INDEPENDENT SCHOOL DISTRICT NO. 273
EDINA, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 273

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 273

School Board and Administration
Year Ended June 30, 2019

SCHOOL BOARD

	Position
Leny Wallen-Friedman	Chair
Sarah Patzloff	Vice Chair
Matthew Fox	Treasurer
Erica Allenburg	Clerk
Ellen Jones	Assistant Treasurer
Amir Gharbi	Assistant Clerk
Owen Michaelson	Assistant Clerk

ADMINISTRATION

Dr. John Schultz	Superintendent
Margo Bauck	Director of Business Services. Retired June 30, 2019
John Toop	Director of Business Services. Beginning July 1, 2019
Ra Chhoth	Controller
Adam Lloyd	Assistant Controller

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 273, Edina, Minnesota (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, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 8, 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 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 13, 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 13, 2019

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This section of Independent School District No. 273, Edina, Minnesota's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the District's annual 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 $42,129,927 (net position deficit). The District's total net position improved by $29,341,519 during the fiscal year ended June 30, 2019.

- Government-wide revenues totaled $144,735,363, and were $29,341,519 greater than expenses of $115,393,844.

- The General Fund's total fund balance (under the governmental fund presentation) increased $446,464 from the prior year, compared to a $3,203,949 decrease projected in the final budget.

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

- Combining and individual fund statements and schedules, presented as supplemental information.

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. 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. Funds (Food Service and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds is 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. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following 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 funds 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 funds 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 Fund to account for its self-insured employee dental program. 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.

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 Statement of Net Position
as of June 30, 2019 and 2018

	2019	2018
Assets		
Current and other assets	$ 115,151,833	$ 110,229,697
Capital assets, net of depreciation	258,530,095	244,848,543
Total assets	$ 373,681,928	$ 355,078,240
Deferred outflows of resources	$ 91,317,446	$ 116,512,404
Liabilities		
Current and other liabilities	$ 20,581,933	$ 24,658,039
Long-term liabilities, including due within one year	318,756,300	432,628,782
Total liabilities	$ 339,338,233	$ 457,286,821
Deferred inflows of resources	$ 167,791,068	$ 85,775,269
Net position		
Net investment in capital assets	$ 64,290,068	$ 60,040,219
Restricted	14,352,180	16,131,196
Unrestricted	(120,772,175)	(147,642,861)
Total net position	$ (42,129,927)	$ (71,471,446)

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 current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, may produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impact the unrestricted portion of net position.

The decrease in current assets and increase in capital assets, net of depreciation was due to ongoing construction at various sites. The changes in deferred outflows/inflows of resources and long-term liabilities were mainly due to changes in the District's proportionate share of the state-wide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pensions plans.

Total net position improved by $29,341,519 in the current year, which was also mainly the result of the changes in the two state-wide pension plans.

Table 2 presents a condensed version of the Statement of Activities of the District:

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2019 and 2018

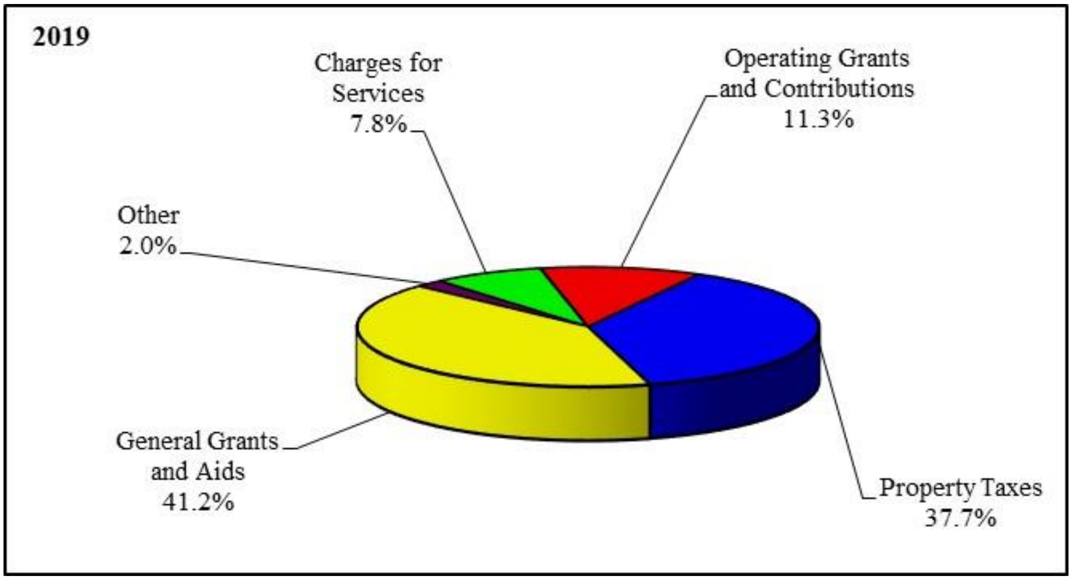
	2019	2018
Revenues		
Program revenues		
Charges for services	$ 11,348,284	$ 10,687,757
Operating grants and contributions	16,423,646	14,410,211
General revenues		
Property taxes	54,615,541	51,992,739
General grants and aids	59,507,776	62,441,248
All other	2,840,116	7,657,811
Total revenues	144,735,363	147,189,766
Expenses		
Administration	2,218,112	4,172,107
District support services	2,656,587	3,500,226
Elementary and secondary regular instruction	40,403,099	78,379,255
Vocational education instruction	238,186	387,560
Special education instruction	15,671,871	25,379,452
Instructional support services	4,044,870	7,652,292
Pupil support services	10,039,710	11,162,024
Sites and buildings	23,315,175	19,989,575
Fiscal and other fixed cost programs	252,778	306,141
Food service	2,922,698	3,289,385
Community service	7,444,575	7,720,547
Interest and fiscal charges	6,186,183	6,232,703
Total expenses	115,393,844	168,171,267
Change in net position	29,341,519	(20,981,501)
Net position – beginning, restated	(71,471,446)	(50,489,945)
Net position – ending	$ (42,129,927)	$ (71,471,446)

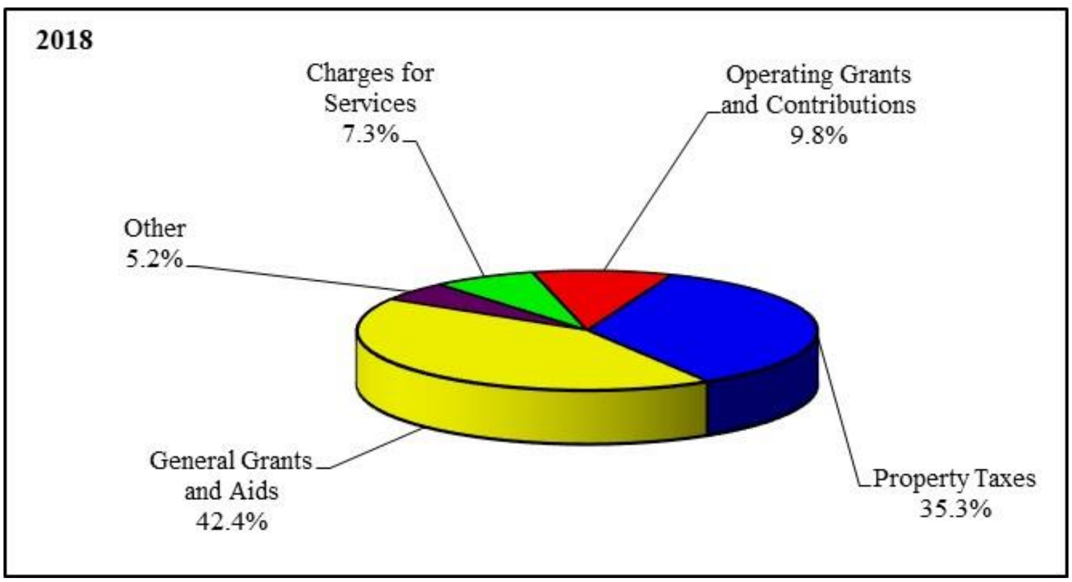
This format is similar to the fund financial statements, except it is presented on an accrual basis of accounting, and includes all governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenues for fiscal year 2019 were $2,454,403 less than last year, mainly due to the sale of the District's former transportation facility in the prior year. Expenses decreased $52,777,423 compared to fiscal year 2018 levels, mainly due to the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier, along with natural inflationary increases.

