,993	2,583,850	(18,107,087)	(36,540,055)
Vocational education instruction	388,590	–	25,034	(363,556)	(1,030,477)
Special education instruction	7,645,944	3,874	6,493,614	(1,148,456)	(7,466,339)
Instructional support services	3,760,424	15,905	–	(3,744,519)	(7,500,737)
Pupil support services	4,865,450	–	–	(4,865,450)	(6,235,345)
Sites and buildings	8,538,493	–	40,302	(8,498,191)	(5,823,421)
Fiscal and other fixed cost programs	198,693	–	–	(198,693)	(181,077)
Food service	1,913,540	847,258	1,245,657	179,375	49,089
Community service	7,186,427	4,395,588	2,226,218	(564,621)	(994,412)
Unallocated depreciation	3,358,527	–	–	(3,358,527)	(3,008,930)
Interest and fiscal charges	4,019,851	–	–	(4,019,851)	(1,342,289)
Total governmental activities	$ 69,107,203	$ 5,693,578	$ 12,654,233	(50,759,392)	(78,163,523)
General revenue					
Taxes					
Property taxes, levied for general purposes				20,978,472	17,726,365
Property taxes, levied for community service				948,994	1,391,846
Property taxes, levied for debt service				10,593,692	6,898,430
General grants and aids				34,182,427	35,841,913
Other general revenues				1,027,181	1,116,367
Investment earnings				3,809,216	330,979
Total general revenues				71,539,982	63,305,900
Change in net position				20,780,590	(14,857,623)
Net position – beginning as previously reported				(34,413,546)	(19,555,923)
Prior period adjustment				316,793	–
Net position – beginning, as restated				(34,096,753)	(19,555,923)
Net position – ending				$ (13,316,163)	$ (34,413,546)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 283

Balance Sheet
Governmental Funds
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 29,787,327	$ –	$ 7,095,631
Cash and investments held by trustee	–	76,178,107	–
Receivables			
Current taxes	10,504,538	–	5,385,253
Delinquent taxes	220,901	–	97,399
Accounts and interest	214,114	1,404,131	–
Due from other governmental units	4,952,978	–	–
Due from other funds	–	–	–
Inventory	–	–	–
Prepaid items	160,802	–	–
Total assets	$ 45,840,660	$ 77,582,238	$ 12,578,283
Liabilities			
Salaries payable	$ 5,193,455	$ –	$ –
Accounts and contracts payable	967,965	9,950,990	–
Due to other governmental units	167,677	–	–
Severance payable	120,620	–	–
Unearned revenue	508,468	–	–
Total liabilities	6,958,185	9,950,990	–
Deferred inflows of resources			
Property taxes levied for subsequent year	18,444,325	–	10,680,261
Unavailable revenue – delinquent taxes	236,583	–	105,715
Total deferred inflows of resources	18,680,908	–	10,785,976
Fund balances			
Nonspendable	160,802	–	–
Restricted	5,979,060	67,631,248	1,792,307
Assigned	3,422,803	–	–
Unassigned	10,638,902	–	–
Total fund balances	20,201,567	67,631,248	1,792,307
Total liabilities, deferred inflow of resources, and fund balances	$ 45,840,660	$ 77,582,238	$ 12,578,283

	Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
	$ 1,633,365	$ 38,516,323	$ 35,490,556
	–	76,178,107	97,734,748
	484,625	16,374,416	15,238,655
	11,224	329,524	463,179
	275,516	1,893,761	887,761
	249,878	5,202,856	5,981,112
	–	–	385,719
	30,440	30,440	25,929
	3,790	164,592	207,798
	$ 2,688,838	$ 138,690,019	$ 156,415,457
	$ 212,880	$ 5,406,335	$ 5,143,633
	83,404	11,002,359	2,924,924
	55	167,732	147,312
	–	120,620	385,434
	268,164	776,632	840,145
	564,503	17,473,678	9,441,448
	961,155	30,085,741	29,475,473
	11,956	354,254	228,762
	973,111	30,439,995	29,704,235
	34,230	195,032	233,727
	1,117,557	76,520,172	103,853,376
	–	3,422,803	3,489,241
	(563)	10,638,339	9,693,430
	1,151,224	90,776,346	117,269,774
	$ 2,688,838	$ 138,690,019	$ 156,415,457

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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, 2019
(With Partial Comparative Information as of June 30, 2018)

	2019	2018
Total fund balances – governmental funds	$ 90,776,346	$ 117,269,774
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	164,631,216	134,202,525
Accumulated depreciation	(72,391,331)	(67,927,564)
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	(116,120,000)	(122,140,000)
Unamortized premium	(8,039,183)	(8,723,531)
Capital leases	(1,298,632)	(1,552,005)
Compensated absences	(745,780)	(727,870)
Severance benefits	(3,128,049)	(3,220,883)
Net pension liability	(44,280,401)	(122,317,974)
Single-employer pension liability	(4,122,073)	(3,948,720)
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	51,333,856	68,576,611
Deferred outflows of resources – single-employer pension plan deferments	385,010	448,445
Deferred inflows of resources – pension plan deferments	(66,295,245)	(20,114,882)
Deferred inflows of resources – single-employer pension plan deferments	(204,453)	(107,989)
Deferred inflows of resources – gain on bond refunding	(67,585)	(183,444)
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.	(2,293,908)	(2,760,238)
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(1,810,205)	(1,414,563)
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.	354,254	228,762
Total net position – governmental activities	$ (13,316,163)	$ (34,413,546)

INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 20,898,895	$ –	$ 10,551,477
Investment earnings	535,750	3,098,282	101,754
Other	1,777,249	–	–
State sources	43,038,927	–	–
Federal sources	2,250,355	–	–
Total revenue	68,501,176	3,098,282	10,653,231
Expenditures			
Current			
Administration	2,594,478	–	–
District support services	4,274,281	–	–
Elementary and secondary regular instruction	31,508,434	–	–
Vocational education instruction	579,031	–	–
Special education instruction	10,912,047	–	–
Instructional support services	4,510,859	–	–
Pupil support services	5,579,465	–	–
Sites and buildings	6,477,195	–	–
Fiscal and other fixed cost programs	198,693	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	31,701,039	–
Debt service			
Principal	399,129	–	6,020,000
Interest and fiscal charges	37,414	–	4,387,002
Total expenditures	67,071,026	31,701,039	10,407,002
Excess (deficiency) of revenue over expenditures	1,430,150	(28,602,757)	246,229
Other financing sources (uses)			
Capital lease issued	145,756	–	–
Debt issued	–	–	–
Premium on debt issued	–	–	–
Proceeds from sale of assets	74,851	–	–
Transfers in	–	–	–
Transfers (out)	(329,985)	–	–
Total other financing sources (uses)	(109,378)	–	–
Net change in fund balances	1,320,772	(28,602,757)	246,229
Fund balances			
Beginning of year, as previously reported	18,910,370	95,823,389	1,546,078
Prior period adjustment	(29,575)	410,616	–
Beginning of year, as restated	18,880,795	96,234,005	1,546,078
End of year	$ 20,201,567	$ 67,631,248	$ 1,792,307