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

Figure A – Sources of Revenues for Fiscal Years 2019 and 2018

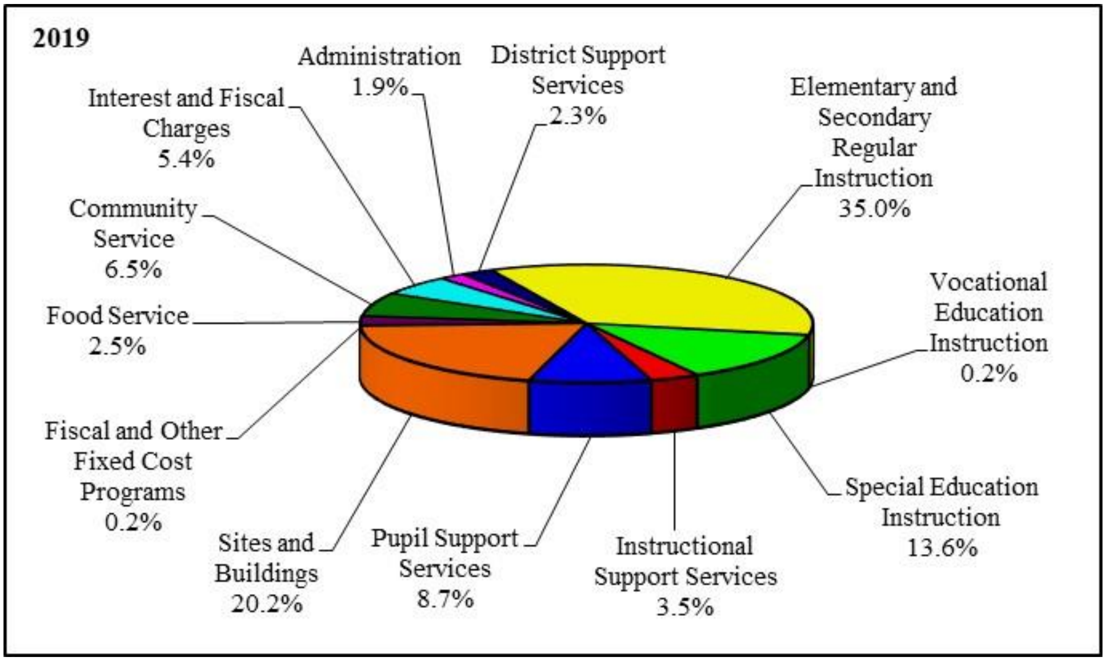


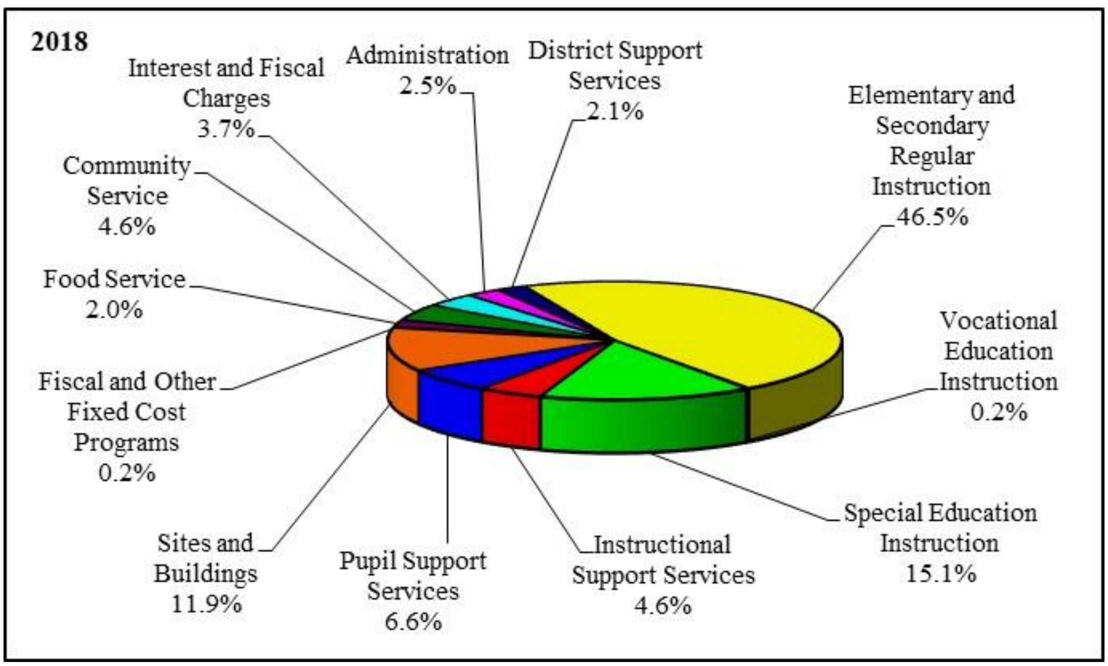


The largest share of the District's revenue is received from the state, including the aid formula and most of the operating grants.

Property taxes are the next largest source of funding. The level of funding property tax sources provide is not only dependent on taxpayers of the District 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 proportion 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 in 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	$ 14,182,466	$ 13,736,002	$ 446,464
Capital Projects – Building Construction	25,077,215	19,804,605	5,272,610
Debt Service	2,596,972	1,539,589	1,057,383
Nonmajor funds			
Food Service Special Revenue	1,100,255	1,006,569	93,686
Community Service Special Revenue	932,204	740,156	192,048
Total governmental funds	$ 43,889,112	$ 36,826,921	$ 7,062,191

In the General Fund, nonspendable fund balances for prepaid items decreased $683,294, due to the timing of employee health insurance premium payments. Fund balances restricted for various purposes decreased $475,524, mainly due to the utilization resources restricted for operating capital. Fund balances committed by School Board resolution for cash flow needs increased $109,795. Fund balances assigned for various purposes decreased $534. Unassigned fund balances, which include Uniform Financial Accounting and Reporting Standards fund balance restrictions with deficit balances, increased $1,496,021 during the year.

The increase in the Capital Projects – Building Construction Fund balance primarily reflects the issuance of the 2019A Facilities Maintenance Bonds, the remainder of which remain restricted for long-term facilities maintenance capital projects at year-end.

General Fund

The General Fund is used to account for all revenues and expenditures of the District not accounted for elsewhere. The General Fund is used to account for: K–12 educational activities, district instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and other legal school district expenditures not specifically designated to be accounted for in any other 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	$ 115,163,674	$ 115,074,659	$ (89,015)	(0.1%)
Expenditures and other financing uses	$ 114,512,493	$ 118,278,608	$ 3,766,115	3.3%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. In the fall and spring, the District amends the budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements. Between the original and final budget, the District revised the expenditure budget for actual staffing and prior year carryover balances.

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	$ 117,099,199	$ 2,024,540	1.8%	$ 6,249,311	5.6%
Expenditures and other financing uses	116,652,735	$ (1,625,873)	(1.4%)	$ 846,694	0.7%
Net change in fund balances	$ 446,464				

Actual revenues for fiscal year 2019 were 1.8 percent over budget. The revenue variance was primarily in other local revenue sources, due to an increase in interest, rent, and fees from patrons. The expenditure variance in 2019 was spread across several programs, with the largest savings occurring in instructional support services and sites and buildings, primarily due an unspent budget for capital contingencies and more long-term facilities maintenance projects being expended from the Capital Projects – Building Construction Fund than anticipated.

An increase in the District's voter-approved operating referendum tax levy, along with additional state funding for general education and special education, contributed to the 5.6 percent increase in total General Fund revenue.

The increase in expenditures and other financing uses is due to different long-term facility maintenance projects from the previous year, along with growth in remaining expenditures consistent with regional inflationary trends.

Food Service Special Revenue Fund

Food Service Special Revenue Fund revenue for fiscal year 2019 totaled $3,040,206, and expenditures were $2,946,520. The June 30, 2019 fund balance is $1,100,255, an increase of $93,686 from fiscal year 2018, compared to a budgeted decrease of $211,312. The variance to budget was due to the combination of regular-priced and ala carte meals sales exceeding budget, while purchased service costs paid to the District's contracted food service provider were less than anticipated

Community Service Special Revenue Fund

Community Service Special Revenue Fund revenue and other financing sources for fiscal year 2019 totaled $8,117,707, and expenditures were $7,925,659. The June 30, 2019 fund balance is $932,204, an increase of $192,048 from fiscal year 2018, compared to a budgeted increase of $188,273. Both revenue and expenditures exceeded budget, due to increased program participation.

Capital Projects – Building Construction Fund

Capital Projects – Building Construction Fund revenue and other financing sources for fiscal year 2019 totaled $33,395,104, and expenditures were $28,122,494. The June 30, 2019 fund balance is $25,077,215, an increase of $5,272,610 from fiscal year 2018, compared to a planned increase of $6,719,070. This variance was mainly due to the timing of capital projects.

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction, operating capital, or for initial or refunding bonds. Debt Service Fund revenue and other financing sources for fiscal year 2019 totaled $15,729,576, and expenditures were $14,672,193. The June 30, 2019 fund balance is $2,596,972, an increase of $1,057,383 from fiscal year 2018, as compared to a $514,684 increase anticipated in the budget. This variance was mainly attributable to capitalized interest from the District's 2019A bond issue that will be used to make the first interest payment on the new bonds.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2019, the District had invested $258,530,095 in a broad range of capital assets, including school buildings, athletic facilities, and technology and equipment (see Table 6). Total depreciation expense for this year was $10,132,336.

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	Change
Land	$ 5,240,001	$ 5,240,001	$ –
Land improvements	25,704,218	10,415,558	15,288,660
Buildings	298,445,773	206,025,067	92,420,706
Furniture and equipment	18,787,927	16,164,663	2,623,264
Construction in progress	46,163,614	132,682,356	(86,518,742)
Less accumulated depreciation	(135,811,438)	(125,679,102)	(10,132,336)
Total	$ 258,530,095	$ 244,848,543	$ 13,681,552
Depreciation expense	$ 10,132,336	$ 5,924,684	$ 4,207,652

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2019. The most significant change from last year is in construction in progress related to previously issued building bonds and the 10-year long-term facilities maintenance plan.

The District capitalizes furniture, equipment, and also land improvements valued at $5,000 or more.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities, together with the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2019	2018	Change
General obligation bonds payable	$ 191,720,000	$ 175,050,000	$ 16,670,000
Certification of participation payable	950,000	1,055,000	(105,000)
Unamortized premiums	15,481,849	15,615,362	(133,513)
Capital leases payable	1,615,060	1,748,376	(133,316)
Severance benefits payable	694,605	616,230	78,375
Net pension liabilities	89,050,545	218,632,925	(129,582,380)
Total OPEB liability	19,244,241	19,910,889	(666,648)
Total	$ 318,756,300	$ 432,628,782	$ (113,872,482)

The increase in general obligation bonds was due to the District issuing the 2019A General Obligation Facilities Maintenance Bond. The decrease in certificates of participation payable, and capital leases payable were due to scheduled principal repayments during fiscal year 2019. The difference in the net pension and OPEB liabilities reflects the changes in the District's proportionate share of the state-wide PERA and TRA pension plans, along with changes in the District's pension and OPEB plans.

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	$ 10,134,864,875
Limit rate	15.0%
Legal debt limit	$ 1,520,229,731

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 excess operating referendum, the District is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

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.

Annually, the School Board approves a rolling 10-year long-term facilities maintenance plan. Goals of the plan are to support learning environment and initiatives for students, staff, and community; increase long-term facilities funding of annual deferred maintenance to meet ongoing needs; address backlog of deferred maintenance in buildings; improve energy efficiency; support strategic plan initiatives; and minimize impact to taxpayers. In conformance with this 10-year plan, the District issued in Spring 2019 $24.1 million in long-term facilities maintenance bonds. The plan invests approximately $15.0 million biannually in the remaining years of the plan to improve mechanical systems, exterior envelope, and paving throughout the District.

In Fall 2019, while refinancing 2011 Buildings Bonds, the District maintained its top credit rating from one of the leading global rating agencies. Moody's Investor Service reaffirmed its Aaa rating of the District, the highest assigned by Moody's. The Aaa rating allows the District to obtain the lowest interest rates available when borrowing money by issuing bonds and certificates. The District is one of three districts in the state to have the highest rating.

In May 2015, the District was successful in its request to issue $124.9 million in bonds to support a number of capital projects. Funds will be used to implement the Next Generation of Edina Public Schools Strategic Plan focusing both on short-term and long-term facility needs. The remaining project will be completed by Fall 2019.

In November 2017, the District was successful in its request to renew and increase the existing operating levy scheduled to sunset in 2018–2019. The voters approved the increase in a two-step process, with an increase for taxes payable in 2018 of $445 per pupil unit, and an increase of $217.61 per pupil unit for taxes payable starting in 2020. The increase in the operating referendum has maintained the quality of programs and services expected in Edina.

The District strives to maintain its longstanding commitment to academic excellence and educational opportunity for learners within a framework of financial fiduciary responsibility.

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 Services Department, Independent School District No. 273, 5701 Normandale Road, Edina, Minnesota 55424, or visit the District's website at www.edinaschools.org.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ 75,342,730	$ 75,419,872
Receivables		
Current taxes	28,163,663	23,720,670
Delinquent taxes	437,198	484,427
Accounts and interest	704,643	597,087
Due from other governmental units	10,472,466	9,279,995
Prepaid items	31,133	727,646
Capital assets		
Not depreciated	51,403,615	137,922,357
Depreciated, net of accumulated depreciation	207,126,480	106,926,186
Total assets	373,681,928	355,078,240
Deferred outflows of resources		
Pension plan deferments	90,306,489	115,530,697
OPEB plan deferments	1,010,957	981,707
Total deferred outflows of resources	91,317,446	116,512,404
Total assets and deferred outflows of resources	$ 464,999,374	$ 471,590,644
Liabilities		
Salaries and benefits payable	$ 11,278,469	$ 10,287,945
Accounts and contracts payable	5,267,795	10,267,238
Accrued interest payable	3,019,481	3,044,104
Due to other governmental units	279,392	398,058
Unearned revenue	736,796	660,694
Long-term liabilities		
Net pension liabilities	89,050,545	218,632,925
Total OPEB liability	19,244,241	19,910,889
Bonds, certificates, capital leases, and other due within one year	8,685,972	7,872,349
Bonds, certificates, capital leases, and other due in more than one year	201,775,542	186,212,619
Total liabilities	339,338,233	457,286,821
Deferred inflows of resources		
Property taxes levied for subsequent year	52,721,434	50,945,940
Pension plan deferments	113,762,458	34,829,329
OPEB plan deferments	1,307,176	–
Total deferred inflows of resources	167,791,068	85,775,269
Net position		
Net investment in capital assets	64,290,068	60,040,219
Restricted for		
Capital asset acquisition	12,305,809	14,349,517
Food service	1,100,255	1,006,569
Community service	887,296	690,616
Other state restrictions	58,820	84,494
Unrestricted	(120,772,175)	(147,642,861)
Total net position	(42,129,927)	(71,471,446)
Total liabilities, deferred inflows of resources, and net position	$ 464,999,374	$ 471,590,644

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ 2,218,112	$ 33,512	$ –	$ (2,184,600)	$ (4,113,330)
District support services	2,656,587	–	–	(2,656,587)	(3,500,226)
Elementary and secondary regular instruction	40,403,099	1,819,367	320,933	(38,262,799)	(76,175,425)
Vocational education instruction	238,186	–	–	(238,186)	(387,560)
Special education instruction	15,671,871	202,526	14,095,621	(1,373,724)	(13,015,071)
Instructional support services	4,044,870	–	–	(4,044,870)	(7,652,292)
Pupil support services	10,039,710	52,783	773,580	(9,213,347)	(10,473,850)
Sites and buildings	23,315,175	509,760	–	(22,805,415)	(19,458,625)
Fiscal and other fixed cost programs	252,778	–	–	(252,778)	(306,141)
Food service	2,922,698	2,238,064	772,393	87,759	(302,031)
Community service	7,444,575	6,492,272	461,119	(491,184)	(1,456,045)
Interest and fiscal charges	6,186,183	–	–	(6,186,183)	(6,232,703)
Total governmental activities	$ 115,393,844	$ 11,348,284	$ 16,423,646	(87,621,914)	(143,073,299)
General revenues					
Taxes					
Property taxes, levied for general purposes				33,151,451	30,129,873
Property taxes, levied for community service				1,074,332	1,119,670
Property taxes, levied for capital projects				5,300,000	5,344,774
Property taxes, levied for debt service				15,089,758	15,398,422
General grants and aids				59,507,776	62,441,248
Other general revenues				1,852,396	1,889,515
Gain on sale of capital assets				–	4,696,546
Investment earnings				987,720	1,071,750
Total general revenues				116,963,433	122,091,798
Change in net position				29,341,519	(20,981,501)
Net position – beginning				(71,471,446)	(50,489,945)
Net position – ending				$ (42,129,927)	$ (71,471,446)

INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ 32,481,865	$ 28,227,973	$ 10,580,123
Receivables			
Current taxes	19,677,882	–	7,928,679
Delinquent taxes	318,225	–	108,872
Accounts and interest	583,514	66,028	–
Due from other governmental units	10,317,391	–	–
Prepaid items	31,133	–	–
Total assets	$ 63,410,010	$ 28,294,001	$ 18,617,674
Liabilities			
Salaries and benefits payable	$ 11,072,233	$ 10,396	$ –
Accounts and contracts payable	1,867,368	3,206,390	–
Due to other governmental units	225,971	–	–
Unearned revenue	–	–	–
Total liabilities	13,165,572	3,216,786	–
Deferred inflows of resources			
Property taxes levied for subsequent year	35,708,786	–	15,895,730
Unavailable revenue – delinquent taxes	353,186	–	124,972
Total deferred inflows of resources	36,061,972	–	16,020,702
Fund balances			
Nonspendable	31,133	–	–
Restricted	2,814,296	25,077,215	2,596,972
Committed	1,037,614	–	–
Assigned	3,534,808	–	–
Unassigned	6,764,615	–	–
Total fund balances	14,182,466	25,077,215	2,596,972
Total liabilities, deferred inflows of resources, and fund balances	$ 63,410,010	$ 28,294,001	$ 18,617,674

Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
$ 3,545,119	$ 74,835,080	$ 74,921,486
557,102	28,163,663	23,720,670
10,101	437,198	484,427
31,268	680,810	573,578
155,075	10,472,466	9,279,995
–	31,133	727,646
$ 4,298,665	$ 114,620,350	$ 109,707,802
$ 195,840	$ 11,278,469	$ 10,287,945
152,159	5,225,917	10,229,710
53,421	279,392	398,058
736,796	736,796	660,694
1,138,216	17,520,574	21,576,407
1,116,918	52,721,434	50,945,940
11,072	489,230	358,534
1,127,990	53,210,664	51,304,474
–	31,133	727,646
2,032,459	32,520,942	26,367,520
–	1,037,614	927,819
–	3,534,808	3,535,342
–	6,764,615	5,268,594
2,032,459	43,889,112	36,826,921
$ 4,298,665	$ 114,620,350	$ 109,707,802

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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	$ 43,889,112	$ 36,826,921
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	394,341,533	370,527,645
Accumulated depreciation	(135,811,438)	(125,679,102)
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 as other financing sources and uses.		
General obligation bonds payable	(191,720,000)	(175,050,000)
Certificates of participation payable	(950,000)	(1,055,000)
Unamortized premiums	(15,481,849)	(15,615,362)
Capital leases payable	(1,615,060)	(1,748,376)
Severance benefits payable	(694,605)	(616,230)
Net pension liabilities	(89,050,545)	(218,632,925)
Total OPEB liability	(19,244,241)	(19,910,889)
activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	489,605	484,367
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(3,019,481)	(3,044,104)
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	90,306,489	115,530,697
Deferred outflows of resources – OPEB plan deferments	1,010,957	981,707
Deferred inflows of resources – pension plan deferments	(113,762,458)	(34,829,329)
Deferred inflows of resources – OPEB plan deferments	(1,307,176)	–
Deferred inflows of resources – unavailable revenue – delinquent taxes	489,230	358,534
Total net position – governmental activities	$ (42,129,927)	$ (71,471,446)

INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ 33,058,228	$ 5,300,000	$ 15,054,762
Investment earnings	652,518	190,040	85,069
Other	4,410,361	59,983	–
State sources	76,567,326	–	–
Federal sources	2,410,766	–	–
Total revenue	117,099,199	5,550,023	15,139,831
Expenditures			
Current			
Administration	3,301,695	–	–
District support services	2,918,207	–	–
Elementary and secondary regular instruction	55,976,301	–	–
Vocational education instruction	371,717	–	–
Special education instruction	21,165,695	–	–
Instructional support services	5,720,643	–	–
Pupil support services	10,536,840	–	–
Sites and buildings	12,863,141	–	–
Fiscal and other fixed cost programs	252,778	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	27,930,827	–
Debt service			
Principal	238,316	–	7,405,000
Interest and fiscal charges	93,899	191,667	7,267,193
Total expenditures	113,439,232	28,122,494	14,672,193
Excess (deficiency) of revenue over expenditures	3,659,967	(22,572,471)	467,638
Other financing sources (uses)			
Bonds issued	–	24,075,000	–
Premium on bonds issued	–	618,695	589,745
Sale of capital assets	–	–	–
Transfers in	–	3,151,386	–
Transfers (out)	(3,213,503)	–	–
Total other financing sources (uses)	(3,213,503)	27,845,081	589,745
Net change in fund balances	446,464	5,272,610	1,057,383
Fund balances			
Beginning of year	13,736,002	19,804,605	1,539,589
End of year	$ 14,182,466	$ 25,077,215	$ 2,596,972

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
$ 1,071,855	$ 54,484,845	$ 52,129,918
60,093	987,720	1,071,750
8,730,336	13,200,680	12,577,272
584,430	77,151,756	74,418,915
649,082	3,059,848	2,462,536
11,095,796	148,884,849	142,660,391
–	3,301,695	3,165,048
–	2,918,207	3,252,865
–	55,976,301	55,129,942
–	371,717	437,560
–	21,165,695	19,799,024
–	5,720,643	5,826,639
–	10,536,840	10,026,345
–	12,863,141	9,665,421
–	252,778	306,141
2,934,016	2,934,016	3,172,591
7,885,155	7,885,155	7,135,225
53,008	27,983,835	59,273,703
–	7,643,316	7,408,860
–	7,552,759	7,616,783
10,872,179	167,106,098	192,216,147
223,617	(18,221,249)	(49,555,756)
–	24,075,000	–
–	1,208,440	–
–	–	4,721,013
62,117	3,213,503	7,866,783
–	(3,213,503)	(7,866,783)
62,117	25,283,440	4,721,013
285,734	7,062,191	(44,834,743)
1,746,725	36,826,921	81,661,664
$ 2,032,459	$ 43,889,112	$ 36,826,921

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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 for the Year Ended June 30, 2018)

	2019	2018
Total net change in fund balances – governmental funds	$ 7,062,191	$ (44,834,743)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital assets are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	23,813,888	52,168,196
Depreciation expense	(10,132,336)	(5,924,684)
Net book value of capital asset disposals	–	(24,467)
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.	5,238	(3,415)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(24,075,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds and certificates of participation	7,510,000	7,280,000
Capital leases payable	133,316	128,860
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.	24,623	53,989
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 as other financing sources and uses.	133,513	1,330,091
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.		
Severance benefits payable	(78,375)	(86,274)
Net pension liabilities	129,582,380	40,104,515
Total OPEB liability	666,648	(885,597)
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	(25,224,208)	(38,888,510)
Deferred outflows of resources – OPEB plan deferments	29,250	28,342
Deferred inflows of resources – pension plan deferments	(78,933,129)	(31,290,625)
Deferred inflows of resources – OPEB plan deferments	(1,307,176)	–
Deferred inflows of resources – unavailable revenue – delinquent taxes	130,696	(137,179)
Change in net position – governmental activities	$ 29,341,519	$ (20,981,501)