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
$ 945,294	$ 32,395,666	$ 25,973,725
33,956	3,769,742	323,505
6,317,434	8,094,683	7,419,721
1,390,734	44,429,661	43,761,416
1,115,947	3,366,302	3,329,266
9,803,365	92,056,054	80,807,633
–	2,594,478	2,814,315
–	4,274,281	4,601,311
–	31,508,434	29,786,549
–	579,031	516,921
–	10,912,047	10,604,170
–	4,510,859	4,748,805
–	5,579,465	5,099,136
–	6,477,195	6,587,253
–	198,693	181,077
1,937,714	1,937,714	2,026,731
7,662,889	7,662,889	7,313,525
41,475	31,742,514	5,237,947
–	6,419,129	6,167,998
–	4,424,416	1,016,131
9,642,078	118,821,145	86,701,869
161,287	(26,765,091)	(5,894,236)
–	145,756	535,700
–	–	92,950,000
–	–	8,293,753
–	74,851	–
–	–	237,671
–	(329,985)	(237,671)
–	(109,378)	101,779,453
161,287	(26,874,469)	95,885,217
989,937	117,269,774	21,384,557
–	381,041	–
989,937	117,650,815	21,384,557
$ 1,151,224	$ 90,776,346	$ 117,269,774

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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, 2019
(With Partial Comparative Information as of June 30, 2018)

	2019	2018
Total net change in fund balances – governmental funds	$ (26,874,469)	$ 95,885,217
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	29,623,603	6,116,203
Depreciation expense	(3,689,718)	(3,434,147)
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	–	(92,950,000)
Unamortized premium	–	(8,293,753)
Capital leases	–	(535,700)
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.	238,311	(157,911)
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	6,020,000	5,820,000
Unamortized premium	684,348	390,611
Capital leases	253,373	347,998
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	78,037,573	20,123,566
Single-employer pension liability	(173,353)	276,190
Compensated absences	(17,910)	(23,412)
Severance benefits	92,834	77,586
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.	(395,642)	(1,012,963)
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	(17,242,755)	(19,709,963)
Deferred outflows of resources – single-employer pension plan deferments	281,911	448,445
Deferred outflows of resources – gain on bond refunding	115,859	115,860
Deferred inflows of resources – pension plan deferments	(46,180,363)	(18,276,377)
Deferred inflows of resources – single-employer pension plan deferments	(96,464)	(107,989)
Deferred inflows of resources – unavailable revenue – delinquent taxes	125,492	42,916
Change in net position – governmental activities	$ 20,780,590	$ (14,857,623)

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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, 2019

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 20,144,136	$ 20,144,136	$ 20,898,895	$ 754,759
Investment earnings	160,000	160,000	535,750	375,750
Other	1,130,533	1,130,533	1,777,249	646,716
State sources	42,429,376	42,429,376	43,038,927	609,551
Federal sources	2,447,521	2,447,521	2,250,355	(197,166)
Total revenue	66,311,566	66,311,566	68,501,176	2,189,610
Expenditures				
Current				
Administration	2,558,342	2,555,342	2,594,478	39,136
District support services	4,563,475	4,593,256	4,274,281	(318,975)
Elementary and secondary regular instruction	32,178,113	32,308,237	31,508,434	(799,803)
Vocational education instruction	593,528	593,528	579,031	(14,497)
Special education instruction	11,310,100	11,310,100	10,912,047	(398,053)
Instructional support services	4,223,342	4,066,437	4,510,859	444,422
Pupil support services	5,414,574	5,414,574	5,579,465	164,891
Sites and buildings	5,762,473	5,762,473	6,477,195	714,722
Fiscal and other fixed cost programs	181,221	181,221	198,693	17,472
Debt service				
Principal	350,394	350,394	399,129	48,735
Interest and fiscal charges	58,638	58,638	37,414	(21,224)
Total expenditures	67,194,200	67,194,200	67,071,026	(123,174)
Excess (deficiency) of revenue over expenditures	(882,634)	(882,634)	1,430,150	2,312,784
Other financing sources (uses)				
Capital lease issued	–	–	145,756	145,756
Proceeds from sale of assets	–	–	74,851	74,851
Transfers (out)	–	–	(329,985)	(329,985)
Total other financing sources (uses)	–	–	(109,378)	(109,378)
Net change in fund balances	$ (882,634)	$ (882,634)	1,320,772	$ 2,203,406
Fund balances				
Beginning of year, as previously reported			18,910,370	
Prior period adjustment			(29,575)	
Beginning of year, as restated			18,880,795	
End of year			$ 20,201,567	

INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Net Position
Proprietary Fund
Internal Service Funds
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	2019	2018
Assets		
Current assets		
Cash and temporary investments	$ 339,482	$ –
Cash and investments – held by trustee	2,610,395	2,749,191
Accounts and interest receivable	65,353	44,784
Total current assets	3,015,230	2,793,975
Deferred outflows of resources		
OPEB plan deferments	783,742	408,795
Liabilities		
Current liabilities		
Due to other funds	–	385,719
Accounts payable	16,847	–
Unearned revenue	76,882	–
Claims incurred, but not reported	17,675	–
Total current liabilities	111,404	385,719
Long-term liabilities		
Total OPEB liability	5,226,461	5,426,834
Total liabilities	5,337,865	5,812,553
Deferred inflows of resources		
OPEB plan deferments	755,015	150,455
Net position		
Unrestricted	$ (2,293,908)	$ (2,760,238)

INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Fund
Internal Service Funds
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

	2019	2018
Operating revenue		
Contributions from governmental funds	$ 933,503	$ –
Operating expenses		
Dental benefit claims	636,990	–
OPEB	427,661	187,578
Total operating expenses	1,064,651	187,578
Operating income (loss)	(131,148)	(187,578)
Nonoperating revenue		
Investment earnings	39,474	29,667
Income (loss) before transfers	(91,674)	(157,911)
Transfers in	329,985	–
Change in net position	238,311	(157,911)
Net position		
Beginning of year, as previously reported	(2,760,238)	(2,602,327)
Prior period adjustment	228,019	–
Beginning of year, as restated	(2,532,219)	(2,602,327)
End of year	$ (2,293,908)	$ (2,760,238)

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INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Cash Flows
Proprietary Fund
Internal Service Funds
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Contributions from governmental funds	$ 1,010,385	$ –
Payments for dental claims	(602,468)	–
Payments for OPEB	(398,421)	(157,700)
Net cash flows from operating activities	9,496	(157,700)
Cash flows from noncapital financing activities		
Payments on due to other funds	(157,700)	(269,468)
Transfers in	329,985	–
Net cash lows from noncapital financing activities	172,285	(269,468)
Cash flows from investing activities		
Investment income received	18,905	7,411
Net change in cash and cash equivalents	200,686	(419,757)
Cash and cash equivalents		
Beginning of year	2,749,191	3,168,948
End of year	$ 2,949,877	$ 2,749,191
Reconciliation of operating income to net cash flows from operating activities		
Operating income (loss)	$ (131,148)	$ (187,578)
Adjustments to reconcile operating income to cash provided by operating activities		
Changes in assets and liabilities		
Deferred outflows of resources	(374,947)	(67,575)
Total OPEB liability	(200,373)	(53,002)
Accounts payable	16,847	–
Unearned revenue	76,882	–
Deferred inflows of resources	604,560	150,455
Claims incurred, but not reported	17,675	–
Net cash flows from operating activities	$ 9,496	$ (157,700)

See notes to basic financial statements

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2019

		Scholarship and Other Private-Purpose Trust Fund
Assets		
Deposits	$	32,718
Liabilities		
Accounts and contracts payable		29
Net position		
Held in trust for scholarships and other trust purposes	$	32,689

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2019

		Scholarship and Other Private-Purpose Trust Fund
Additions		
Contributions		
Private donations	$	1,973
Deductions		
Scholarships and other private-purpose expenses		1,738
Change in net position		235
Net position		
Beginning of year		32,454
End of year	$	32,689

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.