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ 33,231,678	$ 33,146,010	$ 33,058,228	$ (87,782)
Investment earnings	440,000	640,000	652,518	12,518
Other	2,633,288	2,703,288	4,410,361	1,707,073
State sources	77,006,145	76,127,747	76,567,326	439,579
Federal sources	1,852,563	2,457,614	2,410,766	(46,848)
Total revenue	115,163,674	115,074,659	117,099,199	2,024,540
Expenditures				
Current				
Administration	3,085,784	3,250,927	3,301,695	50,768
District support services	3,025,926	2,884,749	2,918,207	33,458
Elementary and secondary regular instruction	54,916,656	55,805,585	55,976,301	170,716
Vocational education instruction	260,130	245,851	371,717	125,866
Special education instruction	20,637,340	21,186,934	21,165,695	(21,239)
Instructional support services	6,038,467	7,067,961	5,720,643	(1,347,318)
Pupil support services	9,490,698	9,945,958	10,536,840	590,882
Sites and buildings	14,838,657	15,310,380	12,863,141	(2,447,239)
Fiscal and other fixed cost programs	385,000	360,000	252,778	(107,222)
Debt service				
Principal	233,859	238,316	238,316	–
Interest and fiscal charges	98,419	93,961	93,899	(62)
Total expenditures	113,010,936	116,390,622	113,439,232	(2,951,390)
Excess (deficiency) of revenue over expenditures	2,152,738	(1,315,963)	3,659,967	4,975,930
Other financing (uses)				
Transfers (out)	(1,501,557)	(1,887,986)	(3,213,503)	(1,325,517)
Net change in fund balances	$ 651,181	$ (3,203,949)	446,464	$ 3,650,413
Fund balances				
Beginning of year			13,736,002	
End of year			$ 14,182,466	

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

	2019	2018
Assets		
Current assets		
Cash and temporary investments	$ 507,650	$ 498,386
Accounts receivable	23,833	23,509
Total assets	531,483	521,895
Liabilities		
Current liabilities		
Accounts and contracts payable	41,878	37,528
Net position		
Unrestricted	$ 489,605	$ 484,367

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2019	2018
Operating revenue		
Charges for services	$ 872,731	$ 872,654
Operating expenses		
Dental claims and expenses	867,493	876,069
Operating income (loss)	5,238	(3,415)
Net position		
Beginning of year	484,367	487,782
End of year	$ 489,605	$ 484,367

Statement of Cash Flows
Proprietary Fund
Internal Service Fund
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	$ 872,407	$ 861,684
Dental claims and other expense payments	(863,143)	(869,912)
Net cash flows from operating activities	9,264	(8,228)
Cash and temporary investments		
Beginning of year	498,386	506,614
End of year	$ 507,650	$ 498,386
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ 5,238	$ (3,415)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	(324)	(10,970)
Accounts and contracts payable	4,350	6,157
Net cash flows from operating activities	$ 9,264	$ (8,228)

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Organization

Independent School District No. 273, Edina, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District serves pre-kindergarten through 12th grade students attending the District either as a resident of the District or through an open enrollment option election. It is governed by a School Board elected by voters of the District to four-year terms. 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 District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

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 has elected not to control or be otherwise financially accountable with respect to the underlying 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. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on 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 and proprietary 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 proprietary fund financial statements. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes. 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. An internal service fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The principal operating revenue of the District's Internal Service Fund is charges to other district funds for service. Operating expenses for the Internal Service Fund include the costs of providing services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund – The General Fund is the government's primary operating fund. It accounts 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, capital project levies, 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 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 Fund – The District's Internal Service Fund is used to account for dental insurance offered by the District to its employees as a self-insured plan.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Actual expenditures for the year ended June 30, 2019 exceeded budgeted appropriations by $262,010 and $2,803,578 in the Community Service Special Revenue Fund and Capital Projects – Building Construction Fund, respectively. Revenues and other financing sources in excess of budget, along with available fund balances, financed these variances.

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.

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

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

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

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

G. Receivables

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported as expenses/expenditures at the time of consumption.

I. Property Taxes

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $3,742,228 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 reported as a deferred inflow of resources (property taxes levied for subsequent year).

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.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated acquisition value at the date of donation. 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. The District does not possess material amounts of infrastructure capital assets. Such items are considered to be part of the cost of buildings or other improvable property.

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

K. 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. If material, 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.

L. Compensated Absences

Under the terms of union contracts, certain employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end. Compensated absences, if material, are accrued when earned in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Severance Benefits

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

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future, and are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

N. State-Wide Pension Plans

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

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

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

O. Risk Management and Self-Insurance

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 the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current fiscal year.

2. **Self-Insurance** – The District established an Internal Service Fund to account for and finance its uninsured risk of loss for its employee dental plan. Under this plan, the District 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 stop-loss insurance premium costs and administrative service charges.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of dental claim liabilities were as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 31,371	$ 876,069	$ 869,912	$ 37,528
2019	$ 37,528	$ 867,493	$ 863,143	$ 41,878

P. 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 other post-employment benefit plans (OPEB) reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, difference between projected and actual investment earnings, changes in proportion, 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.

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.

Q. Interfund Transfers

The General Fund transferred $62,117 to the Community Service Special Revenue Fund to help finance early childhood family education program costs, and $3,151,386 to the Capital Projects – Building Construction Fund to allocate revenue that will be expended by the Capital Projects – Building Construction Fund for long-term facilities maintenance projects. Such interfund transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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 Net Position** – Consists of net position restricted related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Unrestricted Net Position** – 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.

S. 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 and director of business services are 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, and then use unrestricted resources as they are needed.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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.

U. 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, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	10,270,622
Investments		65,072,108
Cash and temporary investments	$	75,342,730

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Deposits

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

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

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

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

The year-end bank balances of the District's deposits totaled $10,270,622, which were fully covered by federal deposit insurance or collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Rating	Rating Agency	Fair Value Measurements Using	Interest Rate Risk – Maturity Duration in Years: No Maturity Date	Less Than 1 Year	1 to 5	Total
Negotiable certificates of deposits	Not Rated		Level 2	$ –	$ –	$ 992,571	$ 992,571
Investment pools							
MSDLAF – Liquid Class	AAA	S&P	Not Applicable	$ 9,120,895	$ –	$ –	$ 9,120,895
MSDLAF – MAX Class	AAA	S&P	Not Applicable	$ 7,638,836	$ –	$ –	$ 7,638,836
MNTrust Investment Shares Portfolio	AAA	S&P	Not Applicable	$ 32,319,806	$ –	$ –	$ 32,319,806
MNTrust Term Series	AAA	S&P	Not Applicable	$ –	$ 15,000,000	$ –	$ 15,000,000
Total investments							$ 65,072,108

Investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF) are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or the MSDLAF – Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days, with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. 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 – CASH AND INVESTMENTS (CONTINUED)

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

Custodial Credit Risk – 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.

The District's investment policy also requires that commercial paper be of corporations organized in the United States; having at least $1 billion of outstanding corporate paper obligations; rated at the highest classification by Standard and Poor's (A-1) or Moody's Investment Services (P-1); and not be on credit watch for potential downgrades. No more than 50 percent of the District's investments can be in commercial paper on any given day. District policy does not allow investments in derivatives.

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 policies limit the investment on any given day, in any given corporation, to $1 million.

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 investment maturities; however, the District considers such things as interest rates and cash flow needs when purchasing investments.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 5,240,001	$ –	$ –	$ –	$ 5,240,001
Construction in progress	132,682,356	22,165,510	–	(108,684,252)	46,163,614
Total capital assets, not depreciated	137,922,357	22,165,510	–	(108,684,252)	51,403,615
Capital assets, depreciated					
Land improvements	10,415,558	311,170	–	14,977,490	25,704,218
Buildings	206,025,067	65,621	–	92,355,085	298,445,773
Furniture and equipment	16,164,663	1,271,587	–	1,351,677	18,787,927
Total capital assets, depreciated	232,605,288	1,648,378	–	108,684,252	342,937,918
Less accumulated depreciation for					
Land improvements	(4,297,892)	(1,237,056)	–	–	(5,534,948)
Buildings	(107,647,898)	(8,189,002)	–	–	(115,836,900)
Furniture and equipment	(13,733,312)	(706,278)	–	–	(14,439,590)
Total accumulated depreciation	(125,679,102)	(10,132,336)	–	–	(135,811,438)
Net capital assets, depreciated	106,926,186	(8,483,958)	–	108,684,252	207,126,480
Total capital assets, net	$ 244,848,543	$ 13,681,552	$ –	$ –	$ 258,530,095

Depreciation for the year was charged to the following governmental functions:

Administration	$ 34,751
Elementary and secondary regular instruction	3,205,824
Vocational education instruction	22,016
Special education instruction	14,096
Instructional support services	11,302
Pupil support services	669,988
Sites and buildings	6,159,733
Community service	14,626
Total depreciation expense	$ 10,132,336

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Refunding bonds	10/05/2011	4.00–5.00%	$ 50,370,000	02/01/2024	$ 26,655,000
Alternative facilities bonds	02/21/2013	2.00–3.00%	$ 11,775,000	02/01/2026	11,575,000
Alternative facilities bonds	12/30/2014	3.00–3.50%	$ 6,050,000	02/01/2035	6,050,000
Building bonds	07/22/2015	4.00–5.00%	$ 113,385,000	02/01/2037	107,015,000
Facilities maintenance and building bonds	04/13/2017	2.50–4.00%	$ 16,350,000	02/01/2031	16,350,000
Facilities maintenance bonds	05/02/2019	3.00–5.00%	$ 24,075,000	02/01/2036	24,075,000
Total general obligation bonds payable					$ 191,720,000

These bonds were issued to finance acquisition and/or construction of capital facilities or to finance (refund) prior bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future 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. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2011C Certificates of Participation	11/17/2011	2.00–3.75%	$ 1,615,000	04/01/2027	$ 950,000

The District sold certificates of participation under Minnesota Statutes § 123B.51 to finance the construction of an addition to South View Middle School. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

C. Capital Leases Payable

The District entered into two capital lease agreements to finance the construction of several building additions. The leases have an effective interest rate of 3.43 percent, and call for annual principal and interest payments through January 15, 2029. The leases are being paid through the General Fund. The leased assets were recorded at $2,233,000 (the present value of future minimum lease payments as of the inception dates of the leases). Total accumulated depreciation on these assets at June 30, 2019 was $223,300.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits for eligible employees based on unused sick leave. Such benefits are paid primarily from the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Minimum Debt Payments

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

Year Ending	General Obligation Bonds Payable		Certificates of Participation		Capital Leases	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 8,140,000	$ 7,485,370	$ 105,000	$ 31,975	$ 137,928	$ 54,224
2021	7,710,000	7,289,975	110,000	28,825	142,700	49,452
2022	8,365,000	6,917,975	110,000	25,525	147,636	44,516
2023	8,725,000	6,570,475	115,000	22,088	152,744	39,408
2024	8,305,000	6,219,775	120,000	18,350	158,028	34,124
2025–2029	51,725,000	26,046,156	390,000	28,988	876,024	84,738
2030–2034	64,050,000	13,639,613	–	–	–	–
2035–2037	34,700,000	2,530,225	–	–	–	–
	$ 191,720,000	$ 76,699,564	$ 950,000	$ 155,751	$ 1,615,060	$ 306,462

F. Changes in Long-Term Liabilities

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
General obligation bonds payable	$ 175,050,000	$ 24,075,000	$ 7,405,000	$ 191,720,000	$ 8,140,000
Certificates of participation payable	1,055,000	–	105,000	950,000	105,000
Unamortized premiums	15,615,362	1,208,440	1,341,953	15,481,849	–
Capital leases payable	1,748,376	–	133,316	1,615,060	137,928
Severance benefits payable	616,230	85,959	7,584	694,605	303,044
	$ 194,084,968	$ 25,369,399	$ 8,992,853	$ 210,461,514	$ 8,685,972

NOTE 5 – FUND BALANCES

The table on the following page presents a breakdown of governmental fund equity components as defined earlier in these notes. State mandated restrictions that have an accumulated deficit at June 30, if any, 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 any deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

The School Board has formally adopted a fund balance policy regarding maintaining a minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance goal of 6.0 percent of the unassigned General Fund expenditures. At June 30, 2019, the unassigned fund balance (excluding restricted account deficits) of the General Fund was 7.2 percent of budgeted unassigned expenditures for fiscal 2020.

NOTE 5 – FUND BALANCES (CONTINUED)

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					
Prepaid items	$ 31,133	$ –	$ –	$ –	$ 31,133
Restricted					
Staff development	58,820	–	–	–	58,820
Operating capital	2,755,476	–	–	–	2,755,476
Capital projects levy	–	1,278,344	–	–	1,278,344
Long-term facilities maintenance	–	23,000,223	–	–	23,000,223
Capital projects	–	798,648	–	–	798,648
Debt service	–	–	2,596,972	–	2,596,972
Food service	–	–	–	1,100,255	1,100,255
Community education programs	–	–	–	660,226	660,226
Early childhood family education programs	–	–	–	80,107	80,107
School readiness	–	–	–	181,219	181,219
Community service	–	–	–	10,652	10,652
Total restricted	2,814,296	25,077,215	2,596,972	2,032,459	32,520,942
Committed					
Cash flow	1,037,614	–	–	–	1,037,614
Assigned					
Separation/retirement benefits	3,385,135	–	–	–	3,385,135
Alternative compensation	149,673	–	–	–	149,673
Total assigned	3,534,808	–	–	–	3,534,808
Unassigned					
Safe schools levy account deficit	(189,562)	–	–	–	(189,562)
Unassigned	6,954,177	–	–	–	6,954,177
Total unassigned	6,764,615	–	–	–	6,764,615
Total	$ 14,182,466	$ 25,077,215	$ 2,596,972	$ 2,032,459	$ 43,889,112

NOTE 6 – DEFINED BENEFIT PENSION PLANS

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

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	$ 16,065,821	$ 3,926,168	$ 3,983,642	$ 858,784
State-wide, multiple-employer – TRA	60,680,123	85,105,408	109,353,276	(25,118,462)
Single-employer – District	12,304,601	1,274,913	425,540	1,202,437
Total	$ 89,050,545	$ 90,306,489	$ 113,762,458	$ (23,057,241)

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The District participates in the following cost-sharing, multi-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 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 $1,492,966. 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 $4,071,634. The District’s contributions were equal to the required contributions for each year as set by state statutes.

NOTE 7 – 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 $16,065,821 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 0.2896 percent at the end of the measurement period and 0.2894 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 16,065,821
State's proportionate share of the net pension liability associated with the District	$ 526,989

For the year ended June 30, 2019, the District recognized pension expense of $735,891 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $122,893 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the GERF.

NOTE 7 – 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	$ 424,955	$ 448,831
Changes in actuarial assumptions	1,470,041	1,804,313
Differences between projected and actual investment earnings	–	1,730,498
Changes in proportion	538,206	–
District's contributions to the GERF subsequent to the measurement date	1,492,966	–
Total	$ 3,926,168	$ 3,983,642

A total of $1,492,966 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	$ 741,866
2021	$ (657,113)
2022	$ (1,299,871)
2023	$ (335,322)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of $60,680,123 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 0.9661 percent at the end of the measurement period and 0.9473 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	$ 60,680,123
State's proportionate share of the net pension liability associated with the District	$ 5,701,256

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended June 30, 2019, the District recognized negative pension expense of $21,139,366. It also recognized $3,979,096 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	$ 658,716	$ 1,202,611
Changes in actuarial assumptions	75,965,745	103,046,567
Difference between projected and actual investment earnings	–	4,766,416
Changes in proportion	4,409,313	337,682
District's contributions to the TRA subsequent to the measurement date	4,071,634	–
Total	$ 85,105,408	$ 109,353,276

A total of $4,071,634 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	$ 6,214,495
2021	$ 3,322,993
2022	$ 265,985
2023	$ (22,349,363)
2024	$ (15,773,612)

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 7 – 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 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 2.0 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 (private markets)	25	5.90 %
Cash	2	– %
Total	100 %	

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	$ 26,109,015	$ 16,065,821	$ 7,775,450
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 96,299,109	$ 60,680,123	$ 31,294,694

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 8 – 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. The following employee groups receive the benefit: Superintendent, Superintendent's Advisory Council, Administrators (Edina Administrative Council), Controller, Director of Buildings and Grounds, Human Resources Manager, Strategic Planner/Analyst, Teachers, Community Education Services Coordinators, Classified Supervisors, Confidential Employees, Other Support Staff, and Edina Professional Association of Support Staff (EPASS). Severance benefits for the Superintendent and EPASS were added to the plan during the year ended June 30, 2018. All pension benefits are based on contractual agreements with these employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. The benefits are calculated using a predetermined number of days depending on the employee group, multiplied by the employee's daily base pay, or in certain cases, a fixed amount per year of service. Payments are made in either a lump sum or installments to a 403(b) plan or in a lump sum directly to the employee. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a separate financial report.

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:

Retirees and beneficiaries receiving benefits	31
Active plan members	752
Total members	783

D. Actuarial Methods and Assumptions

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

Discount rate	3.50%
20-year municipal bond yield	3.50%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale. The previous study used the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

NOTE 8 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

E. Discount Rate

The discount rate used to measure the total pension liability was 3.50 percent. The projection of cash flows used to determine the discount rate was determined by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate. The District's discount rate used in the prior measurement date was 3.40 percent.

F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance	$ 11,059,556
Changes for the year	
Service cost	712,907
Interest	390,691
Assumption changes	(121,816)
Plan changes	74,470
Differences between expected and actual experience	756,667
Benefit payments	(567,874)
Total net changes	1,245,045
Ending balance	$ 12,304,601

G. Total Pension Liability Sensitivity to Discount Rate Changes

The following presents the net 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	2.50%	3.50%	4.50%
Total pension liability	$ 13,254,314	$ 12,304,601	$ 11,405,454

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

The District recognized pension expense of $1,202,437 in the current year, 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	$ 693,611	$ –
Changes in actuarial assumptions	–	425,540
District's contributions subsequent to the measurement date	581,302	–
Total	$ 1,274,913	$ 425,540

NOTE 8 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

A total of $581,302 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other 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	
2020	$	24,369
2021	$	24,369
2022	$	24,369
2023	$	24,369
2024	$	24,369
Thereafter	$	146,226

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description and Benefits Provided

The District provides post-employment benefits to certain eligible employees through a single-employer defined benefit OPEB Plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups, with benefit 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 separate financial report.

All retirees of the District have the option under state law to continue their health 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 for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement untilg the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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.

B. 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 OPEB benefits.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

C. Membership

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

Retirees and beneficiaries receiving benefits	64
Active plan members	1,157
Total members	1,221

D. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2018 and measurement date as of 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	3.50%
20-year municipal bond yield	3.50%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.50% as of July 1, 2018 grading to 5.00% over 6 years
Dental trend rate	4.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale. The previous study used the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

Future retirees electing coverage is assumed to be 100 percent when a pre-age 65 subsidy is available, and 50 percent when a pre-age 65 subsidy is not available. Married future retirees electing spouse coverage is assumed to be 100 percent when a pre-age 65 subsidy is available, and 25 percent when a pre-age 65 subsidy is not available.

Healthcare trend rates were changed since the last study to better anticipate short-term and long-term medical increases

The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50 percent. The projection of cash flows used to determine the discount rate was determined by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate. The District discount rate used in the prior measurement date was 3.40 percent.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance	$ 19,910,889
Changes for the year	
Service cost	1,082,683
Interest	697,232
Assumption changes	5,718
Differences between expected and actual experience	(1,470,574)
Benefit payments	(981,707)
Total net changes	(666,648)
Ending balance	$ 19,244,241

G. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.50%	3.50%	4.50%
Total OPEB liability	$ 20,616,285	$ 19,244,241	$ 17,924,871

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

	1% Decrease in Healthcare Trend Rates	Healthcare Trend Rates	1% Increase in Healthcare Trend Rates
Medical trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Dental trend rate	3.00%	4.00%	5.00%
Total OPEB liability	$ 17,641,720	$ 19,244,241	$ 21,112,214

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

The District recognized OPEB expense of $1,617,153 in the current year, and at year-end reported the following deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ –	$ 1,307,176
Changes in actuarial assumptions	5,082	–
District's contributions subsequent to the measurement date	1,005,875	–
Total	$ 1,010,957	$ 1,307,176

A total of $1,005,875 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Pension Expense
2020	$ (162,762)
2021	$ (162,762)
2022	$ (162,762)
2023	$ (162,762)
2024	$ (162,762)
Thereafter	$ (488,284)

NOTE 10 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a "cafeteria plan" (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for 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 January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. The Plan is administered by the District and is accounted for in the District's General Fund. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

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 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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.

B. Construction Commitments

At June 30, 2019, the District had commitments totaling $3,247,369 under various construction contracts for which the work was not yet completed.