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

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.

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

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

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 benefits provided to employees as self-insured plans and OPEB Revocable Trust fund activities.

Fiduciary Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded budgeted amounts in the Community Service Special Revenue Fund and Capital Projects – Building Construction Fund by $298,547 and $19,651,039, respectively.

F. Cash and Temporary Investments

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $2,388,675 of the property tax levy collectible in 2019 as revenue to the District in fiscal year 2018–2019. The remaining portion of the taxes collectible in 2019 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. Interfund Transfers

During the year ended June 30, 2019, the General Fund transferred $329,985 to the Dental Self-Insurance Fund to establish this fund.

Interfund transfers reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements.

M. Long-Term Obligations

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

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

N. Compensated Absences

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

O. Severance Benefits

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

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

P. State-Wide Pension Plans

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Q. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the 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.

R. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2019.

2. **Self-Insurance** – The District has established internal service funds to account for and finance its uninsured risk of loss for its employee dental insurance plan. Under this plan, the internal service fund provides coverage to participating employees and their dependents for various dental costs as described in the plan. The District makes premium payments to the internal service fund 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 dental insurance premium costs and administrative service charges.

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

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

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2019	$ –	$ 620,143	$ 602,468	$ 17,675

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Deferred Outflows/Inflows of Resources

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

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

The District reports deferred outflows of resources related to 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.

T. Net Position

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance Classifications

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

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

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

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

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

V. Use of Estimates

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

W. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, which was audited by the predecessor auditor, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Prior Period Adjustments

During the year ended June 30, 2019, the District recorded five prior period adjustments. The first adjustment was to add accrued interest receivable in the Capital Projects – Building Construction Fund at the prior year-end. The second adjustment was to adjust the District's flex plan balance outstanding balance to the correct levels. The third adjustment was to record restated beginning balances for the District's capital assets in the government-wide financial statements at the prior year-end. The fourth was to properly report the deferred outflows of resources in the single-employer pension plan. The fifth was to properly record due to/from other funds from prior years. The impact on the government-wide and governmental fund financial statements, had these been correctly recorded in the prior years, is as follows:

	Government-Wide	Governmental Funds	Internal Service Funds
Impact on net position/fund balance			
Beginning of year, as previously reported	$ (34,413,546)	$ 117,269,774	$ (2,760,238)
Accrued interest recievable	410,616	410,616	–
Flex plan	198,444	198,444	–
Capital assets	53,079	–	–
Deferred inflows of resources	(345,346)	–	–
Due to/from other funds	–	(228,019)	228,019
Subtotal	316,793	381,041	228,019
Beginning of year, as restated	$ (33,779,960)	$ 118,031,856	$ (2,532,219)
Impact on prior year reported amounts			
Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balances			
Revenues			
Investment earnings	$ 410,616	$ 410,616	$ –
Expenses/expenditures			
Employee benefits	(198,444)	(198,444)	–
Depreciation	(53,079)	–	–
OPEB	345,346	228,019	(228,019)
Change in net position/fund balance	$ 316,793	$ 381,041	$ 228,019

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	44,845,526
Investments		72,829,999
Cash on hand		1,500
Total	$	117,677,025

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

Government-Wide Statement of Net Position		
Cash and temporary investments	$	38,855,805
Restricted assets – temporarily restricted		
Cash and investments for building construction		76,178,107
Cash and investments for OPEB		2,610,395
Statement of Fiduciary Net Position		
Deposits		32,718
Total	$	117,677,025

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 $44,845,526, while the balance on the bank records was $45,649,174. At June 30, 2019, 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:

	Credit Risk		Fair Value Measurements	Investment Risk – Maturity Duration in Years			
Investment Type	Rating	Agency	Using	Less Than 1	1 to 5	Greater Than 5	Total
General obligation bonds							
State and local bonds	AAA	S&P	Level 2	$ 850,493	$ 5,784,485	$ –	$ 6,634,978
State and local bonds	Aa	Moody's	Level 2	$ 3,317,105	$ 1,867,173	$ –	5,184,278
State and local bonds	AA	S&P	Level 2	$ –	$ 10,508,200	$ –	10,508,200
State and local bonds	Aa	Fitch	Level 2	$ 1,000,900	$ 615,499	$ –	1,616,399
Negotiable certificates of deposit	N/R	N/A	Level 2	$ –	$ 1,248,487	$ –	1,248,487
U.S. agency securities	AA	S&P	Level 2	$ 2,496,518	$ –	$ –	2,496,518
U.S. treasuries	AA	S&P	Level 2	$ 1,397,813	$ 21,320,751	$ –	22,718,564
Investment pools/mutual funds							
MNTrust Term Series	N/R	N/A	N/A	$ 10,000,000	$ –	$ –	10,000,000
MNTrust Limited Term Duration Series	AAA	S&P	N/A				5,203,000
MNTrust Investment Shares Portfolio	AAA	S&P	N/A				7,219,575
Total investments							$ 72,829,999

N/A – Not Applicable
N/R – Not Rated

The Minnesota Trust (MNTrust) Investment Shares Portfolio, MN Trust 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, 2019 is as follows:

	Balance – Beginning of Year as Previously Reported	Prior Period Adjustment	Balance – Beginning of Year as Restated*	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated							
Land	$ 7,812,500	$ –	$ 7,812,500	$ –	$ –	$ –	$ 7,812,500
Construction in progress	1,856,531	–	1,856,531	21,568,932	–	(6,397,569)	17,027,894
Total capital assets, not depreciated	9,669,031	–	9,669,031	21,568,932	–	(6,397,569)	24,840,394
Capital assets, depreciated							
Land improvements	2,921,576	(2,657,232)	264,344	–	–	–	264,344
Buildings and improvements	105,366,834	(39,815,606)	65,551,228	7,889,767	(19,967)	6,397,569	79,818,597
Furniture and equipment	16,245,084	44,326,562	60,571,646	164,904	(1,028,669)	–	59,707,881
Total capital assets, depreciated	124,533,494	1,853,724	126,387,218	8,054,671	(1,048,636)	6,397,569	139,790,822
Less accumulated depreciation for							
Land improvements	(1,613,964)	1,473,404	(140,560)	(9,320)	–	–	(149,880)
Buildings	(35,165,019)	17,014,538	(18,150,481)	(2,052,388)	93	–	(20,202,776)
Equipment	(31,148,581)	(20,288,587)	(51,437,168)	(1,628,010)	1,026,503	–	(52,038,675)
Total accumulated depreciation	(67,927,564)	(1,800,645)	(69,728,209)	(3,689,718)	1,026,596	–	(72,391,331)
Net capital assets, depreciated	56,605,930	53,079	56,659,009	4,364,953	(22,040)	6,397,569	67,399,491
Total capital assets, net	$ 66,274,961	$ 53,079	$ 66,328,040	$ 25,933,885	$ (22,040)	$ –	$ 92,239,885

* The beginning balances of capital assets were restated from the prior year. See prior period adjustment Note 1. X.