C. Legal Claims

The District is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

NOTE 12 – SUBSEQUENT EVENT

In October 2019, the District approved the sale of $20,090,000 of General Obligation School Building Refunding Bonds, Series 2019B. The bonds will be used to finance a current refunding of the 2021 through 2024 maturities of the District's General Obligation School Building Refunding Bonds, Series 2011B. The 2019B bonds will have an average coupon interest rate of 5.0 percent and a final maturity date of February 1, 2024.

NOTE 13 – 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. 273

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	0.2999%	$ 14,087,800	$ –	$ 14,087,800	$ 15,747,600	89.46%	78.70%
06/30/2016	06/30/2015	0.2742%	$ 14,210,468	$ –	$ 14,210,468	$ 16,108,678	88.22%	78.20%
06/30/2017	06/30/2016	0.2774%	$ 22,523,504	$ 294,246	$ 22,817,750	$ 17,218,936	130.81%	68.90%
06/30/2018	06/30/2017	0.2894%	$ 18,475,105	$ 232,340	$ 18,707,445	$ 18,646,353	99.08%	75.90%
06/30/2019	06/30/2018	0.2896%	$ 16,065,821	$ 526,989	$ 16,592,810	$ 18,550,623	86.61%	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	$ 1,195,515	$ 1,195,515	$ –	$ 16,108,678	7.42%
06/30/2016	$ 1,291,318	$ 1,291,318	$ –	$ 17,218,936	7.50%
06/30/2017	$ 1,398,478	$ 1,398,478	$ –	$ 18,646,353	7.50%
06/30/2018	$ 1,391,159	$ 1,391,159	$ –	$ 18,550,623	7.50%
06/30/2019	$ 1,492,966	$ 1,492,966	$ –	$ 20,000,631	7.46%

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. 273

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	0.9949%	$ 45,844,276	$ 3,225,114	$ 49,069,390	$ 45,414,080	100.95%	81.50%
06/30/2016	06/30/2015	0.9238%	$ 57,146,166	$ 7,009,435	$ 64,155,601	$ 46,887,773	121.88%	76.80%
06/30/2017	06/30/2016	0.9434%	$ 225,023,410	$ 22,586,637	$ 247,610,047	$ 48,890,860	460.26%	44.88%
06/30/2018	06/30/2017	0.9473%	$ 189,098,264	$ 18,280,007	$ 207,378,271	$ 50,958,882	371.08%	51.57%
06/30/2019	06/30/2018	0.9661%	$ 60,680,123	$ 5,701,256	$ 66,381,379	$ 53,228,684	114.00%	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	$ 3,516,583	$ 3,516,583	$ –	$ 46,887,773	7.50%
06/30/2016	$ 3,680,210	$ 3,680,210	$ –	$ 48,890,860	7.53%
06/30/2017	$ 3,820,933	$ 3,820,933	$ –	$ 50,958,882	7.50%
06/30/2018	$ 3,990,842	$ 3,990,842	$ –	$ 53,228,684	7.50%
06/30/2019	$ 4,071,634	$ 4,071,634	$ –	$ 52,764,016	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. 273

Pension Benefits Plan
Schedule of Changes in the District's Total
Pension Liability and Related Ratios
Year Ended June 30, 2019

	2019	2018	2017
Total pension liability			
Service cost	$ 712,907	$ 669,633	$ 706,737
Interest	390,691	332,966	326,649
Assumption changes	(121,816)	(370,946)	–
Plan changes	74,470	–	–
Differences between expected and actual experience	756,667	–	–
Benefit payments	(567,874)	(762,623)	(794,118)
Net change in total pension liability	1,245,045	(130,970)	239,268
Total pension liability – beginning of year	11,059,556	11,190,526	10,951,258
Total pension liability – end of year	$ 12,304,601	$ 11,059,556	$ 11,190,526
Covered-employee payroll	$ 57,844,851	$ 49,972,083	$ 48,516,585
Total pension liability as a percentage of covered-employee payroll	21.27%	22.13%	23.07%

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.

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	$ 1,082,683	$ 1,168,447
Interest	697,232	670,515
Assumption changes	5,718	–
Differences between expected and actual experience	(1,470,574)	–
Benefit payments	(981,707)	(953,365)
Net change in total OPEB liability	(666,648)	885,597
Total OPEB liability – beginning of year	19,910,889	19,025,292
Total OPEB liability – end of year	$ 19,244,241	$ 19,910,889
Covered-employee payroll	$ 69,887,838	$ 62,990,740
Total OPEB liability as a percentage of covered-employee payroll	27.54%	31.61%

Note 1: The District has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: 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

2018 CHANGES IN PLAN PROVISIONS

- Severance benefits are now available for the Edina Professional Association of Support Staff and the Superintendent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.40 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.

- The discount rate was changed from 4.00 percent to 2.90 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.40 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 1,261,387	$ 2,283,732	$ 3,545,119
Receivables			
Current taxes	–	557,102	557,102
Delinquent taxes	–	10,101	10,101
Accounts and interest	2,307	28,961	31,268
Due from other governmental units	104,033	51,042	155,075
Total assets	$ 1,367,727	$ 2,930,938	$ 4,298,665
Liabilities			
Salaries and benefits payable	$ 4,143	$ 191,697	$ 195,840
Accounts and contracts payable	17,045	135,114	152,159
Due to other governmental units	–	53,421	53,421
Unearned revenue	246,284	490,512	736,796
Total liabilities	267,472	870,744	1,138,216
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,116,918	1,116,918
Deferred revenue – delinquent taxes	–	11,072	11,072
Total deferred inflows of resources	–	1,127,990	1,127,990
Fund balances			
Restricted	1,100,255	932,204	2,032,459
Total liabilities, deferred inflows of resources, and fund balances	$ 1,367,727	$ 2,930,938	$ 4,298,665

INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ –	$ 1,071,855	$ 1,071,855
Investment earnings	29,749	30,344	60,093
Other	2,238,064	6,492,272	8,730,336
State sources	123,311	461,119	584,430
Federal sources	649,082	–	649,082
Total revenue	3,040,206	8,055,590	11,095,796
Expenditures			
Current			
Food service	2,934,016	–	2,934,016
Community service	–	7,885,155	7,885,155
Capital outlay	12,504	40,504	53,008
Total expenditures	2,946,520	7,925,659	10,872,179
Excess of revenue over expenditures	93,686	129,931	223,617
Other financing sources			
Transfers in	–	62,117	62,117
Net change in fund balances	93,686	192,048	285,734
Fund balances			
Beginning of year	1,006,569	740,156	1,746,725
End of year	$ 1,100,255	$ 932,204	$ 2,032,459

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

	2019	2018
Assets		
Cash and temporary investments	$ 32,481,865	$ 33,001,561
Receivables		
Current taxes	19,677,882	16,713,760
Delinquent taxes	318,225	352,003
Accounts and interest	583,514	364,221
Due from other governmental units	10,317,391	9,197,740
Prepaid items	31,133	714,427
Total assets	$ 63,410,010	$ 60,343,712
Liabilities		
Salaries and benefits payable	$ 11,072,233	$ 10,144,472
Accounts and contracts payable	1,867,368	1,023,070
Due to other governmental units	225,971	392,856
Unearned revenue	–	5,500
Total liabilities	13,165,572	11,565,898
Deferred inflows of resources		
Property taxes levied for subsequent year	35,708,786	34,781,849
Unavailable revenue – delinquent taxes	353,186	259,963
Total deferred inflows of resources	36,061,972	35,041,812
Fund balances		
Nonspendable for prepaid items	31,133	714,427
Restricted for staff development	58,820	51,502
Restricted for health and safety	–	3,994
Restricted for operating capital	2,755,476	3,201,332
Restricted for basic skills programs	–	32,992
Committed for cash flow	1,037,614	927,819
Assigned for separation/retirement benefits	3,385,135	2,644,099
Assigned for carryover	–	802,675
Assigned for alternative compensation	149,673	88,568
Unassigned – safe schools levy account deficit	(189,562)	–
Unassigned	6,954,177	5,268,594
Total fund balances	14,182,466	13,736,002
Total liabilities, deferred inflows of resources, and fund balances	$ 63,410,010	$ 60,343,712

INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ 33,146,010	$ 33,058,228	$ (87,782)	$ 30,235,863
Investment earnings	640,000	652,518	12,518	472,243
Other	2,703,288	4,410,361	1,707,073	4,556,855
State sources	76,127,747	76,567,326	439,579	73,752,106
Federal sources	2,457,614	2,410,766	(46,848)	1,832,821
Total revenue	115,074,659	117,099,199	2,024,540	110,849,888
Expenditures				
Current				
Administration	3,250,927	3,301,695	50,768	3,165,048
District support services	2,884,749	2,918,207	33,458	3,252,865
Elementary and secondary regular instruction	55,805,585	55,976,301	170,716	55,129,942
Vocational education instruction	245,851	371,717	125,866	437,560
Special education instruction	21,186,934	21,165,695	(21,239)	19,799,024
Instructional support services	7,067,961	5,720,643	(1,347,318)	5,826,639
Pupil support services	9,945,958	10,536,840	590,882	10,026,345
Sites and buildings	15,310,380	12,863,141	(2,447,239)	9,665,421
Fiscal and other fixed cost programs	360,000	252,778	(107,222)	306,141
Debt service				
Principal	238,316	238,316	–	228,860
Interest and fiscal charges	93,961	93,899	(62)	101,413
Total expenditures	116,390,622	113,439,232	(2,951,390)	107,939,258
Excess (deficiency) of revenue over expenditures	(1,315,963)	3,659,967	4,975,930	2,910,630
Other financing (uses)				
Transfers (out)	(1,887,986)	(3,213,503)	(1,325,517)	(7,866,783)
Net change in fund balances	$ (3,203,949)	446,464	$ 3,650,413	(4,956,153)
Fund balances				
Beginning of year		13,736,002		18,692,155
End of year		$ 14,182,466		$ 13,736,002

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

	2019	2018
Assets		
Cash and temporary investments	$ 1,261,387	$ 1,271,782
Receivables		
Accounts and interest	2,307	–
Due from other governmental units	104,033	25,804
Prepaid items	–	480
Total assets	$ 1,367,727	$ 1,298,066
Liabilities		
Salaries and benefits payable	$ 4,143	$ 36
Accounts and contracts payable	17,045	71,024
Unearned revenue	246,284	220,437
Total liabilities	267,472	291,497
Fund balances		
Nonspendable for prepaid items	–	480
Restricted for food service	1,100,255	1,006,089
Total fund balances	1,100,255	1,006,569
Total liabilities and fund balances	$ 1,367,727	$ 1,298,066

INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ 32,000	$ 29,749	$ (2,251)	$ 23,612
Other – primarily meal sales	2,152,933	2,238,064	85,131	2,239,943
State sources	133,102	123,311	(9,791)	117,696
Federal sources	630,000	649,082	19,082	629,715
Total revenue	2,948,035	3,040,206	92,171	3,010,966
Expenditures				
Current				
Salaries	269,274	277,618	8,344	406,055
Employee benefits	79,334	78,757	(577)	112,147
Purchased services	2,596,187	2,395,361	(200,826)	2,473,947
Supplies and materials	164,500	158,497	(6,003)	172,450
Other expenditures	52	23,783	23,731	7,992
Capital outlay	50,000	12,504	(37,496)	65,516
Total expenditures	3,159,347	2,946,520	(212,827)	3,238,107
Excess (deficiency) of revenue over expenditures	(211,312)	93,686	304,998	(227,141)
Other financing sources				
Transfers in	–	–	–	87,344
Net change in fund balances	$ (211,312)	93,686	$ 304,998	(139,797)
Fund balances				
Beginning of year		1,006,569		1,146,366
End of year		$ 1,100,255		$ 1,006,569

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2019	2018
Assets		
Cash and temporary investments	$ 2,283,732	$ 1,959,515
Receivables		
Current taxes	557,102	465,701
Delinquent taxes	10,101	11,861
Accounts and interest	28,961	4,738
Due from other governmental units	51,042	56,451
Total assets	$ 2,930,938	$ 2,498,266
Liabilities		
Salaries and benefits payable	$ 191,697	$ 113,406
Accounts and contracts payable	135,114	121,818
Due to other governmental units	53,421	5,202
Unearned revenue	490,512	434,757
Total liabilities	870,744	675,183
Deferred inflows of resources		
Property taxes levied for subsequent year	1,116,918	1,074,332
Unavailable revenue – delinquent taxes	11,072	8,595
Total deferred inflows of resources	1,127,990	1,082,927
Fund balances		
Restricted for community education programs	660,226	489,024
Restricted for early childhood family education programs	80,107	80,107
Restricted for school readiness	181,219	158,316
Restricted for community service	10,652	12,709
Total fund balances	932,204	740,156
Total liabilities, deferred inflows of resources, and fund balances	$ 2,930,938	$ 2,498,266

INDEPENDENT SCHOOL DISTRICT NO. 273

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	$ 1,073,539	$ 1,071,855	$ (1,684)	$ 1,123,835
Investment earnings	24,000	30,344	6,344	17,709
Other – primarily tuition and fees	6,183,294	6,492,272	308,978	5,715,389
State sources	577,089	461,119	(115,970)	549,113
Total revenue	7,857,922	8,055,590	197,668	7,406,046
Expenditures				
Current				
Salaries	4,754,186	4,843,894	89,708	4,416,249
Employee benefits	1,130,685	1,200,575	69,890	1,082,123
Purchased services	1,392,322	1,411,669	19,347	1,224,684
Supplies and materials	330,741	415,428	84,687	390,783
Other expenditures	22,965	13,589	(9,376)	21,386
Capital outlay	32,750	40,504	7,754	14,320
Total expenditures	7,663,649	7,925,659	262,010	7,149,545
Excess (deficiency) of revenue over expenditures	194,273	129,931	(64,342)	256,501
Other financing sources (uses)				
Transfers in	–	62,117	62,117	–
Transfers (out)	(6,000)	–	6,000	–
Total other financing sources (uses)	(6,000)	62,117	68,117	–
Net change in fund balances	$ 188,273	192,048	$ 3,775	256,501
Fund balances				
Beginning of year		740,156		483,655
End of year		$ 932,204		$ 740,156

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2019	2018
Assets		
Cash and temporary investments	$ 28,227,973	$ 28,631,076
Receivables		
Accounts and interest	66,028	204,619
Prepaid items	–	12,739
Total assets	$ 28,294,001	$ 28,848,434
Liabilities		
Salaries and benefits payable	$ 10,396	$ 30,031
Accounts and contracts payable	3,206,390	9,013,798
Total liabilities	3,216,786	9,043,829
Fund balances		
Nonspendable for prepaid items	–	12,739
Restricted for capital projects levy	1,278,344	740,476
Restricted for long-term facilities maintenance	23,000,223	4,247,704
Restricted for capital projects	798,648	14,803,686
Total fund balances	25,077,215	19,804,605
Total liabilities and fund balances	$ 28,294,001	$ 28,848,434

INDEPENDENT SCHOOL DISTRICT NO. 273

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				
Property taxes	$ 5,300,000	$ 5,300,000	$ –	$ 5,344,774
Investment earnings	150,000	190,040	40,040	481,447
Other	–	59,983	59,983	65,085
Total revenue	5,450,000	5,550,023	100,023	5,891,306
Expenditures				
Capital outlay				
Salaries	1,936,985	1,794,081	(142,904)	1,488,086
Employee benefits	565,911	545,289	(20,622)	460,317
Purchased services	1,615,142	1,102,147	(512,995)	3,136,512
Supplies and materials	1,486,372	–	(1,486,372)	–
Capital expenditures	19,714,506	24,489,310	4,774,804	54,108,952
Debt service				
Interest and fiscal charges	–	191,667	191,667	–
Total expenditures	25,318,916	28,122,494	2,803,578	59,193,867
Excess (deficiency) of revenue over expenditures	(19,868,916)	(22,572,471)	(2,703,555)	(53,302,561)
Other financing sources				
Bonds issued	24,700,000	24,075,000	(625,000)	–
Premium on bonds issued	–	618,695	618,695	–
Sale of capital assets	–	–	–	4,721,013
Transfers in	1,887,986	3,151,386	1,263,400	7,779,439
Total other financing sources	26,587,986	27,845,081	1,257,095	12,500,452
Net change in fund balances	$ 6,719,070	5,272,610	$ (1,446,460)	(40,802,109)
Fund balances				
Beginning of year		19,804,605		60,606,714
End of year		$ 25,077,215		$ 19,804,605

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

	2019	2018
Assets		
Cash and temporary investments	$ 10,580,123	$ 10,057,552
Receivables		
Current taxes	7,928,679	6,541,209
Delinquent taxes	108,872	120,563
Total assets	$ 18,617,674	$ 16,719,324
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 15,895,730	$ 15,089,759
Unavailable revenue – delinquent taxes	124,972	89,976
Total deferred inflows of resources	16,020,702	15,179,735
Fund balances		
Restricted for debt service	2,596,972	1,539,589
Total deferred inflows of resources and fund balances	$ 18,617,674	$ 16,719,324

INDEPENDENT SCHOOL DISTRICT NO. 273

Debt Service 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	$ 15,089,280	$ 15,054,762	$ (34,518)	$ 15,425,446
Investment earnings	104,000	85,069	(18,931)	76,739
Total revenue	15,193,280	15,139,831	(53,449)	15,502,185
Expenditures				
Debt service				
Principal	7,405,000	7,405,000	–	7,180,000
Interest	7,258,596	7,258,595	(1)	7,508,595
Fiscal charges and other	15,000	8,598	(6,402)	6,775
Total expenditures	14,678,596	14,672,193	(6,403)	14,695,370
Excess (deficiency) of revenue over expenditures	514,684	467,638	(47,046)	806,815
Other financing sources				
Premium on bonds issued	–	589,745	589,745	–
Net change in fund balances	$ 514,684	1,057,383	$ 542,699	806,815
Fund balances				
Beginning of year		1,539,589		732,774
End of year		$ 2,596,972		$ 1,539,589

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OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 273

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	Other Local and County Revenues	State Revenue	Federal Revenue	Total
2010	$ 20,228,122	$ 2,280,570	$ 53,924,966	$ 6,958,246	$ 83,391,904
	24%	3%	65%	8%	100%
2011	28,851,473	2,520,934	51,887,383	3,061,247	86,321,037
	33%	3%	60%	4%	100%
2012	23,813,219	2,754,726	58,857,487	3,344,546	88,769,978
	27%	3%	66%	4%	100%
2013	27,237,931	2,487,574	62,296,085	1,683,183	93,704,773
	29%	3%	66%	2%	100%
2014	10,666,213	2,593,867	76,710,991	1,809,161	91,780,232
	12%	3%	83%	2%	100%
2015	22,950,814	2,794,515	68,608,136	1,488,368	95,841,833
	24%	3%	71%	2%	100%
2016	23,596,521	4,100,426	71,873,064	1,871,244	101,441,255
	23%	4%	71%	2%	100%
2017	30,769,055	3,788,108	71,970,881	1,795,959	108,324,003
	28%	3%	67%	2%	100%
2018	30,235,863	5,029,098	73,752,106	1,832,821	110,849,888
	27%	5%	66%	2%	100%
2019	33,058,228	5,062,879	76,567,326	2,410,766	117,099,199
	28%	5%	65%	2%	100%

Note: Legislative changes in the “tax shift” impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. These changes were offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 273

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Instruction	Instructional Support Services	Pupil Support Services
2010	$ 2,891,265	$ 2,613,421	$ 55,612,094	$ 6,593,566	$ 6,345,288
	4%	3%	68%	8%	8%
2011	2,922,416	2,731,865	58,238,240	6,592,322	6,669,731
	3%	3%	68%	8%	8%
2012	2,921,447	2,701,860	58,140,863	6,760,932	7,329,686
	3%	3%	68%	8%	8%
2013	3,057,055	2,517,407	60,574,774	5,105,226	7,608,727
	3%	3%	66%	6%	8%
2014	3,100,900	2,969,022	62,272,584	4,916,476	7,544,789
	4%	3%	69%	5%	8%
2015	3,124,572	3,063,669	64,083,923	5,063,892	7,745,956
	3%	3%	70%	5%	8%
2016	3,281,563	3,093,531	71,523,452	5,508,758	7,922,598
	3%	3%	71%	5%	8%
2017	3,542,398	3,097,417	72,401,269	5,382,317	8,118,389
	3%	3%	69%	5%	8%
2018	3,165,048	3,252,865	75,366,526	5,826,639	10,026,345
	3%	3%	70%	5%	9%
2019	3,301,695	2,918,207	77,513,713	5,720,643	10,536,840
	3%	3%	68%	5%	9%

Note: Instruction includes regular, vocational, and special education instruction.