Depreciation expense was charged to the following governmental functions:

Administration	$ 171,460
Elementary and secondary regular instruction	60,412
Vocational education instruction	44
Special education instruction	4,104
Instructional support services	55,348
Pupil support services	13,407
Community service	26,416
Unallocated depreciation	3,358,527
Total depreciation expense	$ 3,689,718

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	$ 390,000
2015A Alterative Facilities Bonds	05/27/2015	2.00%	$ 2,195,000	02/01/2023	2,195,000
School building bonds					
2011A School Building Refunding Bonds	11/16/2011	0.60–2.20%	$ 5,815,000	02/01/2020	865,000
2013A School Building Refunding Bonds	11/13/2013	2.00–5.00%	$ 18,075,000	02/01/2020	3,260,000
2014A School Building Bonds	02/19/2014	1.00–3.00%	$ 14,900,000	02/01/2023	14,460,000
2016A School Building Refunding Bonds	05/12/2016	2.00–3.00%	$ 4,670,000	02/01/2020	1,215,000
2018A School Building Bonds	02/15/2018	3.13–5.00%	$ 92,950,000	02/01/2038	92,950,000
Taxable OPEB bonds					
2016B Taxable OPEB Refunding Bonds	11/09/2016	1.25–4.00%	$ 2,250,000	02/01/2020	785,000
Total general obligation bonds					$ 116,120,000

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

B. Capital Leases

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

All lease agreements are being paid by the General Fund. Capital lease agreements outstanding at year-end are as follows:

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Peter Hobart Elementry School remodeling	$ 964,000	3.15 %	07/24/2013	08/01/2028	$ 662,173
Apple MacBooks	$ 535,700	1.49 %	01/15/2018	07/15/2019	177,684
Athletic track and artificial turf	$ 1,092,000	2.89 %	05/15/2012	06/01/2022	361,754
Hillyard Equipment	$ 145,756	– %	04/26/2019	04/26/2022	97,171
Total capital leases					$ 1,298,782

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Other Long-Term Liabilities

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

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District. The following is a summary of the pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2019:

Pension Plans	Net/Total Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	$ 10,074,423	$ 2,555,094	$ 2,876,381	$ 493,408
State-wide, multiple-employer – TRA	34,205,978	48,778,762	63,418,864	(13,975,443)
Single-employer – District	4,122,073	385,010	204,453	333,252
Total	$ 48,402,474	$ 51,718,866	$ 66,499,698	$ (13,148,783)

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Minimum Debt Payments

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

Year Ending	General Obligation Bonds		Capital Leases	
June 30,	Principal	Interest	Principal	Interest
2020	$ 6,190,000	$ 4,344,491	$ 404,174	$ 32,219
2021	6,155,000	4,190,624	231,841	24,220
2022	6,435,000	4,046,471	188,787	18,707
2023	6,635,000	3,842,671	66,781	14,404
2024	4,510,000	3,632,006	68,902	12,284
2025–2029	25,285,000	14,619,601	338,147	27,184
2030–2034	31,615,000	8,224,413	–	–
2035–2038	29,295,000	2,579,613	–	–
	$ 116,120,000	$ 45,479,890	$ 1,298,632	$ 129,018

E. Changes in Long-Term Liabilities

	June 30, 2018	Additions	Retirements	June 30, 2019	Due Within One Year
General obligation bonds	$ 122,140,000	$ –	$ 6,020,000	$ 116,120,000	$ 6,190,000
Premiums	8,723,531	–	684,348	8,039,183	–
Capital leases	1,552,005	145,756	399,129	1,298,632	404,174
Net pension liability	122,317,974	925,511	78,963,084	44,280,401	–
Single-employer pension liability	3,948,720	655,564	482,211	4,122,073	–
Total OPEB liability	5,426,834	208,422	408,795	5,226,461	–
Compensated absences	727,870	830,258	812,348	745,780	745,780
Severance benefits	3,220,883	116,786	209,620	3,128,049	175,735
	$ 268,057,817	$ 2,882,297	$ 87,979,535	$ 182,960,579	$ 7,515,689

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, 2019, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ –	$ –	$ –	$ 30,440	$ 30,440
Prepaid items	160,802	–	–	3,790	164,592
Total nonspendable	160,802	–	–	34,230	195,032
Restricted					
Staff development	67,624	–	–	–	67,624
Operating capital	3,947,512	–	–	–	3,947,512
Basic skills	863,612	–	–	–	863,612
Technology levy	937,519	–	–	–	937,519
Food service	–	–	–	289,411	289,411
Community education programs	–	–	–	116,459	116,459
Early childhood family education programs	–	–	–	408,366	408,366
Community service	–	–	–	303,321	303,321
Long-term facilities maintenance	162,793	–	–	–	162,793
Capital projects	–	67,631,248	–	–	67,631,248
Debt service	–	–	1,792,307	–	1,792,307
Total restricted	5,979,060	67,631,248	1,792,307	1,117,557	76,520,172
Assigned					
Subsequent year's budget	1,361,845	–	–	–	1,361,845
Severance payments	2,060,958	–	–	–	2,060,958
Total assigned	3,422,803	–	–	–	3,422,803
Unassigned					
General Fund	10,638,902	–	–	–	10,638,902
School readiness restricted account deficit	–	–	–	(563)	(563)
Total unassigned	10,638,902	–	–	(563)	10,638,339
Total	$ 20,201,567	$ 67,631,248	$ 1,792,307	$ 1,151,224	$ 90,776,346

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 Minnesota State's Individual Retirement Account Plan within one year of eligible employment.

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.

Benefit increases are provided to benefit recipients each January. GERF benefit recipients receive a future annual increase equal to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

Members first employed after June 30, 1989, receive only the Tier II 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.