Sites and Buildings	Other Programs	Total
$ 7,681,111	$ 291,515	$ 82,028,260
9%	–%	100%
8,203,146	300,830	85,658,550
10%	–%	100%
8,714,030	381,487	86,950,305
10%	–%	100%
13,393,834	469,478	92,726,501
14%	–%	100%
9,691,920	362,556	90,858,247
11%	–%	100%
9,006,454	543,004	92,631,470
10%	1%	100%
8,954,875	579,502	100,864,279
9%	1%	100%
11,733,576	652,731	104,928,097
11%	1%	100%
9,665,421	636,414	107,939,258
9%	1%	100%
12,863,141	584,993	113,439,232
11%	1%	100%

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

	Year Collectible	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total All Funds
Levies						
	2010	$ 21,451,658	$ 957,557	$ 1,000,406	$ 10,133,671	$ 33,543,292
	2011	21,276,283	982,373	1,885,932	10,554,475	34,699,063
	2012	26,739,844	1,053,989	1,730,064	10,281,370	39,805,267
	2013	26,641,579	1,093,196	4,383,529	7,194,307	39,312,611
	2014	27,084,132	1,142,821	4,640,567	7,094,461	39,961,981
	2015	28,429,772	1,129,162	6,921,752	6,488,222	42,968,908
	2016	35,838,469	1,190,018	–	14,164,398	51,192,885
	2017	35,477,140	1,119,670	–	15,398,423	51,995,233
	2018	38,556,680	1,074,335	–	15,089,798	54,720,813
	2019	39,451,014	1,116,918	–	15,895,731	56,463,663
Tax rates						
Tax capacity rates						
	2010	5.487	1.050	1.097	11.112	18.746
	2011	7.288	1.136	1.157	12.205	21.786
	2012	13.939	1.267	–	12.359	27.565
	2013	17.649	1.334	–	8.779	27.762
	2014	17.566	1.386	–	8.604	27.556
	2015	18.979	1.240	–	7.125	27.344
	2016	18.873	1.242	–	14.783	34.898
	2017	18.216	1.124	–	15.458	34.798
	2018	15.776	1.010	–	14.186	30.972
	2019	15.525	0.989	–	14.075	30.589
Market value rates						
	2010	0.194	–	–	–	0.194
	2011	0.196	–	–	–	0.196
	2012	0.215	–	–	–	0.215
	2013	0.217	–	–	–	0.217
	2014	0.223	–	–	–	0.223
	2015	0.215	–	–	–	0.215
	2016	0.201	–	–	–	0.201
	2017	0.188	–	–	–	0.188
	2018	0.222	–	–	–	0.222
	2019	0.210	–	–	–	0.210

Note 1: A tax rate based on market value is used for the District's referendum, equity, and transition levies.

Note 2: The levy for the Capital Projects – Building Construction Fund is a capital projects levy, which is included as a component of the general referendum levy based on net tax capacity. Starting in 2012, the tax capacity for this levy is included in the General Fund.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 273

Property Tax Levies and Receivables
Last Ten Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2010	$ 32,343,270	$ 1,061,264	$ 138,758	$ 33,543,292
2011	33,450,877	1,083,275	164,911	34,699,063
2012	38,740,332	1,064,935	–	39,805,267
2013	38,221,083	1,091,528	–	39,312,611
2014	38,892,673	1,069,308	–	39,961,981
2015	41,891,155	1,077,753	–	42,968,908
2016	50,099,457	1,093,428	–	51,192,885
2017	50,638,605	1,356,628	–	51,995,233
2018	53,267,718	1,453,095	–	54,720,813
2019	54,928,392	1,535,271	–	56,463,663

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

Note 2: A portion of the total spread levy was paid with state aid through various property tax credits for residential homestead properties through 2011. This tax credit program ended in 2012.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2019			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
66,598	0.17	–	–
46,004	0.12	–	–
17,162	0.04	–	–
96,088	0.19	–	–
51,925	0.10	–	–
159,421	0.29	–	–
–	–	28,163,663	49.88
$ 437,198		$ 28,163,663	

INDEPENDENT SCHOOL DISTRICT NO. 273

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2010	69.27	510.50	3,699.26	3,774.26	8,053.29	9,321.73
2011	72.25	506.30	3,808.45	3,875.72	8,262.72	9,571.81
2012	70.30	507.92	3,821.35	3,918.16	8,317.73	9,640.67
2013	78.84	502.78	3,807.72	3,979.41	8,368.75	9,710.33
2014	61.97	537.17	3,814.26	4,017.20	8,430.60	9,770.48
2015	79.79	518.55	3,827.59	4,030.07	8,456.00	9,261.99
2016	66.76	504.56	3,812.42	4,045.60	8,429.34	9,238.47
2017	61.94	558.16	3,783.81	4,075.40	8,479.31	9,294.37
2018	66.96	528.85	3,801.31	4,066.43	8,463.55	9,276.82
2019	114.71	506.53	3,761.89	4,029.16	8,412.29	9,218.13

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2010 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2019	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 273

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures		Noncash Assistance
U.S. Department of Agriculture				
Passed through Minnesota Department of Education				
Child nutrition cluster				
School Breakfast Program	10.553	$ 66,295		
National School Lunch Program	10.555	582,787		$ 144,404
Total child nutrition cluster			$ 649,082	
U.S. Department of Education				
Passed through Minnesota Department of Education				
Special education cluster				
Special Education Grants to States	84.027	2,041,833		
Special Education Preschool Grants	84.173	34,477		
Total special education cluster			2,076,310	
Special Education – Grants for Infants and Families	84.181		16,000	
Title I Grants to Local Educational Agencies	84.010		197,884	
Supporting Effective Instruction State Grants	84.367		83,840	
English Language Acquisition State Grants	84.365		26,859	
Passed through SouthWest Metro Intermediate District No. 288				
Career and Technical Education – Basic Grants to States	84.048		12,882	
Total federal awards			$3,062,857	

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

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

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

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

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 273, Edina, Minnesota (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, and have issued our report thereon dated November 13, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

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COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 13, 2019

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 273, Edina, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget's *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 13, 2019

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 273, Edina, Minnesota (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, and have issued our report thereon dated November 13, 2019.

MINNESOTA LEGAL COMPLIANCE

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 13, 2019

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

What type of auditor's report is issued?
- X Unmodified
- ___ Qualified
- ___ Adverse
- ___ Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported

Type of auditor's report issued on compliance for major programs?
- X Unmodified
- ___ Qualified
- ___ Adverse
- ___ Disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	X No

Programs tested as major programs:

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

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

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

INDEPENDENT SCHOOL DISTRICT NO. 273

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2019

			Audit	UFARS	Audit – UFARS
General Fund					
Total revenue			$ 117,099,199	$ 117,099,199	$ –
Total expenditures			$ 113,439,232	$ 113,439,232	$ –
Nonspendable					
	460	Nonspendable fund balance	$ 31,133	$ 31,133	$ –
Restricted					
	403	Staff development	$ 58,820	$ 58,820	$ –
	405	Deferred maintenance	$ –	$ –	$ –
	406	Health and safety	$ –	$ –	$ –
	407	Capital projects levy	$ –	$ –	$ –
	408	Cooperative revenue	$ –	$ –	$ –
	413	Projects funded by COP	$ –	$ –	$ –
	414	Operating debt	$ –	$ –	$ –
	416	Levy reduction	$ –	$ –	$ –
	417	Taconite building maintenance	$ –	$ –	$ –
	424	Operating capital	$ 2,755,476	$ 2,755,476	$ –
	426	$25 taconite	$ –	$ –	$ –
	427	Disabled accessibility	$ –	$ –	$ –
	428	Learning and development	$ –	$ –	$ –
	434	Area learning center	$ –	$ –	$ –
	435	Contracted alternative programs	$ –	$ –	$ –
	436	State approved alternative program	$ –	$ –	$ –
	438	Gifted and talented	$ –	$ –	$ –
	440	Teacher development and evaluation	$ –	$ –	$ –
	441	Basic skills programs	$ –	$ –	$ –
	448	Achievement and integration	$ –	$ –	$ –
	449	Safe schools levy	$ (189,562)	$ (189,562)	$ –
	450	Pre-kindergarten	$ –	$ –	$ –
	451	QZAB payments	$ –	$ –	$ –
	452	OPEB liability not in trust	$ –	$ –	$ –
	453	Unfunded severance and retirement levy	$ –	$ –	$ –
	459	Basic skills extended time	$ –	$ –	$ –
	467	Long-term facilities maintenance	$ –	$ –	$ –
	472	Medical Assistance	$ –	$ –	$ –
	464	Restricted fund balance	$ –	$ –	$ –
	475	Title VII – Impact Aid	$ –	$ –	$ –
	476	Payment in lieu of taxes	$ –	$ –	$ –
Committed	418	Committed for separation	$ –	$ –	$ –
	461	Committed fund balance	$ 1,037,614	$ 1,037,614	$ –
Assigned	462	Assigned fund balance	$ 3,534,808	$ 3,534,808	$ –
Unassigned	422	Unassigned fund balance	$ 6,954,177	$ 6,954,177	$ –
Food Service					
Total revenue			$ 3,040,206	$ 3,040,208	$ (2)
Total expenditures			$ 2,946,520	$ 2,946,522	$ (2)
Nonspendable	460	Nonspendable fund balance	$ –	$ –	$ –
Restricted	452	OPEB liability not in trust	$ –	$ –	$ –
	464	Restricted fund balance	$ 1,100,255	$ 1,100,255	$ –
Unassigned	463	Unassigned fund balance	$ –	$ –	$ –
Community Service					
Total revenue			$ 8,055,590	$ 8,055,590	$ –
Total expenditures			$ 7,925,659	$ 7,925,658	$ 1
Nonspendable	460	Nonspendable fund balance	$ –	$ –	$ –
Restricted	426	$25 taconite	$ –	$ –	$ –
	431	Community education	$ 660,226	$ 660,226	$ –
	432	ECFE	$ 80,107	$ 80,107	$ –
	440	Teacher development and evaluation	$ –	$ –	$ –
	444	School readiness	$ 181,219	$ 181,219	$ –
	447	Adult basic education	$ –	$ –	$ –
	452	OPEB liability not in trust	$ –	$ –	$ –
	464	Restricted fund balance	$ 10,652	$ 10,653	$ (1)
Unassigned	463	Unassigned fund balance	$ –	$ –	$ –

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2019

		Audit		UFARS		Audit – UFARS	
Building Construction							
Total revenue		$	5,550,023	$	5,550,023	$	–
Total expenditures		$	28,122,494	$	28,122,494	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
407	Capital projects levy	$	1,278,344	$	1,278,344	$	–
413	Projects funded by COP	$	–	$	–	$	–
467	Long-term facilities maintenance	$	23,000,223	$	23,000,223	$	–
464	Restricted fund balance	$	798,648	$	798,649	$	(1)
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Debt Service							
Total revenue		$	15,139,831	$	15,139,832	$	(1)
Total expenditures		$	14,672,193	$	14,672,195	$	(2)
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
433	Maximum effort loan	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
467	Long-term facilities maintenance	$	–	$	–	$	–
464	Restricted fund balance	$	2,596,972	$	2,596,972	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Trust							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
Internal Service							
Total revenue		$	872,731	$	872,731	$	–
Total expenditures		$	867,493	$	867,492	$	1
422	Net position	$	489,605	$	489,605	$	–
OPEB Revocable Trust Fund							
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Irrevocable Trust Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Debt Service Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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