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 2019 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, 2019, were $939,245. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,					
	2017		2018		2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.50 %	11.00 %	11.50 %	11.00 %	11.71 %
Coordinated Plan	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %	7.71 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2019, were $2,356,658. 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:

		in thousands
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$	378,728
Add employer contributions not related to future contribution efforts		522
Deduct the TRA's contributions not included in allocation		(471)
Total employer contributions		378,779
Total nonemployer contributions		35,588
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	$	414,367

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, 2019, the District reported a liability of $10,074,423 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1816 percent at the end of the measurement period and 0.1878 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 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	$	10,074,423
State's proportionate share of the net pension liability associated with the District	$	330,535

For the year ended June 30, 2019, the District recognized pension expense of $416,328 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $77,080 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, 2019, 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	$ 275,349	$ 300,300
Changes in actuarial assumptions	1,227,864	1,225,540
Difference between projected and actual investment earnings	–	1,053,688
Changes in proportion	112,636	296,853
District's contributions to the GERF subsequent to the measurement date	939,245	–
Total	$ 2,555,094	$ 2,876,381

A total of $939,245 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, 2020. 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
2020	$ 318,887
2021	$ (613,128)
2022	$ (933,206)
2023	$ (33,085)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of $34,205,978 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2018, 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 0.5446 percent at the end of the measurement period and 0.5527 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	$ 34,205,978
State's proportionate share of the net pension liability associated with the District	$ 3,213,935

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

For the year ended June 30, 2019, the District recognized negative pension expense of $11,732,331. It also recognized $2,243,112 as a decrease to pension expense (and grant revenue) for the support provided by direct aid.

At June 30, 2019, 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	$ 5,925	$ 698,821
Changes in actuarial assumptions	42,873,471	58,506,636
Difference between projected and actual investment earnings	–	2,738,723
Changes in proportion	3,542,708	1,474,684
District's contributions to the TRA subsequent to the measurement date	2,356,658	–
Total	$ 48,778,762	$ 63,418,864

A total of $2,356,658 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, 2020. 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
2020	$ 3,307,161
2021	$ 1,888,186
2022	$ 157,805
2023	$ (12,674,413)
2024	$ (9,675,499)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 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, 2018 valuations were based on the results of actuarial experience studies. The most recent experience studies were completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2018:

1. **GERF**

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.

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.

2. **TRA**

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 in 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.

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 stocks	36 %	5.10 %
International stocks	17	5.30 %
Bonds (fixed income)	20	0.75 %
Alternative assets	25	5.90 %
Cash	2	– %
Total	100 %	

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability 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. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 16,372,228	$ 10,074,423	$ 4,875,766
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 54,284,748	$ 34,205,978	$ 17,641,124

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; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups, with eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are 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	162

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, 2018, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.62%
20-year municipal bond yield	3.62%
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 3.62 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

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

F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance – July 1, 2018	$ 3,948,720
Changes for the year	
Service cost	186,488
Interest	144,153
Difference – expected and actual experience	70,820
Assumption changes	(125,009)
Benefit payments – employer-financed	(103,099)
Total net changes	173,353
Ending balance – June 30, 2019	$ 4,122,073

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

- 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 GERF and July 1, 2015 TRA valuations to the rates used in the July 1, 2018 valuations.
- The inflation assumption was changed from 2.75 percent to 2.50 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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Pension discount rate	2.62%	3.62%	4.62%
Total pension liability	$ 4,288,625	$ 4,122,073	$ 3,952,839

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

For the current year ended, the District recognized pension expense of $333,252, and at year-end reported the following deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 62,698	$ –
Changes in actuarial assumptions	–	204,453
District contributions subsequent to the measurement date	322,312	–
Total	$ 385,010	$ 204,453

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

A total of $322,312 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 new pension liability in the year ending June 30, 2020. 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	
2020	$	(20,423)
2021	$	(20,423)
2022	$	(20,423)
2023	$	(20,423)
2024	$	(20,423)
Thereafter	$	(39,640)

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 PLAN (OPEB) (CONTINUED)

C. Contributions

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

D. Membership

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

Retirees and beneficiaries receiving benefits	24
Active plan members	692
Total members	716

E. Total OPEB Liability of the District

The District's total OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2017 and measurement date as of July 1, 2018, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.62%
20-year municipal bond yield	3.62%
Inflation rate	2.50%
Medical trend rate	6.90%, grading to 4.00% over 57 years

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.

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 PLAN (OPEB) (CONTINUED)

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance – July 1, 2018	$ 5,426,834
Changes for the year	
Service cost	283,062
Interest	194,344
Difference – expected and actual experience	434,159
Assumption changes	(703,143)
Benefit payments	(408,795)
Total net changes	(200,373)
Ending balance – June 30, 2019	$ 5,226,461

Assumption changes since the prior measurement date include the following:

- 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 a 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.

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

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 net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.62%	3.62%	4.62%
Total OPEB liability	$ 5,488,833	$ 5,226,461	$ 4,960,983

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

	1% Decrease in Medical Cost Trend Rate	Medical Cost Trend Rate	1% Increase in Medical Cost Trend Rate
OPEB medical trend rate	5.90% decreasing to 3.00% over 57 years	6.90% decreasing to 4.00% over 57 years	7.90% decreasing to 5.00% over 57 years
Total OPEB liability	$ 4,766,900	$ 5,226,461	$ 5,756,762

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 $29,240. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	$ 385,322	$ –
Changes in actuarial assumptions	–	755,015
District contributions subsequent to the measurement date	398,420	–
Total	$ 783,742	$ 755,015

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

A total of $398,420 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, 2020. 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
2020	$ (49,746)
2021	$ (49,746)
2022	$ (49,746)
2023	$ (49,746)
2024	$ (49,746)
Thereafter	$ (120,963)

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.

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, 2019, the District had commitments totaling $21,045,390 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 in the year ended was $231,042. Annual minimum lease payments for the operating leases are as follows:

Year Ending June 30,	Amount
2020	$ 233,820
2021	238,764
2022	196,011
2023	199,931
2024	203,930
2025–2028	857,329
	$ 1,929,785

NOTE 11 – SUBSEQUENT EVENTS

A. General Obligation Facilities Maintenance Bonds

On July 18, 2019, the District issued $22,795,000 of General Obligation Facilities Bonds, Series 2019A. These bonds were issued with interest rates ranging from 3.0 to 5.0 percent with a final maturity of February 1, 2036.

B. Self-Insurance Health Benefits Internal Service Fund

On July 1, 2019, the District started a self-insurance health benefits internal service fund to account for the District's self-insured medical health insurance plan that began on the same date.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, *Fiduciary Activities*, is intended to enhance consistency and comparability of fiduciary activity reporting by state and local governments. It is also meant to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The MDE has also issued guidance for implementing this standard, which will impact the reporting of extracurricular student activity accounts previously not under School Board control, beginning in the 2019– 2020 fiscal year. This new guidance provided by the MDE will require the activities currently presented separately in this financial statement to be operated under School Board control and reported as part of the District's General Fund for the year ending June 30, 2020.

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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, 2019

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	75.77%	79.50%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2019

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%

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, 2019

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5456%	$ 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%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2019

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%

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, 2019

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

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, 2019

	2018	2019
Total OPEB liability		
Service cost	$ 298,346	$ 283,062
Interest	159,816	194,344
Differences between expected and actual experience	–	434,159
Changes in assumptions	(169,944)	(703,143)
Benefit payments	(341,220)	(408,795)
Net change in total OPEB liability	(53,002)	(200,373)
Total OPEB liability – beginning of year	5,479,836	5,426,834
Total OPEB liability – end of year	$ 5,426,834	$ 5,226,461
Covered-employee payroll	$ 42,960,575	$ 41,333,803

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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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2017 CHANGES IN PLAN PROVISIONS

- The state's special funding contribution increased from $6 million to $16 million.

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.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

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.

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.

PENSION BENEFITS PLAN

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 changes 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

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 a 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

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2019

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 256,340	$ 1,377,025	$ 1,633,365
Receivables			
Current taxes	–	484,625	484,625
Delinquent taxes	–	11,224	11,224
Accounts and interest	139,688	135,828	275,516
Due from other governmental units	55,958	193,920	249,878
Inventory	30,440	–	30,440
Prepaid items	–	3,790	3,790
Total assets	$ 482,426	$ 2,206,412	$ 2,688,838
Liabilities			
Salaries payable	$ 60,938	$ 151,942	$ 212,880
Accounts and contracts payable	12,561	70,843	83,404
Due to other governmental units	–	55	55
Unearned revenue	89,076	179,088	268,164
Total liabilities	162,575	401,928	564,503
Deferred inflows of resources			
Property taxes levied for subsequent year	–	961,155	961,155
Unavailable revenue – delinquent taxes	–	11,956	11,956
Total deferred inflows of resources	–	973,111	973,111
Fund balances (deficits)			
Nonspendable for inventory	30,440	–	30,440
Nonspendable for prepaids	–	3,790	3,790
Restricted	289,411	828,146	1,117,557
Unassigned	–	(563)	(563)
Total fund balances	319,851	831,373	1,151,224
Total liabilities, deferred inflows of resources, and fund balances	$ 482,426	$ 2,206,412	$ 2,688,838

INDEPENDENT SCHOOL DISTRICT NO. 283

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 945,294	$ 945,294
Investment earnings	5,880	28,076	33,956
Other	859,016	5,458,418	6,317,434
State sources	112,072	1,278,662	1,390,734
Federal sources	1,115,947	–	1,115,947
Total revenue	2,092,915	7,710,450	9,803,365
Expenditures			
Current			
Food service	1,937,714	–	1,937,714
Community service	–	7,662,889	7,662,889
Capital outlay	14,679	26,796	41,475
Total expenditures	1,952,393	7,689,685	9,642,078
Net change in fund balances	140,522	20,765	161,287
Fund balances			
Beginning of year	179,329	810,608	989,937
End of year	$ 319,851	$ 831,373	$ 1,151,224

INDEPENDENT SCHOOL DISTRICT NO. 283

General Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	$ 29,787,327	$ 27,400,686
Receivables		
Current taxes	10,504,538	9,671,890
Delinquent taxes	220,901	320,378
Accounts and interest	214,114	119,426
Due from other governmental units	4,952,978	5,755,596
Due from other funds	–	373,805
Prepaid items	160,802	203,888
Total assets	$ 45,840,660	$ 43,845,669
Liabilities		
Salaries payable	$ 5,193,455	$ 4,907,037
Accounts and contracts payable	967,965	853,747
Due to other governmental units	167,677	146,592
Severance payable	120,620	385,434
Unearned revenue	508,468	640,872
Total liabilities	6,958,185	6,933,682
Deferred inflows of resources		
Property taxes levied for subsequent year	18,444,325	17,844,611
Unavailable revenue – delinquent taxes	236,583	157,006
Total deferred inflows of resources	18,680,908	18,001,617
Fund balances (deficits)		
Nonspendable for prepaid items	160,802	203,888
Restricted for staff development	67,624	82,787
Restricted for operating capital	3,947,512	3,813,332
Restricted for basic skills	863,612	1,040,671
Restricted for technology levy	937,519	587,021
Restricted for long-term facilities maintenance	162,793	–
Assigned for subsequent year's budget	1,361,845	882,634
Assigned for severance payments	2,060,958	2,060,958
Assigned for dental benefits	–	439,985
Assigned for quality compensation program	–	105,664
Unassigned – long-term facilities maintenance restricted account deficit	–	(886,889)
Unassigned	10,638,902	10,580,319
Total fund balances	20,201,567	18,910,370
Total liabilities, deferred inflows of resources, and fund balances	$ 45,840,660	$ 43,845,669

INDEPENDENT SCHOOL DISTRICT NO. 283

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 20,144,136	$ 20,898,895	$ 754,759	$ 18,144,251
Investment earnings	160,000	535,750	375,750	267,881
Other	1,130,533	1,777,249	646,716	1,709,796
State sources	42,429,376	43,038,927	609,551	42,450,172
Federal sources	2,447,521	2,250,355	(197,166)	2,204,092
Total revenue	66,311,566	68,501,176	2,189,610	64,776,192
Expenditures				
Current				
Administration				
Salaries	1,684,975	1,745,202	60,227	1,983,841
Employee benefits	719,385	693,201	(26,184)	639,497
Purchased services	47,272	75,547	28,275	105,575
Supplies and materials	12,636	22,905	10,269	24,787
Other expenditures	91,074	57,623	(33,451)	60,615
Total administration	2,555,342	2,594,478	39,136	2,814,315
District support services				
Salaries	2,059,399	1,933,880	(125,519)	1,935,109
Employee benefits	782,419	838,224	55,805	845,018
Purchased services	384,482	453,684	69,202	451,711
Supplies and materials	177,378	324,013	146,635	215,540
Capital expenditures	1,131,550	641,547	(490,003)	1,135,168
Other expenditures	58,028	82,933	24,905	18,765
Total district support services	4,593,256	4,274,281	(318,975)	4,601,311
Elementary and secondary regular instruction				
Salaries	22,031,353	21,332,552	(698,801)	20,688,790
Employee benefits	7,693,280	7,503,927	(189,353)	7,003,877
Purchased services	1,808,881	1,752,191	(56,690)	1,159,577
Supplies and materials	651,364	619,018	(32,346)	780,794
Capital expenditures	86,395	81,685	(4,710)	82,150
Other expenditures	36,964	219,061	182,097	71,361
Total elementary and secondary regular instruction	32,308,237	31,508,434	(799,803)	29,786,549

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	327,221	375,189	47,968	356,591
Employee benefits	79,275	124,964	45,689	116,525
Purchased services	155,999	45,093	(110,906)	28,490
Supplies and materials	29,701	29,810	109	11,346
Capital expenditures	1,020	956	(64)	3,483
Other expenditures	312	3,019	2,707	486
Total vocational education instruction	593,528	579,031	(14,497)	516,921
Special education instruction				
Salaries	7,396,485	7,398,360	1,875	7,296,540
Employee benefits	2,739,514	2,869,968	130,454	2,795,631
Purchased services	994,714	507,785	(486,929)	459,118
Supplies and materials	177,387	87,368	(90,019)	52,629
Capital expenditures	2,000	1,378	(622)	252
Other expenditures	–	47,188	47,188	–
Total special education instruction	11,310,100	10,912,047	(398,053)	10,604,170
Instructional support services				
Salaries	2,215,312	2,667,834	452,522	2,941,927
Employee benefits	844,543	988,171	143,628	1,042,722
Purchased services	622,638	519,366	(103,272)	452,365
Supplies and materials	201,853	188,419	(13,434)	199,016
Capital expenditures	171,749	129,125	(42,624)	112,059
Other expenditures	10,342	17,944	7,602	716
Total instructional support services	4,066,437	4,510,859	444,422	4,748,805
Pupil support services				
Salaries	1,470,374	1,843,266	372,892	1,698,032
Employee benefits	624,119	668,487	44,368	606,493
Purchased services	3,078,698	2,951,123	(127,575)	2,713,650
Supplies and materials	150,201	103,290	(46,911)	80,537
Capital expenditures	90,992	1,576	(89,416)	–
Other expenditures	190	11,723	11,533	424
Total pupil support services	5,414,574	5,579,465	164,891	5,099,136

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 283

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,236,820	2,064,653	(172,167)	2,091,692
Employee benefits	856,587	792,005	(64,582)	851,044
Purchased services	1,199,074	2,358,321	1,159,247	1,605,772
Supplies and materials	606,565	688,923	82,358	625,950
Capital expenditures	861,155	318,952	(542,203)	1,377,289
Other expenditures	2,272	254,341	252,069	35,506
Total sites and buildings	5,762,473	6,477,195	714,722	6,587,253
Fiscal and other fixed cost programs				
Purchased services	181,221	198,693	17,472	181,077
Debt service				
Principal	350,394	399,129	48,735	347,998
Interest and fiscal charges	58,638	37,414	(21,224)	39,810
Total debt service	409,032	436,543	27,511	387,808
Total expenditures	67,194,200	67,071,026	(123,174)	65,327,345
Excess (deficiency) of revenue over expenditures	(882,634)	1,430,150	2,312,784	(551,153)
Other financing sources (uses)				
Capital lease issued	–	145,756	145,756	535,700
Proceeds from sale of assets	–	74,851	74,851	–
Transfers in	–	–	–	237,671
Transfers (out)	–	(329,985)	(329,985)	–
Total other financing sources (uses)	–	(109,378)	(109,378)	773,371
Net change in fund balances	$ (882,634)	1,320,772	$ 2,203,406	222,218
Fund balances				
Beginning of year, as previously reported		18,910,370		18,688,152
Prior period adjustment		(29,575)		–
Beginning of year, as restated		18,880,795		18,688,152
End of year		$ 20,201,567		$ 18,910,370

INDEPENDENT SCHOOL DISTRICT NO. 283

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	$ 256,340	$ 180,260
Receivables		
Accounts and interest	139,688	88,375
Due from other governmental units	55,958	20,872
Due from other funds	–	11,914
Inventory	30,440	25,929
Prepaid items	–	3,910
Total assets	$ 482,426	$ 331,260
Liabilities		
Salaries payable	$ 60,938	$ 63,061
Accounts and contracts payable	12,561	12,792
Unearned revenue	89,076	76,078
Total liabilities	162,575	151,931
Fund balances		
Nonspendable for inventory	30,440	25,929
Nonspendable for prepaid items	–	3,910
Restricted for food service	289,411	149,490
Total fund balances	319,851	179,329
Total liabilities and fund balances	$ 482,426	$ 331,260

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, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 5,880	$ 5,880	$ 3,108
Other – primarily meal sales	785,425	859,016	73,591	846,991
State sources	118,977	112,072	(6,905)	108,832
Federal sources	1,076,056	1,115,947	39,891	1,125,174
Total revenue	1,980,458	2,092,915	112,457	2,084,105
Expenditures				
Current				
Salaries	684,979	675,843	(9,136)	681,668
Employee benefits	326,554	291,709	(34,845)	286,373
Purchased services	202,000	110,947	(91,053)	208,135
Supplies and materials	764,115	849,379	85,264	841,295
Other expenditures	3,000	9,836	6,836	9,260
Capital outlay	–	14,679	14,679	8,284
Total expenditures	1,980,648	1,952,393	(28,255)	2,035,015
Net change in fund balances	$ (190)	140,522	$ 140,712	49,090
Fund balances				
Beginning of year		179,329		130,239
End of year		$ 319,851		$ 179,329

INDEPENDENT SCHOOL DISTRICT NO. 283

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	$ 1,377,025	$ 1,116,735
Receivables		
Current taxes	484,625	459,123
Delinquent taxes	11,224	16,796
Accounts and interest	135,828	325,108
Due from other governmental units	193,920	204,644
Prepaid items	3,790	–
Total assets	$ 2,206,412	$ 2,122,406
Liabilities		
Salaries payable	$ 151,942	$ 173,535
Accounts and contracts payable	70,843	46,796
Due to other governmental units	55	720
Unearned revenue	179,088	123,195
Total liabilities	401,928	344,246
Deferred inflows of resources		
Property taxes levied for subsequent year	961,155	959,296
Unavailable revenue – delinquent taxes	11,956	8,256
Total deferred inflows of resources	973,111	967,552
Fund balances (deficits)		
Nonspendable for prepaid items	3,790	–
Restricted for community education programs	116,459	180,346
Restricted for early childhood family education programs	408,366	417,061
Restricted for school readiness	–	20,749
Restricted for community service	303,321	192,452
Unassigned – school readiness restricted account deficit	(563)	–
Total fund balances	831,373	810,608
Total liabilities, deferred inflows of resources, and fund balances	$ 2,206,412	$ 2,122,406

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, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 954,987	$ 945,294	$ (9,693)	$ 941,492
Investment earnings	–	28,076	28,076	19,085
Other – primarily tuition and fees	5,041,398	5,458,418	417,020	4,862,934
State sources	1,404,991	1,278,662	(126,329)	1,202,412
Total revenue	7,401,376	7,710,450	309,074	7,025,923
Expenditures				
Current				
Salaries	4,365,080	4,557,766	192,686	4,314,114
Employee benefits	1,432,547	1,670,211	237,664	1,566,136
Purchased services	1,095,422	967,572	(127,850)	990,353
Supplies and materials	407,084	430,638	23,554	401,023
Other expenditures	9,255	36,702	27,447	41,899
Capital outlay	81,750	26,796	(54,954)	40,027
Total expenditures	7,391,138	7,689,685	298,547	7,353,552
Net change in fund balances	$ 10,238	20,765	$ 10,527	(327,629)
Fund balances				
Beginning of year		810,608		1,138,237
End of year		$ 831,373		$ 810,608

INDEPENDENT SCHOOL DISTRICT NO. 283

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and investments – held by trustee	$ 76,178,107	$ 97,525,126
Accounts and interest receivable	1,404,131	309,852
Total assets	$ 77,582,238	$ 97,834,978
Liabilities		
Accounts and contracts payable	$ 9,950,990	$ 2,011,589
Fund balances		
Restricted for capital projects	67,631,248	95,823,389
Total liabilities and fund balances	$ 77,582,238	$ 97,834,978

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, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (charges)	$ –	$ 3,098,282	$ 3,098,282	$ (21,106)
Expenditures				
Capital outlay				
Purchased services	–	5,363,683	5,363,683	2,447,198
Supplies and materials	–	–	–	533
Capital expenditures	12,050,000	26,337,356	14,287,356	2,359,093
Debt service				
Fiscal charges and other	–	–	–	382,812
Total expenditures	12,050,000	31,701,039	19,651,039	5,189,636
Excess (deficiency) of revenue over expenditures	(12,050,000)	(28,602,757)	(16,552,757)	(5,210,742)
Other financing sources (uses)				
Debt issued	–	–	–	92,740,378
Premium on debt issued	–	–	–	8,293,753
Transfers (out)	–	–	–	(237,671)
Total other financing sources (uses)	–	–	–	100,796,460
Net change in fund balances	$ (12,050,000)	(28,602,757)	$ (16,552,757)	95,585,718
Fund balances				
Beginning of year, as previously reported		95,823,389		237,671
Prior period adjustment		410,616		–
Beginning of year, as restated		96,234,005		237,671
End of year		$ 67,631,248		$ 95,823,389

INDEPENDENT SCHOOL DISTRICT NO. 283

Debt Service Fund
Balance Sheet by Account
as of June 30, 2019
(With Comparative Totals as of June 30, 2018)

	Regular Debt Service Account	OPEB Debt Service Account
Assets		
Cash and temporary investments	$ 6,524,537	$ 571,094
Cash and temporary investments – held by trustee	–	–
Receivables		
Current taxes	5,004,869	380,384
Delinquent taxes	87,703	9,696
Accounts and interest	–	–
Total assets	$ 11,617,109	$ 961,174
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 9,925,861	$ 754,400
Unavailable revenue – delinquent taxes	95,429	10,286
Total deferred inflows of resources	10,021,290	764,686
Fund balances		
Restricted for debt service	1,595,819	196,488
Total deferred inflows of resources and fund balances	$ 11,617,109	$ 961,174

Totals	
2019	2018
$ 7,095,631	$ 6,792,875
–	209,622
5,385,253	5,107,642
97,399	126,005
–	45,000
$ 12,578,283	$ 12,281,144
$ 10,680,261	$ 10,671,566
105,715	63,500
10,785,976	10,735,066
1,792,307	1,546,078
$ 12,578,283	$ 12,281,144

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, 2019
(With Comparative Actual amounts for the Year Ended June 30, 2018)

	2019		
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	$ 10,670,492	$ 9,750,384	$ 801,093
Investment earnings	–	101,754	–
Total revenue	10,670,492	9,852,138	801,093
Expenditures			
Debt service			
Principal	6,020,000	5,265,000	755,000
Interest	4,378,978	4,338,965	40,013
Fiscal charges and other	10,450	7,550	474
Total expenditures	10,409,428	9,611,515	795,487
Excess of revenue over expenditures	261,064	240,623	5,606
Other financing sources			
Debt issued	–	–	–
Net change in fund balances	$ 261,064	240,623	5,606
Fund balances			
Beginning of year		1,355,196	190,882
End of year		$ 1,595,819	$ 196,488

		2018
Total	Over (Under) Budget	Actual
$ 10,551,477	$ (119,015)	$ 6,887,982
101,754	101,754	54,537
10,653,231	(17,261)	6,942,519
6,020,000	–	5,820,000
4,378,978	–	967,270
8,024	(2,426)	9,051
10,407,002	(2,426)	6,796,321
246,229	(14,835)	146,198
–	–	209,622
246,229	$ (14,835)	355,820
1,546,078		1,190,258
$ 1,792,307		$ 1,546,078

INDEPENDENT SCHOOL DISTRICT NO. 283

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2019
(With Comparative Totals as of June 30, 2018)

	Dental Self-Insurance	Other Post-Employment Benefits	Totals 2019	Totals 2018
Assets				
Current assets				
Cash and temporary investments	$ 339,482	$ –	$ 339,482	$ –
Cash and investments – held by trustee	–	2,610,395	2,610,395	2,749,191
Accounts and interest receivable	–	65,353	65,353	44,784
Total current assets	339,482	2,675,748	3,015,230	2,793,975
Deferred outflows of resources				
OPEB plan deferments	–	783,742	783,742	408,795
Liabilities				
Current liabilities				
Due to other funds	–	–	–	385,719
Accounts payable	16,847	–	16,847	–
Unearned revenue	76,882	–	76,882	–
Claims incurred, but not reported	17,675	–	17,675	–
Total current liabilities	111,404	–	111,404	385,719
Long-term liabilities				
Total OPEB liability	–	5,226,461	5,226,461	5,426,834
Total liabilities	111,404	5,226,461	5,337,865	5,812,553
Deferred inflows of resources				
OPEB plan deferments	–	755,015	755,015	150,455
Net position				
Unrestricted	$ 228,078	$ (2,521,986)	$ (2,293,908)	$ (2,760,238)

INDEPENDENT SCHOOL DISTRICT NO. 283

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Dental Self-Insurance	Other Post-Employment Benefits	Totals 2019	Totals 2018
Operating revenue				
Contributions from governmental funds	$ 535,083	$ 398,420	$ 933,503	$ –
Operating expenses				
Dental benefit claims	636,990	–	636,990	–
OPEB	–	427,661	427,661	187,578
Total operating expenses	636,990	427,661	1,064,651	187,578
Operating income (loss)	(101,907)	(29,241)	(131,148)	(187,578)
Nonoperating revenue				
Investment earnings	–	39,474	39,474	29,667
Income (loss) before transfers	(101,907)	10,233	(91,674)	(157,911)
Transfers in	329,985	–	329,985	–
Change in net position	228,078	10,233	238,311	(157,911)
Net position				
Beginning of year, as previously reported	–	(2,760,238)	(2,760,238)	(2,602,327)
Prior period adjustment	–	228,019	228,019	–
Beginning of year, as restated	–	(2,532,219)	(2,532,219)	(2,602,327)
End of year	$ 228,078	$ (2,521,986)	$ (2,293,908)	$ (2,760,238)

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Dental Self-Insurance	Other Post-Employment Benefits	Totals 2019	Totals 2018
Cash flows from operating activities				
Contributions from governmental funds	$ 611,965	$ 398,420	$ 1,010,385	$ –
Payments for dental claims	(602,468)	–	(602,468)	–
Payments for OPEB	–	(398,421)	(398,421)	(157,700)
Net cash flows from operating activities	9,497	(1)	9,496	(157,700)
Cash flows from noncapital financing activities				
Payments on due to other funds	–	(157,700)	(157,700)	(269,468)
Transfers in	329,985	–	329,985	–
Net cash flows from noncapital financing activities	329,985	(157,700)	172,285	(269,468)
Cash flows from investing activities				
Investment income received	–	18,905	18,905	7,411
Net change in cash and cash equivalents	339,482	(138,796)	200,686	(419,757)
Cash and cash equivalents				
Beginning of year	–	2,749,191	2,749,191	3,168,948
End of year	$ 339,482	$ 2,610,395	$ 2,949,877	$ 2,749,191
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ (101,907)	$ (29,241)	$ (131,148)	$ (187,578)
Adjustments to reconcile operating income (loss) to cash flows from operating activities				
Changes in assets and liabilities				
Deferred outflows of resources	–	(374,947)	(374,947)	(67,575)
Total OPEB liability	–	(200,373)	(200,373)	(53,002)
Accounts payable	16,847	–	16,847	–
Unearned revenue	76,882	–	76,882	–
Deferred inflows of resources	–	604,560	604,560	150,455
Claims incurred, but not reported	17,675	–	17,675	–
Net cash flows from operating activities	$ 9,497	$ (1)	$ 9,496	$ (157,700)